



New York City Comptroller
Scott M. Stringer

NEWS

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**COMPTROLLER SCOTT M. STRINGER AUDIT SHOWS SLOPPY
HOUSEKEEPING AT DEPARTMENT OF EDUCATION MAY LEAD TO
OVERPAYMENTS IN CUSTODIAL SUPPLY MANAGEMENT
CONTRACT**

*Inconsistent documentation about bidding process and failure to properly
manage the contract and track expenditures show DOE did not do its due
diligence*

NEW YORK, NY – The New York City Department of Education (DOE) failed to employ adequate controls in awarding and managing a multi-million dollar custodial supply contract for city schools, potentially leaving taxpayers on the hook for millions of dollars, according to an [audit](#) released today by New York City Comptroller Scott M. Stringer.

“The Department of Education failed to take even the most basic measures to oversee its custodial supplies vendor,” Stringer said. “Our audit found that DOE wasn’t able to provide consistent information about how much money had been spent for goods under the contract and relied on the vendor to alert them about any problems, including pricing issues, delays in deliveries or increases in the purchasing volumes, which might entitle them to discounts. Moving forward, DOE must adhere to its own contract requirements and implement tighter safeguards to make sure goods are purchased at competitive prices and supplies are delivered promptly.”

The Comptroller’s audit examined the first three years of the current five-year contract with Strategic Distribution, Inc. (SDI) worth \$88.1 million, with an option to extend another six months for an additional \$8.7 million for the purpose of furnishing and providing on-site delivery of custodial supplies to approximately 1,200 public schools throughout New York City.

DOE’s Division of School Facilities (DSF) is charged with executing and monitoring the contract as part of its responsibility to monitor all aspects of school building operations and maintenance. However, in responding to the audit, the evidence provided by DOE was insufficient to establish that it conducted a fully competitive contract award process, or that it performed an adequate price analysis before it awarded the contract to SDI. DOE could not produce original bid submission documents and gave inconsistent evidence of its bid solicitation and conflicting information regarding the bidding process.

The audit also found DOE did not provide sufficient evidence to establish that it reviewed and maintained management reports and performance indicators that would have allowed it to determine whether the company was meeting contract requirements. Under its contract with DOE, SDI was required to produce four reports at various times during the year that would have enabled DOE to

monitor its expenditures and SDI's performance. DOE could not produce copies of any of the reports, even though it was required to maintain them for six years and, as a reflection of inadequate contract monitoring, provided auditors with three different sets of numbers on the amounts that DOE had spent on purchases.

The Comptroller's auditors were unable to determine the total amount that DOE spent on custodial purchases during the audit period. This information is necessary for DOE to be able to request discounts on future orders under the contract.

Auditors found that DOE was not reviewing key performance indicators which would let them know when they might be entitled to price reductions. In addition, the auditors found that DOE failed to track complaints from custodial staff which would enable them to identify systemic problems with contract performance. As a result, there is a strong risk that the City will end up overpaying for supplies that are purchased.

"DOE's failure to properly monitor the contract on an ongoing basis may have resulted in the payment of higher costs and supply shortages. Competitive vendor selection and effective contract supervision are both necessary to make sure that goods and services are provided at fair, competitive and reasonable prices to reduce waste and inefficiency and to increase public confidence in the procurement process," Stringer said.

The audit urged DOE to:

1. Retain all pertinent documents related to the bidding process in accordance to its rules and policies.
2. Conduct a comparable market analysis or other measures to ensure that the prices quoted in the bids are reasonable prior to deciding to award the contract.
3. Monitor its contract with SDI in accordance with the terms of its contract.
4. Track and compare market prices to the current contract prices and, when applicable, request a reduction in prices.
5. Develop a mechanism for obtaining and analyzing purchasing trends and price data relative to custodial supplies.
6. Develop and implement a formal complaint tracking system.
7. Explore methods to improve communication with its custodians about the purchase of custodial supplies, including surveys, forums and complaint forms.

DOE agreed to implement the seven recommendations, although claimed that they were already in compliance with three of the recommendations.

To read the full audit, please click [here](#).

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