



Edgemont Union Free School District

Procurement of Professional Services

Report of Examination

Period Covered:

July 1, 2014 – January 13, 2016

2016M-126



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

July 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 Edgemont Union Free 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 Edgemont Union Free School District (District) is located in the Town of Greenburgh in Westchester County. The District is governed by the Board of Education (Board) that is composed of seven 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 District operates three schools with approximately 1,900 students and 400 employees. The District's budgeted appropriations for the 2015-16 fiscal year were \$54.1 million, which were funded primarily with State aid and real property taxes.

The Assistant Superintendent also acts as the District's purchasing agent and is responsible for approving all purchases and ensuring that they are made in accordance with District policy and applicable laws. District expenditures for professional services during the 2014-15 fiscal year were approximately \$1.6 million.

Objective

The objective of our audit was to review internal controls over the District's procurement process. Our audit addressed the following related question:

- Did the Board adopt a comprehensive procurement policy in accordance with applicable laws?

Scope and Methodology

We examined the District's professional service procurement process for the period July 1, 2014 through January 13, 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 take 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.

Professional Services

Competitive bidding is not required to procure professional services that involve specialized skill, training and expertise; use of professional judgment or discretion; or a high degree of creativity. However, New York State General Municipal Law (GML) requires school districts to adopt written policies and procedures for the procurement of goods and services, such as professional services, that are not subject to competitive bidding requirements. GML states that goods and services that are not required by law to be bid must be procured in a manner to assure the prudent and economical use of public moneys, in the best interest of taxpayers to ensure 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 establishing comprehensive policies and ensuring that District officials develop procedures for procuring professional services to comply with GML requirements. Using a request for proposals (RFP) is an effective way to ensure that the District receives the most favorable terms and conditions when procuring professional services. The appropriate use of competition provides residents with the greatest assurance that services are procured in the most prudent and economical manner without favoritism. It is also a good business practice for the Board to include a provision in the procurement policy to solicit competition for professional services at reasonable intervals. Procedures should require District staff to retain adequate documentation of actions taken with each method of procurement and require justification and documentation of any contract awarded to vendors that were not the lowest responsible dollar offer.

The Board did not adopt a comprehensive procurement policy because it did not address the procurement of professional services. In addition, District officials did not develop or implement procedures for staff to follow when procuring professional services. Therefore, District staff did not have any guidance to determine when they should use competition, such as an RFP process or written or verbal quotes. Also, staff did not have any direction for maintaining required documentation during the solicitation process, including documentation requirements for decisions made.

During our audit period, the District paid 39 professional services providers a total of \$2.3 million. We reviewed all 33 service providers that had individually received payments totaling at or above \$2,500 to

determine whether the District had used competition when awarding contracts for professional services. District officials properly sought competition when procuring the services of five providers¹ who received payments totaling \$1.2 million. However, the District procured the services of three of those five providers² more than seven years ago.

District officials did not seek competitive proposals or quotes for the remaining 28 professional service providers who received payments totaling \$1.1 million. This included services for students³ with payments totaling \$570,339, legal services for \$228,085 and consulting services for \$85,930.

District officials told us that they had not sought competition for these professional service providers because the District was satisfied with the services provided, fees had not increased for few years and the providers had been working for the District for many years. Because District officials did not seek competition for these professional services, they and the Board cannot be certain or assured that the services were procured in the most prudent and economical manner without favoritism.

Recommendations

The Board and District officials should:

1. Amend the purchasing policy and develop procedures to provide guidance to staff when procuring professional services, including soliciting competition, obtaining written and verbal quotes, maintaining appropriate documentation and documenting the decision-making process for the service provider chosen.
2. Procure professional services using a competitive method, such as an RFP process, and ensure that District staff solicit competition for these services at reasonable intervals.

¹ An external auditor, architect, internal auditor, insurance provider and home schooling provider

² The architect, internal auditor and home schooling provider

³ These services included occupational therapy, physical therapy, a vision specialist and a speech language pathologist.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

EDGEMONT UNION FREE SCHOOL DISTRICT

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Victoria S. Kniewel, Ed.D., Superintendent of Schools
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May 26, 2016

Ms. Tenneh Blamah
Chief Examiner of Local Government and School Accountability
State of New York Office of the State Comptroller
Newburgh Regional Office
33 Airport Center Drive, Suite 103
New Windsor, New York 12553

Dear Ms. Blamah:

Please accept this letter as notification that the Edgemont Union Free School District (UFSD) has received and reviewed the draft findings that resulted from the audit conducted by the Comptroller's Office during January 2016 through March 2016. The district is appreciative of the input from the auditors, and we will address the recommendations in our corrective action plan.

The District thanks your team for their professionalism and courtesy during our audit. The examiners were respectful of our staff and their busy schedules.

A foundational belief of the Edgemont UFSD is to maintain and enrich an excellent Edgemont education through collaboration with all stakeholders in the school community in a manner that is fiscally responsible. This audit will assist us in maintaining our high standards.

If additional information is required please contact Susan Shirken, Assistant Superintendent of Schools, sshirken@mail.edgemont.org.

Sincerely,

Victoria Kniewel
Superintendent of Schools

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed District officials 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 relate to the scope of our audit.
- We obtained a list of professional service providers and payments made to these providers during our audit period. We reviewed cash disbursement data to identify vendors who appeared to be professional service and insurance providers for our audit period.
- The District contracted with 39 professional service providers with total expenditures in 2014-15 of \$1,623,992 and fiscal year expenditures from July 1, 2015 through January 13, 2016 of \$686,830. Of the 39 providers, we selected to review 33 that had individually received payments totaling at or above \$2,500 that aligned with the District's threshold for the purchase of supplies and equipment. We reviewed documentation to determine whether the District sought competition when awarding contracts for professional services and determined whether the services procured were appropriate school district expenditures. For those services where the District did not seek competition, we interviewed District officials to determine whether the services provided were appropriate District expenditures.
- We determined whether Board resolutions or written agreements existed with respect to contracts for professional services. For vendors with Board resolutions and contracts, we selected the highest paid claim for each of the professional services claims and reviewed and compared payments to Board resolutions or contracts to determine whether payments agreed with contract terms. We reviewed documentation supplied with voucher packets for evidence that the services were rendered, if applicable.

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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