White Plains City School District

Procurement of Professional Services

Report of Examination

Period Covered:
July 1, 2012 — April 30, 2014

2014M-240

Thomas P. DiNapoli
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Division of Local Government and School Accountability

October 2014

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 White Plains 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 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
The White Plains City School District (District) is located in the City of White Plains, Westchester County. The District is governed by the Board of Education (Board) which comprises seven elected members. The Board is responsible for the general management and control of the District’s financial and educational affairs. The Interim 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 under the Board’s direction.

The District operates nine schools with approximately 7,060 students and 1,040 full-time employees. The District’s budgeted appropriations for the 2013-14 fiscal year were $193 million, funded primarily with State aid, real property taxes and grants.

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

• Are professional services being procured in the most economical way and in the best interests of District taxpayers?

We examined the District’s procurement processes for the period July 1, 2012 through April 30, 2014.

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.

The results 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 generally agreed with our recommendations and indicated that they planned to take, or have already taken, corrective action.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of the New York State General Municipal Law, Section 2116-a (3)(c) of the 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.
Professional Services

New York State General Municipal Law (GML) requires every school district to adopt policies and procedures for the procurement of goods and services that are not required by law to be competitively bid. The law provides that goods and services not required to be competitively bid must be procured in a manner that assures the prudent and economical use of public moneys in the best interest of the taxpayers; facilitates the acquisition of goods and services of maximum quality at the lowest possible cost and guards against favoritism, improvidence, extravagance, fraud and corruption.

The appropriate use of a competitive process, such as requests for proposals (RFPs), can help ensure that the District procures professional services on the most favorable terms in the best interests of taxpayers. In general, policies and procedures should establish guidelines for the use of written and verbal price quotations governed by an established dollar threshold, set forth the criteria for determining which method of procurement will be used and provide for adequate documentation of actions related to the procurement.

District officials have established a comprehensive purchasing policy and procedures that provide guidance as to when items must be competitively bid and when proposals or quotes should be obtained for purchases not required to be competitively bid. District policy requires that the procurement of professional services, including insurance, will be awarded after the District contacts a certain number of similar professionals and requests that they submit written proposals.

District officials did not always comply with the District’s purchasing policy and procedures when procuring professional services. Therefore, the Board does not have adequate assurance that services were procured in the most economical way and in the best interests of the taxpayers. We reviewed the procurement of 20 professional service contracts totaling $2.4 million during the audit period. The District properly awarded nine professional services contracts after issuing RFPs for architectural services, special education services, auditing services, legal services and energy performance services and for a graphic artist. However, District officials did not seek competition for nine professional service contracts totaling $908,759 which included the following: $544,256 for general liability insurance,

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1 We judgmentally selected our sample based on type of service procured. For example, we chose vendors who provided services for special education, capital projects, accounting and other general-service type procurements.
$200,000 for a construction manager, $48,784 for investigative services, $39,600 for professional development of District teachers, $24,631 for a homeless student liaison and grant preparer, $25,000 for a school physician, $11,800 for a graphic artist and $14,688 for a Medicaid claim specialist. Furthermore, District officials did not have documentation to support why eight of the nine professional service contract providers were chosen.

District officials provided us various explanations as to why certain contracts were awarded without a competitive process. For example:

- The contract for construction management was discussed and approved by the Board. While the Board understands the need for competition, it felt the process would be without merit because it chose this company based on the District’s prior positive experience with them.

- District officials felt it would not be to the District’s advantage to solicit proposals from other insurance companies because they were planning to continue with the company that insures many of the surrounding districts. However, the District’s procurement policy expressly states that quotes will be solicited for general liability insurance.

- The Assistant Superintendent for Curriculum told us that the District does not issue a RFP for any professional development consultants because consultants are selected based on their experience and expertise in a given area.

- The contracts with the Medicaid claims specialist and the District’s physician and for investigative services were renewed without the use of competition based on the ongoing, positive working relationship they have with the vendors and because there was no increase to the providers’ rates.

In addition, the District contracted with two professional service vendors that provide specialized and unique programs that did not require the use of quotes or an RFP process. The District did not have adequate documentation to support the payment of two claims made to these providers totaling $56,250.

- The District made a $25,000 lump-sum payment to a vendor to provide cultural trips and activities to homeless students.

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2 The District contracts with two investigative service providers. Therefore, this is the combined total for the two vendors.
The District paid another vendor $31,250 for an afternoon reading program.

Each claim voucher had an invoice attached to it that corresponded with the contract on file with the service provider. However, there was no supporting detailed documentation\(^3\) attached to the vouchers to verify that the services were actually rendered to District students.

When District employees do not follow existing policies, the intended controls cannot be effective. When employees do not seek competitive prices for services, the Board has no assurance that the District has obtained the best prices in the best interest of taxpayers. Furthermore, if payments are made to service providers without supporting documentation to verify that the services were rendered, District officials have no assurance that the services were provided.

**Recommendations**

The Board should:

1. Monitor the procurement of professional services to ensure compliance with its adopted policies and all applicable laws and regulations.

2. Ensure that claims are supported with detailed documentation attached to the vouchers to verify that professional services were actually received.

\(^3\) That is an attendance roster, dates and times when the services were provided
APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

The District officials’ response to this audit can be found on the following page.
October 17, 2014

Ms. Tenneh Blamah
Chief Examiner
Newburgh Regional Office
33 Airport Center Drive, Suite 103
New Windsor, NY 12553

Dear Ms. Blamah:

This letter serves as the official response of the White Plains City School District to the New York State Comptroller’s Draft Audit Report on Procurement of Professional Services for the period of July 1, 2012 through April 30, 2014. We have reviewed this report and agree with the findings.

The Board of Education will continue to consider ways in which they can improve fiscal operations. Our Corrective Action Plan will include the following:

- Review of purchasing policies and procedures and make changes where appropriate.
- Audit Committee of the Board of Education to monitor compliance in the procurement of professional services.
- Claims Auditor to validate claims for professional services were properly documented.

We greatly appreciate the work performed by the NYS Comptroller’s Office and believe that the oversight provided benefits all taxpayers.

Respectfully,

Timothy P. Connors
Superintendent of Schools

cc: Board of Education
    Fred Seiler, Assistant Superintendent for Business
Our overall goal was to determine whether the District was procuring professional services at the lowest possible price. To accomplish our objective, we interviewed appropriate District officials and employees, tested selected records and examined pertinent documents for the period July 1, 2012 through April 30, 2014. Our testing included the following steps:

- We interviewed appropriate District officials and employees regarding the procurement policies and procedures.

- We reviewed purchasing records, tested selected transactions and claims and examined pertinent documents to determine whether purchases complied with District policies.

- We reviewed cash disbursement data to identify vendors who appeared to be professional service providers for the audit period. From that data, we judgmentally selected 20 vendors (10 from 2012-13 and 10 from 2013-14) for testing. For each of these vendors, we reviewed the contracts and compared payments (we selected the highest payment made to each vendor) to contracts to determine whether payments agreed with contract terms and the service provisions were met. We reviewed documentation supplied with voucher packets for evidence that the services were rendered (if applicable).

- We reviewed the RFPs for compliance with the District’s policy ensuring that competition was sought; the lowest-priced, responsible vendor was selected; the District sought performance guarantees (if applicable); vendors were in compliance with the guarantees; and the vendor selection was documented and properly approved.

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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