



Williamson Central School District Procurement of Professional Services

Report of Examination

Period Covered:

July 1, 2014 – January 11, 2016

2016M-55



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

June 2016

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 Williamson Central 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*

Introduction

Background

The Williamson Central School District (District) is located in the Towns of Ontario, Marion, Sodus and Williamson in Wayne County. The District is governed by the Board of Education (Board) which is composed of five 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 under the Board's direction. The business administrator is responsible for Business Office functions.

The District operates three schools with approximately 1,065 students and 235 employees. The District's budgeted appropriations for the 2015-16 fiscal year are \$22 million, which are funded primarily with State aid and real property taxes.

Objective

The objective of our audit was to review the procurement of 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 District residents?

Scope and Methodology

We examined the District's procurement of professional services for the period July 1, 2014 through January 11, 2016.

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 are 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 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 they planned to initiate corrective action.

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.

Procurement of 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 District residents 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 competition, such as a written request for proposals process (RFP), 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. In addition, New York State Education Law specifically requires school districts to use an RFP process when contracting for annual audit services and limit the audit engagement to no longer than five consecutive years.

In addition, the Board and each professional service provider should enter into a written agreement indicating the contract period, the services to be provided, the timetable for completion and the basis for compensation. A proper agreement provides a clearly defined and mutually agreed-upon basis for the services to be provided and entitlement to payment.

Although the Board has developed a purchasing policy and District officials have developed corresponding regulations, they do not provide guidance for seeking competition when procuring professional services. The policy and regulations do not indicate when, or at what monetary threshold, it is appropriate to use an RFP process, written quotes or verbal quotes. Additionally, the policy and

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 found that there are also no informal guidelines to ensure competition is sought for professional services.

During the period July 1, 2014 through December 31, 2015, the District paid 21 professional service providers \$249,943. We reviewed the procurement of services from 12 providers that were paid \$236,351 (95 percent).¹ The District sought competition for four service providers that were paid \$102,456 (43 percent). However, the District did not seek competition for eight providers that were paid \$133,895 (57 percent), as shown in Figure 1. This includes the external auditor for which the District is required by law to seek competition through an RFP every five years. The District’s last RFP for this service was for 2008-09 (with five years extended through 2012-13). The District continued to use the same external auditor for two more years through 2014-15. District officials told us that the Board of Cooperative Educational Services (BOCES) is in the process of completing an RFP on behalf of the District for next year.

Professional Service	Expenditure
Special Services for Students (3)	\$65,950
External Auditor	\$30,825
Consulting	\$12,106
Construction Management	\$9,961
Physician	\$8,511
Environmental Inspections	\$6,542
Total	\$133,895

Although District officials verbally provided us with reasonable explanations for not seeking competition for some of the professional services procured (such as sole source providers), they did not document their method or reason for selecting the providers. District officials were also unable to provide adequate supporting documentation for the four professional service procurements for which they had sought competition, including RFPs, responses and support for vendor selection decisions.

¹ We reviewed all providers paid more than \$5,000. See Appendix B – Audit Methodology and Standards for further details.

Further, the District did not have formal written agreements with four of the professional service providers that were paid more than \$5,000. District officials told us that for two of these providers they used bid/quote award documentation. While the District does not have a contract with the school physician, the District had Board minutes and other documentation describing the service to be provided, the dates of service and the compensation. The District provided written agreements for seven providers² and one provider was obtained through BOCES so the District is not directly responsible for a contract.

Although the services procured were for legitimate and appropriate District purposes, when the Board does not require the use of competition for obtaining professional services, the Board and District officials do not have assurance that professional services are procured in the most economical way and in the best interests of District residents. Additionally, without written agreements detailing the type and timeframe of services to be provided and the compensation to be paid, the District may not be receiving all of the agreed-upon services or could pay more for services than intended.

Recommendations

The Board should:

1. Revise its procurement policy and require District officials to amend District regulations to:
 - Provide guidance as to how competition should be solicited for professional services, including the appropriate use of RFPs and requests for written quotes and verbal quotes.
 - Provide guidance for the documentation requirements during the solicitation process, including documentation for the decisions made.
 - Require District officials to award professional service contracts only after soliciting competition.
2. Enter into a written agreement with each professional service provider, indicating the contract period, the services to be provided, the timetable for completion and the basis for compensation.

² We found one agreement did not contain sufficient information because it did not include a timeline for the completion of audit services.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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



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May 5, 2016

Mr. Edward V. Grant Jr., Chief Examiner
Division of Local Government and School Accountability
Office of the State Comptroller
The Powers Building
16 West Main Street – Suite 522
Rochester, New York 14614

Dear Mr. Grant:

The Williamson Central School District is in receipt of the Comptroller's draft audit report of the District's professional services procurement procedures for the period covering July 1, 2014 through January 11, 2016.

We have reviewed the report and concur with its findings. We take pride in what we do here at Williamson CSD and remain committed to strive for continuous improvement in all areas of operation. We appreciate the valuable insight that the audit process provided and were pleased to hear that the audit went well.

The audit was conducted very professionally. As such, we would like to extend our appreciation to the field auditors and other staff involved with the examination of our financial operations. The auditors provided positive and constructive feedback to our staff, administration, and to our Board.

We have begun to address the findings of this report that will ensure an improved process in procuring professional services in the future. In addition, our formal corrective action plan will be written upon the acceptance of the final audit report.

We again appreciate the work of the auditors and the opportunity to respond to your report.

Greg Macaluso
Superintendent of Schools

Michael L. Collins
Board of Education President

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to determine if the Board ensures that professional services are procured in a manner to assure the prudent and economical use of public money in the best interests of District residents. To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed District officials and employees to gain an understanding of the procurement process for professional services.
- We reviewed Board minutes, the District's purchasing policy and regulations, the code of ethics for personnel and the code of ethics for Board members.
- We reviewed vendor history reports and inquired with District officials to identify the population of professional service providers the District paid from July 1, 2014 through December 31, 2015. We found the District paid 21 professional service providers \$249,943 during this period. This includes 12 providers that had annual expenditures at or above \$5,000 totaling \$236,351.
- 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 sought competition in awarding contracts. 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 the District for an explanation.
- We reviewed written agreements with professional services providers who received payments in 2014-15 and 2015-16 (year-to-date).

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.

APPENDIX C

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