

Warwick Valley Central School District

Professional Services

SEPTEMBER 2019



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

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Report Highlights

Warwick Valley Central School District

Audit Objective

Determine whether the District procured professional services in accordance with Board policies and applicable statutory requirements.

Key Finding

- District officials did not seek competition for professional services from four of the 12 professional service providers reviewed. These providers were paid \$740,600 during the audit period.

Key Recommendations

The Board should:

- Review and update the procurement policy to be sure it sets forth the expectations for the procurement of professional services.
- Ensure that the procurement policy requirement that professional services be procured using requests for proposals (RFPs) is followed.

District officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

Background

The Warwick Valley Central School District (District) is located in Orange County and covers most of the Town of Warwick. Students in those portions of the town near the Village of Florida and the Village of Greenwood Lake attend other districts. 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 financial and educational affairs. The Superintendent of Schools is responsible, along with other administrative staff, for day-to-day management under the Board's direction.

The Board appointed the Assistant Superintendent for Business as the purchasing agent who is responsible for implementing the procurement policy.

Quick Facts

Employees	536
Enrollment	3,500
2018-19 Appropriations	\$92.8 million
Professional Service Providers	75
Amount Paid to Professional Service Providers	\$3.5 million

Audit Period

July 1, 2017 – March 31, 2019

Professional Services

How Should a School District Procure Professional Services?

New York State General Municipal Law (GML) requires school districts to adopt written policies and procedures for procuring goods and services not subject to competitive bidding requirements, such as professional services.¹ GML states that the procurement of these goods and services must be in a manner that ensures the prudent and economical use of public funds in the best interest of taxpayers, and not be influenced by favoritism, extravagance, fraud or corruption. Using RFPs is an effective way to ensure that the district procures services for the best price.² In addition, a board should review and update its policies and procedures to be sure they set forth its expectations for the procurement of professional services.

The District's procurement policy requires that professional services be procured using RFPs to protect the District's interests and to avoid the appearance of favoritism or impropriety and, although not necessarily bound to select the lowest bidder in response to its RFP, adequately document its selection process to demonstrate its economical and prudent use of public monies and to ensure fair competition.

Officials Did Not Always Seek Competition for Professional Services

We identified 75 professional service providers who were paid a total of \$3.5 million during our audit period. We selected and reviewed the contracts of 12 professional service providers who were paid a total of \$2.5 million. District officials did not seek competition for services from four of these 12 professional service providers who were paid a total of \$740,600. Their services included engineering, occupational therapy, medical care for a student in transit and legal services.

District officials stated that the engineering service provider was obtained when the prior engineering firm was terminated for recommending repair/replacement work that was not necessary in the midst of a capital repair project. Because the District was in the middle of a capital repair project, officials decided to contract with a firm that one of the officials had previously worked with while employed at another school district.

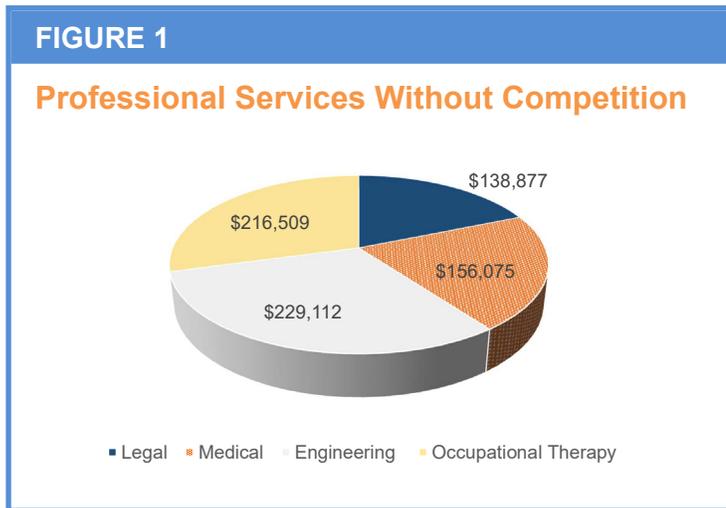
At the end of 2017-18 fiscal year, the occupational therapy group used by the District dissolved due to the retirement of one of the group's members. The remaining parties formed a new occupational therapy group that the District hired for 2018-19. There was no RFP used to seek competition prior to hiring

1 GML Section 104-b

2 Refer to our publication *Seeking Competition in Procurement* available on our website at www.osc.state.ny.us/localgov/pubs/lgmg/seekingcompetition.pdf

the newly formed group. In addition, the last time the District utilized an RFP for occupational therapy services was at least 17 years ago.

