



Canandaigua City School District

Procurement of Professional Services

Report of Examination

Period Covered:

July 1, 2013 – June 5, 2015

2015M-133



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

September 2015

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 Canandaigua City School District, entitled Procurement of Professional Services. 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 recommendation 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 Canandaigua City School District (District) is located in the City of Canandaigua in Ontario County. The District is governed by the Board of Education (Board) which is composed of nine elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools is the District's chief executive officer and is responsible, along with other administrative staff, for the District's day-to-day management of the District under the Board's direction.

The District operates three schools with approximately 3,600 students and 712 employees. The District's budgeted appropriations for the 2014-15 fiscal year were \$68.7 million, which were funded primarily with State aid, real property taxes and grants.

Objective

The objective of our audit was to review the process and procedures used to procure professional services. Our audit addressed the following related question:

- Does the Board ensure that professional services are procured in a manner to assure the prudent and economical use of public moneys in the best interests of the taxpayers?

Scope and Methodology

We examined the District's professional service procurement process from July 1, 2013 through June 5, 2015.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit is included in Appendix B of this report. Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

Comments of District Officials and Corrective Action

The results of our audit and recommendation have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report. District officials generally agreed with our recommendation and indicated they have already initiated or planned to initiate corrective action.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of the General Municipal Law, Section 2116-a (3)(c) of the 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 finding and recommendation 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.

Professional Services

Seeking competition in the procurement of professional services is not just a matter of ensuring compliance with laws and local policy. The people who are directly responsible for making procurement decisions should create a cost-conscious and thrifty procurement environment in which seeking competition becomes intuitive and “second nature” for the organization.

General Municipal Law (GML) stipulates that goods and services which are not required by law to be procured pursuant to competitive bidding, such as professional services, must be procured in a manner to assure the prudent and economical use of public moneys, in the best interest of the taxpayers to facilitate the acquisition of goods and services of maximum quality at the lowest possible cost under the circumstances, and to guard against favoritism, improvidence, extravagance, fraud and abuse. The Board is responsible for ensuring the development of policies and procedures which clearly provide that alternative proposals or quotes for goods and services shall be secured by the use of written requests for proposals, written quotes, verbal quotes or any other method of procurement which furthers the purposes of GML. The procedures should also require adequate documentation of actions taken with each method of procurement, require justification and documentation of any contract awarded to other than the lowest responsible dollar offerer and set forth circumstances when, or the types of procurement for which, the solicitation of alternative proposals or quotes will not be in the best interest of the District.

We found that although the Board has developed a procurement policy, the corresponding regulations¹ do not provide adequate guidance for seeking competition when procuring professional services. The regulations do not indicate when, or at what monetary threshold, it is appropriate to use written requests for proposals, written quotes or verbal quotes. Additionally, although the policy does require documentation be maintained, the corresponding regulations do not outline the specific documentation requirements to be used during the solicitation process, including documentation for the decisions made. In discussion with District officials we discovered there is a general misconception that District officials are not required to seek competition when procuring professional services, despite this requirement being outlined in the District’s policy.

¹ The District’s regulations contain its procedures.

We reviewed the District’s procurement of services from 21 professional service providers totaling \$1.3 million. We found the District properly sought competition for seven providers, with total expenditures of \$820,953, including the procurement of the District’s external auditor as required by law. However, the District did not properly seek competition for 14 professional service providers totaling \$477,235, as shown in Figure 1.

Figure 1: Professional Services Without Competition

Professional Service	Expenditure
Legal	\$205,693
Special Services for Students	\$84,925
Architect	\$63,534
Consulting	\$47,678
Professional Development	\$20,700
Construction Management	\$20,000
Employee Assistance Program	\$17,765
Internal Auditor	\$16,940
Total	\$477,235

While District officials had reasonable explanations for not seeking competition for some of the professional services procured (e.g., sole source providers), proper documentation of these explanations was not maintained, as required by the District’s procurement policy. Contributing to the lack of documentation was the District’s failure to establish comprehensive procedures in the regulations corresponding to the general documentation requirements of the procurement policy. Although we found that the services procured were for legitimate and appropriate District purposes, by not complying with its procurement policy, District officials and the Board do not have adequate assurance that professional services are being procured in the most economical way and in the best interests of the taxpayers.

Recommendation

1. The Board should revise its procurement regulations to:
 - Require District officials to award professional service contracts only after soliciting competition.
 - Provide guidance as to how competition should be solicited for professional services, including the appropriate use of written requests for proposals, written quotes and verbal quotes.
 - Clarify the documentation requirements to be used during the solicitation process, including documentation for the decisions made.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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



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August 5, 2015

Mr. Edward V. Grant, Jr.
Chief Examiner
Division of Local Government and School Accountability
110 State Street
Albany, New York 12236

Dear Mr. Grant,

The Canandaigua City School District is in receipt of the draft copy of the Procurement of Professional Services audit report for the period covered of July 1, 2013 to June 5, 2015. We are in agreement with the recommendation made in the report and have already begun to implement a correction action plan.

The Board of Education and Administration continually seek to implement best practice procedures to uphold the financial integrity of the District and to act in good faith on behalf of our residents. As such, during the course of the audit, the District began to implement the recommended changes and will continue to do so.

The District's Corrective Action Plan will be implemented by the Superintendent and Assistant Superintendent of Business as follows:

- The recommended changes to the procurement regulation will be presented to the District Audit/Finance Committee on August 19, 2015.
- The changes will be shared with the Board of Education at the August 27, 2015 board meeting.
- The new process will be rolled out to District Administrators and necessary support personnel on September 15, 2015.
- The new process will be fully incorporated into procedures by October 1, 2015.

Thank you for sharing your office's "Best Practices" for the procurement procedures for the School District for professional services which will assist our School District in the future.

Jeanie Grimm
Board of Education President
Canandaigua City School District

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to determine if the Board ensures that professional services are procured in a manner as to assure the prudent and economical use of public moneys in the best interests of the taxpayers. To accomplish our objective, we interviewed District officials and employees, tested selected records and examined pertinent documents for professional services procured from July 1, 2013 through June 5, 2015. Our testing included the following steps:

- We interviewed District officials and staff to gain an understanding of the procurement process as it relates to professional service providers.
- We reviewed minutes of the Board's proceedings and District policies as they related to the scope of our audit.
- We identified the population of professional service providers the District had contracted with during the audit period. We found the District contracted with 31 professional service providers with total expenditures in 2013-14 of \$687,227 and fiscal year expenditures from July 1, 2014 through May 5, 2015 of \$643,205. We found that 21 vendors had annual expenditures at or above \$5,000, totaling \$670,110 in 2014 and \$628,078 year-to-date for 2015.
- For all professional service providers with expenditures at or above \$5,000 which aligned with the District's threshold for the purchase of supplies and equipment, we reviewed documentation to determine if the District was seeking competition in awarding contracts for professional services. We used professional judgment to determine if the services procured were appropriate for a school district. For those services where the District did not seek competition, we inquired with District officials for an explanation.

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 finding and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our finding and conclusions based on our audit objective.

APPENDIX C

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

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