



LIMITED LIABILITY PARTNERSHIP
CERTIFIED PUBLIC ACCOUNTANTS BUSINESS DEVELOPMENT CONSULTANTS

Beacon City School District
10 Education Drive
Beacon, NY 12508

ATTN: Audit Committee

We have performed the procedures enumerated below, which were agreed to by the Beacon City School District (the “District”), for the purpose of assisting the Audit Committee in evaluating the existing procurement/purchasing policies, procedures, and practices, particularly regarding related party transactions. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

Procedures Performed:

1. Determine, through observation, inspection, and inquiry, the policies, procedures, and controls that are currently in place over related party transactions within the context of the procurement and purchasing transaction cycle.
 - a. Interview employees
 - b. Observe controls/procedures in practice
 - c. Review District policies
2. Review a representative sample of procurement contracts made during the 2019-2020 year.
3. Identify any opportunities to strengthen existing controls and/or add controls/policies that would benefit the District.

Results of Procedures and Recommendations

Procedure 1:

Interviews/Observations

RBT conducted a series of interviews with District employees at the Business Office, three Department Heads, and two Board Members. Due to the ongoing coronavirus pandemic and the nature of the procedures under review, RBT deemed the interviews sufficient in gathering information.

The following is a summary of the results of the interviews:

1. The District strives to obtain the majority of its purchases of goods and services by piggybacking onto federal municipal contracts, New York state municipal contracts, or cooperative BOCES bids. By piggybacking onto the governmental contracts, these District purchases are exempt from competitive bidding.
2. District employees who are authorized to create purchase requisitions in the District's accounting software (nVision), such as Department Heads, do not consistently attach and/or provide any bid documentation when submitting the purchase requisition. This results in a lack of documentation for the vendor selections in relation to purchases not subject to competitive bidding.
3. The District is not actively monitoring aggregate purchase totals from vendors or like commodities throughout the year. This could result in aggregate purchases accumulating a balance spent that would cumulatively subject the purchases to competitive bidding.
4. In the event that the District chooses a sole source vendor and deems it an exception from competitive bidding, the District does not consistently maintain documentation on the reasons why the sole vendor is deemed as such for purchases/services. Often times, the District's departments continue to use a vendor based on prior history and performance with the District. This is an example of single source vendors, not sole source vendors.
5. District employees authorized to create purchase requisitions do not have internal guidance or purchase regulations for best practices related to purchases not subject to competitive bidding.
6. District employees authorized to create or approve purchase requisitions do not complete conflict of interest disclosure forms annually.

Policies

RBT reviewed the following policies adopted by the District:

1. 6700 Purchasing
2. 6742 Procurement of Professional Services Purchased with Federal Funds
3. 6110 Code of Ethics for all District Personnel
4. 2160 School District Officer and Employee Code of Ethics
5. 5570 Financial Accountability

The following is a summary of the results of the policy review:

1. The District has adopted the legally required policies related to purchasing and code of ethics. During the 2020-2021 school year, the District has not performed an annual review of its purchasing policy, as required by General Municipal Law §104-b.
2. Although the District uses cooperative bidding and/or governmental contracts for purchasing, the District is still responsible for ensuring that the contracts are awarded to the lowest responsible bidder. The District's purchasing policy does not establish thresholds for purchases not subject to competitive bidding.

Procedure 1 (continued):

Policies (continued)

3. District Employees or Officers, and their spouse, are not required to disclose conflicts of interest annually. Instead, District Employees or Officers are supposed to disclose an interest in an actual or proposed contract, purchase agreement, lease agreement, oral agreement, or other agreement to the Board and their immediate supervisor as soon as they become aware of the actual or prospective interest.

Procedure 2:

Procurement Process

In order to review the District's procurement process for purchases not subject to competitive bidding, the District provided RBT with a listing of all non-state contracted vendors for the prior school year (7/1/2019 – 6/30/2020), along with the aggregate purchases from those vendors for the 2019-2020 school year. RBT randomly selected three vendors from this listing. RBT reviewed the general bidding process for each of the vendors to determine if all District's policies were followed.

