

Niskayuna Central School District

Capital Improvement Project

AUGUST 2019



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Niskayuna Central School District

Audit Objective

Determine whether District officials properly established, monitored and accounted for the capital improvement project.

Audit Results

District officials properly:

- Established the capital project budget for the eight school buildings and transportation facility improvement project.
- Monitored and accounted for the capital project, and ensured that work completed was within the scope of the project.

We reviewed the project budget and all 136 project claims totaling approximately \$4.9 million and all 56 project change orders totaling \$315,366 for the audit period and found that District officials properly established, monitored and accounted for the capital project.

There were no recommendations as a result of this audit.

Background

The Niskayuna Central School District (District) serves the Towns of Niskayuna and Glenville in Schenectady County, Clifton Park in Saratoga County and Colonie in Albany County. The seven-member Board of Education (Board) is responsible for the general management and control of financial and educational affairs.

The Superintendent of Schools (Superintendent) is the District's chief executive officer and is responsible, for day-to-day management. The Director of Business and Finance (Director) is responsible for budget development and administration.

The District began a \$5.6 million capital project for capital improvements to eight school buildings and the transportation facility during 2016-17. The Superintendent, Director and Director of Facilities collectively manage the capital projects.

Quick Facts

| | |
|------------------------|----------------|
| Enrollment | 4,300 |
| 2018-19 Appropriations | \$84.2 Million |
| Project Appropriations | \$5.6 Million |

Audit Period

July 1, 2016 – February 28, 2019

Capital Improvement Project

How Should the Board Plan and Authorize Capital Projects?

Proper planning of a capital project (project) requires the board have a thorough understanding of the project's overall scope and cost before authorizing the project. Estimated costs must be realistic to allow the board to plan sufficient financing for the project. The board should adopt a resolution at the project's inception to identify the project scope, authorize the maximum project cost and establish how the project will be financed.

In general, capital projects involving building improvements require approval by district voters. Taxpayers should be informed of the project's scope and planned financing before the public vote. District officials are required to propose all phases of a capital project, including details of the scope of work to be performed, to the New York State Education Department (NYSED) for approval.

The board should determine who will be responsible for day-to-day project monitoring to ensure the project is completed within the established time frames, in line with the proposed costs. The board should also seek requests for proposals or competitive bids for the work performed to ensure that contracts provide the best value for the taxpayers.

Officials Properly Planned and Authorized the Capital Improvement Project

District officials conducted a building conditions survey (completed in 2015) to identify District-wide improvement needs for each school building. Based on the survey results, officials developed plans to address the identified building improvements. The Board held a public meeting in October 2016 at which the project architect (retained by officials) presented the proposed capital project to the taxpayers in attendance. The architect informed taxpayers that the project would be performed in two phases (1A and 1B) consisting of health, safety and infrastructure work identified in the building conditions survey.¹

At this meeting, the Board adopted a resolution calling for a proposition to be submitted to the voters seeking approval of the capital project with a maximum cost of \$5.6 million, to be funded by State aid and debt issuance. The project was approved by the voters on December 6, 2016.

District officials signed a contract later that December with a project manager² based on the review of proposals received in response to their request for proposals for the position. Proper approval was obtained from NYSED before work began on both project phases (1A and 1B).

¹ Phase 1A included project work to be performed at one middle school building and the transportation facility. Phase 1B was for work to be performed at all eight school buildings.

² The role of the project manager is to act as a liaison between the architects, contractors and officials and to inspect and monitor the capital project to ensure adherence to architectural specifications and quality.

Once approval was obtained from NYSED, the Board in conjunction with the architect and project manager prepared estimated costs for phase 1A of \$1.7 million and phase 1B of \$3.9 million and properly obtained and approved competitive bids for both phases.

Both phases were completed in a timely manner, under budget. Officials estimate that the total cost for both project phases will be approximately \$400,000 less than the estimated costs. As a result, officials added another project (phase 1C) for boiler replacements and plan on starting this phase during the summer of 2019-20 school year.³

How Should Capital Projects Be Monitored and Financial Transactions Be Recorded?

District officials are required to ensure that all work, as approved by voters and NYSED, has been completed and is within the project scope. The board should review and approve any amendments to project plans to confirm that all changes are valid and are within the project scope. Officials should prepare an itemized budget to be used to monitor project costs and scope.

Complete and accurate accounting records for projects are necessary for project management and proper financial reporting. Because projects are budgeted on an individual project basis, an individual project fund should be established for each authorized project to document the project's complete financial history, including assets, liabilities, fund equity and results of operations (revenues and expenditures).

All claims for goods and services related to the project should be audited and approved before payment. An effective claims audit process helps ensure that every claim is subjected to an independent, thorough, deliberate and timely review before authorizing payment. In addition, the audit should ensure that each claim contains adequate supporting documentation to determine the amount claimed represents an actual and necessary project expenditure and is in accordance with any executed contracts.

Project records must be maintained in a manner that allows for a ready comparison of the budget to actual financing sources received and expenditures incurred throughout the course of the project.

³ District officials have obtained approval from NYSED for phase 1C of the project.

