



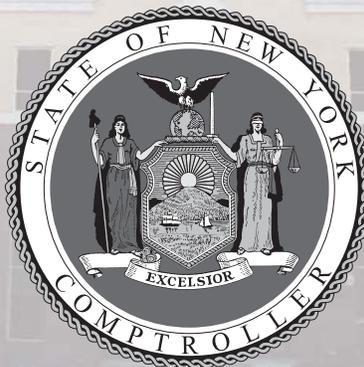
# Kendall Central School District Capital Project

## Report of Examination

Period Covered:

July 1, 2012 – June 9, 2017

2017M-194



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# State of New York Office of the State Comptroller

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## **Division of Local Government and School Accountability**

January 2018

Dear School District Officials:

A top priority of the Office of the State Comptroller is to help school district officials manage their districts efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support district operations. The Comptroller oversees the fiscal affairs of districts statewide, as well as districts' compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving district operations and Board of Education governance. Audits also can identify strategies to reduce district costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the Kendall Central School District, entitled Capital Project. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

This audit's results and recommendations are resources for district officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller  
Division of Local Government  
and School Accountability*

# Introduction

## Background

The Kendall Central School District (District) is located in the Towns of Carlton, Kendall and Murray in Orleans County and the Towns of Clarkson and Hamlin in Monroe County. The District is governed by an elected five-member Board of Education (Board), which is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools (Superintendent) is the chief executive officer and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction.

The District operates two schools with approximately 695 students and 180 employees. General fund budgeted appropriations for the 2016-17 fiscal year totaled \$17.4 million and were funded primarily with State aid and real property taxes.

The District completed a District-wide capital improvement project (Project) in December 2016, which involved constructing, renovating and improving various buildings and sites. The voters approved the Project in May 2013. According to the voter approved proposition, the Project's total estimated cost was not to exceed \$25.2 million. The District planned to use \$5 million from an existing capital reserve, \$1.5 million from unrestricted fund balance and long-term debt to pay for the Project.<sup>1</sup>

The District hired a capital project manager (Manager) to oversee the Project. The Manager reported directly to the Superintendent and was responsible for maintaining capital project records and providing periodic status reports to the Board.

## Objective

The objective of our audit was to assess the District's use of capital project resources. Our audit addressed the following related question:

- Did the District properly and transparently use capital project resources?

## Scope and Methodology

We examined the District's capital project activities for the period July 1, 2012 through June 9, 2017.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such

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<sup>1</sup> The District will be eligible to receive New York State Building Aid (including Expanding our Children's Education and Learning (EXCEL) Aid funds) which can be used to offset a substantial part of the Project's cost.

standards and the methodology used in performing this audit are included in Appendix C of this report.

**Comments of  
District Officials and  
Corrective Action**

The result of our audit and recommendations have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report. District officials did not agree with all of our findings, but indicated they would take appropriate corrective action. Appendix B includes our comment on the District's response.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of General Municipal Law, Section 2116-a (3)(c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education, a written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, with a copy forwarded to the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. The Board should make the CAP available for public review in the District Clerk's office.

## Capital Project

The Board is responsible for overseeing and managing the District's capital projects, including ensuring that capital projects are properly planned and managed, funding is authorized and costs are kept within the approved budget, minimizing the possibility of cost overruns which could have a negative impact on District finances.

The District did not present the Project to the public in a transparent manner. The scope was not set forth in a detailed project plan and District officials could not provide documentation to support the total estimated cost approved by the voters. Finally, the Board did not receive adequate financial reports to properly oversee and monitor the Project. Because the Project's actual cost ended up being below the maximum amount authorized by the voters, District officials had an opportunity to spend approximately \$8.8 million less when the bids came in with estimated costs significantly less than anticipated. However, District officials decided to complete additional work and expand the project scope without informing the voters.

### Proposed Project Plan

The Board and District officials should propose capital projects, subject to voter approval, in a transparent manner. To make an informed decision, voters need to be provided with a sufficiently detailed description of the project scope, including the type of work contemplated, where the work will be performed, what furnishings and equipment will be purchased, estimated costs and information regarding how the District will pay for the project.

District residents were not properly informed prior to voting on the proposition because the Board and District officials did not develop or provide the public with a formal project plan detailing the scope and related costs. The proposition included a general description of the work to be performed and summarized the Project scope as, "construction, reconstruction and equipping of, school buildings and facilities, site and incidental improvements." The proposition also indicated that the estimated maximum cost would not exceed \$25.2 million and included sufficient information regarding the plan for financing the Project. However, District officials told us there was no written plan describing the scope in detail or documentation to support the estimated costs cited in the proposition. Officials indicated that they believed the voters were provided with sufficient information during a public forum presentation (Presentation) held in April 2013.