The following is a summary of the results of the procurement process review:

1. Of the three contracts selected, all three should have been subjected to competitive bidding because the aggregated purchase totals for the school year was greater than the competitive bidding threshold of \$20,000.
2. One of the contracts was exempt from bidding because it was a professional service. The Board approved the contract on June 3, 2019 for the 2019-2020 school year.
3. For the remaining two contracts, some purchases were made throughout the year either via piggybacking on governmental or BOCES cooperative contracts or without any consistent documentation retained.

Procedure 3:

Recommendations

As a result of the procedures and summaries noted above, RBT makes the following recommendations:

1. The District should adopt purchasing regulations for purchases and aggregate purchases not subject to competitive bidding. These purchasing thresholds should explicitly state the dollar amounts for each threshold of purchase and the type of documentation that the requisitioner would need to obtain for that dollar threshold. These purchasing regulations should detail the documentation required for quotes, the documentation retention policy for the quotes, and the utilization of RFPs for professional services. The regulation should also stipulate what documentation would be required in the event that quotes were unable to be obtained.

The following is an example of thresholds for purchases and contracts not subject to competitive bidding:

“The District will require the following methods of competition be used and sources of documentation maintained when soliciting non-bid procurements in the most cost-effective manner possible:

For Purchase Contracts

- a. *Purchase Contracts beginning from \$1 - \$4,999: At the discretion of the Purchasing Department, documentation will includes notations of verbal quotes.*
- b. *Purchase Contracts beginning from \$5,000 - \$20,000: Formal written quotes from at least 3 separate vendors (if available) are required, or formal bid discretion of the Purchasing Agent.*
- c. *Exceeding \$20,000: Sealed bids in conformance with the Municipal Law Section 103.*

Procedure 3 (continued):

Recommendations (continued)

For Public Works Contracts

- a. *Purchase Contracts beginning from \$1 - \$10,000: At the discretion of the Purchasing Department without resort to formal bidding procedures.*
 - b. *Purchase Contracts beginning from \$10,000 - \$34,999: documented telephone/verbal quotes from at least 3 separate vendors (if available), or a Request for Proposal, or a formal bid, at the discretion of the Purchasing Agent, followed up by signed written quotes (faxed or mailed).*
 - c. *Exceeding \$35,000: Sealed bids in conformance with the Municipal Law Section 103.”*
2. The District should review their 6700 purchasing policy annually as stipulated by General Municipal Law §104-b. The review could be documented at the annual organizational meeting.
 3. The District should create a template form for requisitioners to utilize when soliciting bids/quotes for purchases not subject to competitive bidding. In doing so, the District would standardize a clear and concise form for reviewers of purchase requisitions. The template should include the specific good or service being solicited along with the vendor name, address, date of quote/bid received, amount for each item/service requested, and contact information.
 4. The District should reevaluate all vendors currently classified as sole source and determine whether they are actually sole source or single source vendors. The District should document the sole source determination for a vendor in accordance with the purchasing policy. All single source vendors should be subject to purchasing thresholds determined by the District, as described in recommendation #1.
 5. District employees authorized to create purchase requisitions and the Purchasing Department should actively monitor aggregate purchases of like commodities by vendor in order to ensure that all purchases are in conformance with General Municipal Law (“GML”) and the District’s procurement policies.
 6. RBT recommends that the District distribute its adopted Code of Ethics annually to District employees or officers involved in the purchasing process. The District could highlight the conflicts of interest portion and emphasize that each District employee and officer review any contract interests they may have that would require disclosure. RBT also suggests that the Board consider requiring the use of an annual disclosure form as District policy.
 7. The District currently utilizes some blanket Purchase Orders (“POs”) to expedite the purchasing process. RBT recommends that the District review all current POs to ensure that there are no overlapping POs for like commodities and that all POs are set under competitive bidding thresholds. This would assist the District in monitoring purchases made in the aggregate with particular vendors.

This engagement was conducted in accordance with consultation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or a review, the objective of which would be the expression of an opinion or conclusion, respectively, on procurement/purchasing procedures. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the Beacon City School District and is not intended to be, and should not be used by anyone other than the specified parties.

RBT CPAs, LLP

Newburgh, New York
December 31, 2020