



Oceanside Union Free School District Professional Services

Report of Examination

Period Covered:

July 1, 2014 – April 19, 2016

2016M-281



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

November 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 Oceanside Union Free School District, entitled 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 Oceanside Union Free School District (District) is located in the Town of Hempstead in Nassau County. The District is governed by the Board of Education (Board), which 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 (Superintendent) 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 10 schools with 5,566 students and 1,619 full- and part-time employees. The District's budgeted appropriations for the 2016-17 fiscal year are \$147.2 million, funded primarily with State aid and real property taxes.

Objective

The objective of our audit was to examine the District's procurement procedures for obtaining professional services. Our audit addressed the following related question:

- Are professional services being procured in accordance with the District's procurement policy?

Scope and Methodology

We examined the District's requests for proposals from professional service providers for the period July 1, 2014 through April 19, 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 recommendation 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 recommendation and indicated they plan 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.

Professional Services

General Municipal Law requires school districts to adopt written policies and procedures for the procurement of goods and services that are not subject to competitive bidding, such as professional services, to ensure that these services are obtained from qualified providers at the most economical cost. While not legally required, using competition, such as a request for proposal (RFP) process, is an effective way to ensure that desired professional services are obtained at the best price while guarding against favoritism, extravagance, fraud and corruption.

The Board adopted a procurement policy requiring District officials to solicit formal written quotes from at least two sources for professional services costing from \$5,000 through \$15,000. For professional services above \$15,000, District officials should issue an RFP to obtain proposals from at least three sources. Professional services under \$5,000 are obtained at the discretion of the Superintendent. District policy also requires that, if professional services are not procured at the lowest cost, they will be awarded at the District's discretion and the reasons should be documented; in such a case, quotes or proposals are to be obtained at least every five years.

District officials did not always adhere to the Board-adopted procurement policy with regard to requesting proposals. We reviewed procurements from 15 professional service vendors¹ who were paid a total of approximately \$1.3 million during our audit period. The District awarded eight professional service contracts, totaling \$548,111, after issuing RFPs or seeking quotes for special education services (integrated co-teaching training, and support services and training for State aid reporting), internal audit services, hazardous waste removal services, Affordable Care Act consulting services, school physician services and installation of casework cabinets. However, District officials did not seek competition for seven professional services with payments totaling \$760,484 (58 percent of the professional services that we reviewed). These payments were for special education services (intensive behavior intervention services, neuropsychological evaluations, and speech and physical therapy services, totaling \$413,118), claims auditor services (\$27,500) and attorney services (\$319,866).

District officials told us they had issued an RFP for special education services in April 2016. However, we found that the last time the

¹ See Appendix B for detail on the sampling methodology.

District issued RFPs for special education services was in June 2010. District officials did not provide a reason for not following the policy requirement to obtain quotes or proposals at least every five years. They indicated they thought legal services were exempt from competitive bidding and that they were pleased with the performance of the two legal firms that provided attorney services. Further, the claims auditor was appointed in April 2014 to fill a vacant position; District officials said they did not seek proposals because filling the vacancy was an emergency and the claims auditor agreed to the same compensation as the previous auditor. However, the Board subsequently appointed the same auditor for the 2014-15 school year without issuing RFPs or using any other method of competition.

When officials do not seek competitive prices for services, as required by District policy, the Board does not have adequate assurance that services are procured in the most economical way and in the District's best interests.

Recommendation

1. The Board should monitor the procurement of professional services to ensure compliance with its adopted policies and all applicable laws and regulations.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

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October 18, 2016

Ann C. Singer, Chief Examiner
State Office Building, Suite 1702
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Unit Name: Oceanside Union Free School District
Audit Report Title: Procurement of Professional Services
Audit Report Number: 2016M-281

Dear Ms. Singer:

The Oceanside Union Free School District is in receipt of a draft copy of the audit report entitled: Procurement of Professional Services, Report of Examination 2016M-281 for the period covered July 1, 2014 - April 19, 2016. The District has reviewed the report and will submit corrective action shortly to address the recommendation listed in the report.

We greatly appreciate the opportunity to respond to your report, the positive feedback received and the professionalism demonstrated by your audit team throughout this process.

Sincerely,

Phyllis S. Harrington, Ed.D
Superintendent of Schools

Cc: Board of Education
Christopher A. Van Cott, Assistant Superintendent for Business
Robin Green, Business Administrator

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To accomplish our audit objective, we interviewed appropriate District officials and employees, tested selected records and examined pertinent documents for the period July 1, 2014 through April 19, 2016. Our testing included the following steps:

- We reviewed the District's policies and interviewed officials to determine the process for contracting with professional service providers.
- We reviewed purchasing records, tested selected 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 and judgmentally selected the 15 vendors whose annual payments, based on purchase orders, were more than \$5,000. We determined if written agreements existed with respect to these contracts. For vendors with contracts, we compared payments (selecting the highest invoice paid to each provider) to the 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) and if the claim followed District procedures, by reviewing the highest payment to each of the 15 vendors. We then reviewed all the payments and followed up with District officials regarding when RFPs were issued or quotes were obtained for these 15 vendors.
- We reviewed the RFPs for compliance with the District's policy to determine if competition was sought, if the lowest-priced responsible vendor was selected, and if the proposals were 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.

APPENDIX C

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