In addition, the District has a contract with an outside company to provide transportation for a student with special needs. The outside company uses a medical care provider, and the District pays the medical care provider directly. District officials did not seek competition for this service. Finally, District officials stated that the current legal service provider was hired when a senior attorney with the previous provider left that firm. Officials stated that other school districts in Orange County use the service provider and their lawyers have vast experience in education law. However, the District policy does not include provisions for the use of certain vendors based on the recommendations of other districts or their past experience with the provider. Figure 1 shows the amount spent during the audit period for each of the four services.



District officials did not always seek competition for professional services in accordance with the adopted policy. When District officials do not seek competition, they cannot assure taxpayers that procurements are made in the most prudent and economical manner, without favoritism.

What Do We Recommend?

The Board should:

1. Review and update the procurement policy to be sure it sets forth the Board's expectations for the procurement of professional services.
2. Ensure that the procurement policy requirement that professional services be procured using RFPs is followed.

Appendix A: Response From District Officials

Warwick

WARWICK VALLEY CENTRAL SCHOOL DISTRICT

September 5, 2019


Office of the New York State Comptroller
33 Airport Center Drive, Suite 103
New Windsor, NY 12553

Dear 

The Warwick Valley Central School District is in receipt of the draft copy of the audit report titled, Professional Services, Report of Examination 2019M-139 for the period covered, July 1, 2017 - March 31, 2019. Please allow this letter to serve as the District's written response to the Draft Audit Report as well as the Corrective Action Plan.

For the past several months, your evaluation of District internal controls was further confirmation that we are generally promoting efficiency and protecting District assets from loss or misuse. With that said, the District is in agreement with the specific audit results around Professional Services and believes the recommendations will further improve District operations.

The District wishes to express gratitude to the local field staff of the Comptroller's office for their professionalism while performing this audit. We welcome the opportunity to strengthen our operations related to the procurement of professional services.

The following is the District's corrective action plan in response to the audit report titled, Professional Services, Report of Examination 2019M-139 for the period covered, July 1, 2017 - March 31, 2019.

Audit Recommendation 1: Review and update the procurement policy to be sure it sets forth the Board's expectations of professional services.

Implementation Plan of Action: The policy committee will strongly consider adding language regarding the procurement of professional services.

Implementation Date: November 2019

P.O. BOX 595, WARWICK, NEW YORK 10990-0595 PHONE (845) 987-3000

Audit Recommendation 2: Ensure that the procurement policy requirement that professional services be procured using RFPs is followed.

Implementation Plan of Action: The Purchasing Agent will follow the updated procedures and the Internal Claims Auditor will be monitoring this process.

Implementation Date: October 2019

Sincerely,

Sharon Davis
President, Board of Education

David Leach, 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 reviewed the Board's adopted policies and written procedures to determine whether they sufficiently addressed procuring goods and services that are not subject to competitive bidding, in accordance with statutory requirements.
- We interviewed the Board and District officials to gain an understanding of the District's procurement operations and practices.
- We reviewed cash disbursement data for our audit period from which we removed payroll, debt services, tuition and reimbursement transactions and disbursements to vendors who did not provide professional services. We identified 75 professional service providers.
- We reviewed our population of professional service providers with District officials to determine whether all the vendors we identified were in fact professional service providers. We reviewed payments totaling \$2.5 million for the 12 providers that were paid over \$100,000 for the audit period and related documentation to determine whether the District sought competition when awarding contracts for professional services. If competition was sought, we reviewed documentation to determine whether justification for the award was reasonable. For those services where the District did not seek competition, we made inquiries of officials to determine why competition was not sought.

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.

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.

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, pursuant to Section 35 of General Municipal Law, Section 2116-1(3) (c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education. To the extent practicable, implementation of the

CAP must begin by the end of the 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. We encourage the Board to make the CAP available for public review in the Clerk's office.

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

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

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

Local Government and School Accountability Help Line: (866) 321-8503

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