Officials Properly Monitored the Capital Improvement Project

District officials met with the architect and project manager on a weekly basis during the course of construction and monitored both project phases by reviewing work-in-progress, change orders and inspecting the work completed. The Superintendent provided the Board with updates on the status of work completed, a timeline for the construction to be completed and the budget status for each phase. Additionally the Superintendent properly approved all change orders according to District policy.⁴

We reviewed all 12 change orders totaling \$178,461 associated with phase 1A (11 for additional roofing costs of \$176,687 and one for additional plumbing costs of \$1,774). We also reviewed all 44 change orders for additional unforeseen issues totaling \$136,905 associated with phase 1B (16 change orders were for general construction cost of \$52,727, 14 for electrical cost of \$37,288, six for plumbing cost of \$17,953, five for mechanical costs of \$30,653 and three for roofing cost with a deficit balance⁵ of \$1,716). We determined all change orders were for appropriate purposes and were reviewed by the contractor, architect, project manager, Superintendent and NYSED.

The Director Maintained Accurate Project Accounting Records

The Director established adequate capital project records necessary to account for and monitor the capital improvement project. We found that project transactions were accurately recorded in a timely manner. In addition, officials issued approximately \$4.9 million in bond anticipation notes (BANs) and \$315,000 in BANs redeemed from appropriations to finance the project and accurately accounted for this debt in the accounting records.

The Board Adequately Reviewed and Approved Project Claims

We reviewed all 136 claims related to the capital project totaling approximately \$4.9 million during the audit period to determine whether the claims were supported by adequate documentation, for appropriate purposes, correctly recorded as project expenditures and audited and approved before payment.

4 In April 2017, the Board approved a contractor change order approval and authorization process policy. The Board-approved policy authorizes the Superintendent to approve change orders up to \$50,000 while change orders exceeding \$50,000 must be approved by the Board.

5 Two change orders totaled \$7,845. However, officials received a credit from the contractor in the amount of \$9,561 resulting from damage caused to the roofing system during construction.

We found all claims were supported by adequate documentation, for appropriate purposes, correctly recorded as project expenditures and were audited and approved by the claims auditor before payment. As a result, officials fulfilled their responsibility to review and approve claims and had accurate records available to help monitor project progress.

Conclusion

Overall, we found that the Board properly authorized the capital improvement project and ensured the project was adequately funded. In addition, change orders were for appropriate purposes and properly approved. Furthermore, the claims auditor conducted an effective audit of project claims before payment and the Director maintained adequate capital project accounting records, which allowed officials to effectively monitor the project status.

Appendix A: Response From District Officials



NISKAYUNA CENTRAL SCHOOL DISTRICT

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August 2019

Jeffrey P. Leonard, Chief Examiner
Office of the New York State Comptroller
Glens Falls Regional Office
One Broad Street Plaza
Glens Falls, NY 12801

Dear Mr. Leonard:

From late 2018 through early 2019, auditors from the Office of the New York State Comptroller examined practices related to the establishment and fiscal oversight of a district capital project for the period from July 1, 2016, through February 28, 2019. As a result of this review, it was determined that district officials properly established, monitored and accounted for the capital project. The audit resulted in no recommendations. We thank the Comptroller's Office for its work in Niskayuna and appreciate this result.

A school district's greatest responsibilities include educating children and being a responsible steward of taxpayer money and capital assets. The Niskayuna governance team, made up of our Board of Education and central administration, take financial planning and oversight very seriously. This audit recognizes that with regard to this capital improvement project, we put all of the necessary, responsible and appropriate systems in place. As we look to a second phase of facilities improvements, these practices will continue.

In closing, we again thank the Office of the New York State Comptroller for its work and this affirmation of the district's approach to capital project authorization and fiscal oversight.

Sincerely,

Brian Backus
Board of Education Vice President

Cosimo Tangorra, Jr., Ed.D.
Superintendent of Schools

Appendix B: Audit Methodology and Standards

We conducted this audit 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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed District officials and reviewed the Board minutes to determine whether the Board adopted a resolution at the inception of the project that identified the project, authorized the maximum estimated cost and established how the project would be financed and prepared an itemized budget for the project.
- We reviewed all claims during the audit period to determine whether they were supported by adequate documentation, for appropriate purposes, correctly allocated to the project and audited and approved before payment.
- We reviewed all change orders to determine if they were for an appropriate purpose, properly reviewed and approved by the District Officials. We also verified if all change orders were approved by NYSED. We reviewed the total cumulative amount of the change orders to determine if the increase in the contract price was reasonable compared to the approved original contract amount.
- We reviewed the District's accounting records during the audit period to determine whether separate accounting records including assets, liabilities, fund equity, revenues and expenditures were maintained for the project.
- We reviewed all financing sources received related to the project during the audit period to determine whether they were posted accurately in the accounting records.
- We reviewed all expenditures related to the project during the audit period to determine whether they were posted accurately in the accounting records.
- We reviewed all request for proposal information and bid information to determine if the Board and District officials solicited competition for these services and contracts.
- We compared approved project budgets submitted to NYSED to actual costs to determine if phase 1A and 1B of the project were completed under budget.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). 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.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/localgov/costsavings/index.htm

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/localgov/planbudget/index.htm

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/localgov/pubs/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/localgov/finreporting/index.htm

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/localgov/researchpubs/index.htm

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/localgov/academy/index.htm

Contact

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