We reviewed the Presentation documents including drawings, newsletter updates and handouts and found that the documents were

not sufficiently detailed to properly inform voters. The documents provided general descriptions of the work to be performed but detailed cost information was not, only an estimated maximum total cost for the entire Project was provided. For example, the Presentation included the following general descriptions:

- Main Entry - Provide secure entry lobby – single point of entry.
- Emergency System - Update and expand emergency, life safety, security and communication systems.
- Exterior - Repair to exterior walls and water infiltration issues.

Although these descriptions would provide the public with a general idea of the site improvement or repairs to be made, the descriptions did not provide estimated costs for each improvement and did not fully describe what type of security enhancements would be made to the main entry, what updates and expansions would be made to emergency systems or what repairs would be made to the exterior walls.

Without a well-developed, detailed plan in place, the Board cannot adequately monitor the Project and the public cannot obtain a thorough understanding of the Project’s scope or cost.

## **Project Scope**

The District is required to propose all phases of a capital project, including detail of the work’s scope, to SED for approval. SED allows school districts to prepare a “shopping list” of desired items in the original plans and specification “adds” as alternates, in the event that there are remaining appropriations at the project’s end. However, these should be part of the proposition approved by voters.

The District submitted four Project applications to SED in December 2013. The scope described in the applications included reconfiguring the middle school and high school classroom wings, adding on the cafeteria at the junior/senior high school, reconfiguring the main parking lot, abating asbestos at the elementary school, replacing security systems District-wide and upgrading heating, ventilation and air conditioning at the bus garage. In September 2014, the Board awarded contracts to seven vendors totaling \$16.4 million or \$8.8 million below the proposition’s maximum amount.

District officials stated that because the bids came in significantly lower than they had anticipated, they decided to expand the original scope and spend the remaining authorized appropriations. Officials told us that with the assistance of the architect and Manager they

planned a second project phase which included renovations to the science wing, nurse's suite and counseling area at the junior/senior high school.

District officials could have included a list of the other items in the original applications, as alternates, in the event that the cost of the original work is less than anticipated. However, the additional work proposed as part of Phase 2 was not listed as alternates. In October 2015, the District submitted addendums<sup>2</sup> to SED for Phase 2 and in February 2016, the Board awarded additional contracts totaling \$3 million to four vendors.

Although the District did not exceed the total amount authorized by the proposition, had the work added in Phase 2 been included in the original bid specifications, it is possible the larger scope would have attracted more vendors and promoted a more competitive bidding environment.

Additionally, District residents were not afforded the opportunity to voice their opinion on the Board's decision to expand the Project's scope. The Board should have fully disclosed and discussed all substantial proposed Project revisions, as well as the related costs, at one or more Board meetings for public consideration.

## **Board Oversight**

Ultimately, the Board is responsible for providing oversight of and monitoring capital project activity. Periodic reports to the Board that compare capital project expenditures to an approved budget and project plan help ensure that funds are available for expenditures and that expenditures do not exceed authorized amounts.

The Board did not approve a budget or written plan for the Project. The Superintendent indicated that she updated the Board on the Project's general status informally on a weekly basis and Board members told us that the Superintendent kept them well informed. The Manager provided the Board with monthly reports which included pictures and a summary of work completed. However, the reports did not include cost information or sufficient information to allow the Board to properly monitor the Project's progress or determine that expenditures were properly authorized, funding sources were being used properly or that sufficient funds were remaining.

Overall, the Board did not provide adequate oversight in this regard and did not ensure that all relevant information was provided to the

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<sup>2</sup> SED indicated that addendums are meant to be used as updates to a project during the planning period, prior to the award of bids. Initial bids were awarded on September 24, 2014.

public in a transparent manner. Without a budget or written plan, the Board would be unable to properly monitor Project activity or ensure voters were fully informed regarding the work to be performed.

## **Recommendations**

The Board should:

1. Provide voters with specific information on what will be included in a proposed capital project, including detailed descriptions of the improvements to be made and locations where the work will be performed.
2. Adopt a detailed written project plan and budget.
3. Ensure that the District stays within the scope of a capital project. If additional work is approved, the District should maintain an updated project plan at District offices for the public to review.
4. Actively monitor capital project activity and monitor individuals responsible for oversight of capital projects.

## **APPENDIX A**

### **RESPONSE FROM DISTRICT OFFICIALS**

The District officials' response to this audit can be found on the following pages.

12/18/17 ✓  
mailed



KENDALL CENTRAL SCHOOL DISTRICT  
1932 Kendall Road  
Kendall, New York 14476

Board of Education

- Nadine Hanlon**
- Lisa Levett**
- Charles Patt**
- Jason ReQua**
- Chaley Swift**

December 18, 2017

**Julie E. Christensen**  
Superintendent  
(585) 659-2741  
(585) 659-8903 FAX

Office of the State Comptroller  
Division of Local Government & School Accountability  
PSU – CAP Submission  
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Albany, NY 12236

**Nicholas Picardo**  
Executive Director for  
Student Services  
(585) 659-8906  
(585) 659-8904 FAX

To Whom It May Concern:

The Kendall Central School District is in receipt of the audit report prepared by the Office of the State Comptroller. The information presented in the audit demonstrates your intent to provide us with an opportunity to reflect on our operations and governance procedures. This letter serves as our response to this audit and our district corrective action plan.

**Carol D'Agostino**  
Grades 9-12  
(585) 659-2706  
(585) 659-8988 FAX

As indicated at the exit conference, our collective goal is providing a safe and effective learning environment for the Kendall School students and community.

**Kevin Watson**  
Grades 5-8,  
Athletic Director  
(585) 659-2706  
(585) 659-8988 FAX

Corrective Action Plan Response to Recommendations

1. *The Board should provide voters with specific information on what will be included in a proposal, including detailed descriptions of the improvements to be made and locations where the work will be provided.*

**Sharon Smith**  
Grades PreK-4  
(585) 659-8317  
(585) 659-8940 FAX

The Kendall Central School provided the community with information about the proposed Capital Improvement Project during a public forum in April 2013. In addition, information about the scope and locations were posted on the District website, in the District newsletter and displayed on boards in the offices and at events beginning in January of 2013 and continuing through the duration of the capital project.

The Board will continue to provide the community with information about the scope and location of work; including as much detail as possible given required design work and unforeseen conditions that may impact scope. This information will continue to be shared at the Board meetings, on our website and in District newsletters.

2. *The Board should adopt a detailed written project plan and budget.*

A written project and budget was shared with the Board and monthly updates on the plan and budget was reviewed at Board meetings for the duration of the project. A summary of the project plan and budget was also posted on the District website.

See  
Note 1  
Page 12

In the future, the Board will ensure that these documents are formally approved and clearly reflected in the Board minutes.

3. *Ensure that the District stays within the scope of a capital project. If additional work is approved, the District should maintain an updated project plan at District Offices for the public to review.*

The capital improvement project stayed within the voter authorization of \$25.2 million and in actuality, the District stayed below the voter-authorized amount. The scope of the capital improvement project was to improve security; improve health, safety, code; preserve infrastructure; enhance educational environment; and enhance energy efficiencies. Further details within each area were provided to the voters and Board. Additional work aligned with the scope of the project also received approval from the State Education Department, whom also monitor capital project scope and budget. A project plan was available in the District Office, in addition summary and renderings were available in the building offices and on the District website.

The Board will continue to stay within the scope of the capital project as authorized by the voters. The Board and District will ensure an updated project plan is available in the District Offices for public review.

4. *The Board should actively monitor capital project activity and monitor individuals responsible for oversight of capital projects.*

The Board was provided monthly reports from Turner Construction Company; and the Turner Project Manager attended most Board of Education meetings before, during and after construction to directly answer questions. The Board provides the Superintendent with approval, guidance and latitude to oversee scope and budget aspects of the capital project. The Superintendent regularly and directly reports those decisions to the Board.

As noted above, the Board will continue to monitor project activity and individuals responsible for oversight through regular communications.

The Board of Education and the Administration remain diligent in providing safe learning spaces for our students and community while respecting the taxpayers and voter authorized capital project budget and scope. As discussed during our exit interview, the Board is pleased the Comptrollers' Office will be developing a guidance document on Board roles and responsibilities during a Capital Improvement Project to ensure expectations are understood clearly from your offices' perspective. We appreciate the recommendations given in your audit report that maintain the quality educational programs that every student in the Kendall Central School District deserves. As always, the Board and Administration will continue to support our children and community in a fiscally responsible manner through program and facility enhancements and improvements.

Sincerely,

Julie Christensen  
Superintendent

Nadine Hanlon  
Board of Education President

## **APPENDIX B**

### **OSC COMMENT ON THE DISTRICT'S RESPONSE**

#### Note 1

District officials could not provide us with a written plan or Board approved budget for the Project. The Board was provided with informal updates regarding the Project's progress towards completion but was not provided with financial information such as total amounts expended. Without this information, the Board could not have fulfilled its fiscal oversight responsibilities.

## APPENDIX C

### AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed District officials and reviewed policies and procedures, Board resolutions, the Project proposition and other Project-related documents presented at the public forum.
- We reviewed SED approvals and Project addendums.
- We reviewed the Project's contracts, bids and specifications.
- We examined purchases, change orders and supporting documentation and compared this information to the proposition, documentation provided to the public and SED-approved plans.
- We interviewed Board members and reviewed documentation provided to the Board throughout the Project to determine whether the Board provided adequate oversight and properly monitored Project activity.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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**AND SCHOOL ACCOUNTABILITY**

Andrew A. SanFilippo, Executive Deputy Comptroller  
Gabriel F. Deyo, Deputy Comptroller  
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