



Cato-Meridian Central School District

Procurement of Professional Services

Report of Examination

Period Covered:

July 1, 2014 – January 8, 2016

2016M-13



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

May 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 Cato-Meridian 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 Cato-Meridian Central School District (District) is located in the Towns of Cato, Conquest, Ira, Sterling and Victory in Cayuga County, the Towns of Granby and Hannibal in Oswego County, the Town of Lysander in Onondaga County and the Town of Butler in Wayne 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 is the District's chief executive officer and is responsible, along with other administrative staff, for the day-to-day management of the District under the Board's direction. The District has an Assistant Superintendent for Business who is responsible for managing the District's financial operations under the direction of the Superintendent and the Board.

The District operates two schools¹ with approximately 930 students and 300 full- and part-time employees.² The District's budgeted appropriations for the 2015-16 fiscal year are \$20.15 million, which are funded primarily by State aid and real property taxes.

Objective

The objective of our audit was to review the process and procedures to procure 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 the taxpayers?

Scope and Methodology

We examined the District's professional service procurement process for the period July 1, 2014 through January 8, 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.

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.

¹ An elementary/middle school and a high school

² Including substitutes and coaches

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

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 the taxpayers 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 services shall be secured by the use of written requests for proposals, written quotes, verbal quotes or any other method which furthers the purposes of GML. The procedures should require documentation of actions taken, justification and documentation of any contract awarded to other than the lowest responsible dollar offeror and the 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. Finally, the Board and District officials should ensure the District has written agreements with all professional services providers that detail the types and timeframes of services to be provided and the compensation to be paid.

The Board has developed a procurement policy. However, formal procedures for seeking competition when procuring professional services have not been developed, including documentation that supports the decisions made. Therefore, we reviewed the procurement of services from 22 professional service providers totaling \$549,762. We found the District properly sought competition for services from six providers, with total expenditures of \$222,605, including the procurement of services from the District’s external auditor as required by law. However, there was no evidence that the District properly sought competition for services from 16 providers, with total expenditures of \$327,157.

Figure 1: Professional Services Without Competition	
Professional Service ^a	Expenditure
Architect (1)	\$105,643
Financial Advisor/Consulting (2)	\$77,250
Special Student Services (3)	\$44,442
Insurance (1)	\$28,199
Professional Testing ^b (2)	\$23,876
Legal (3)	\$20,676
Physician (1)	\$18,000
Professional Development (2)	\$4,800
Auditing (1)	\$4,271
Total	\$327,157
^a Total number of service providers in each category shown in parentheses. ^b Includes alcohol, drug and environmental testing	

While District officials provided explanations as to why they chose some of the service providers (e.g., sole source providers, limited local options and past experience), proper documentation of these explanations and the rationale was not maintained along with how the District complied with the spirit of GML.

District officials informed us of their informal process to procure professional services that includes an initial decision by the administration after analysis and review of options which is provided to the Board for final approval. However, even though these decisions may have been discussed among District officials, adequate, documented support for the decisions was generally not available.

In addition, 17 (77 percent) of the providers, with total expenditures of \$516,587, did have written agreements with the District that outlined the service terms³ and compensation schedule. However, five (23 percent) of the providers, with total expenditures of \$33,175, did not have written agreements with the District, or the District could not locate the agreements. Four of these providers⁴ were not providing recurring services to the District.

Although we found that the professional services procured were for legitimate and appropriate District purposes, by not establishing procedures for seeking competition, the District does not have adequate assurance that professional services are procured in the most economical way and in the best interests of the taxpayers. In addition, without adequate written agreements detailing the type and timeframe of services and the compensation to be paid, the District may not be receiving all of the services contracted for or could pay more for services than intended.

³ Including the services and time period

⁴ The claims auditor was providing recurring services.

Recommendations

The Board and District officials should:

1. Revise the procurement policy and develop procedures for professional services to:
 - Require District officials to award contracts above a reasonable limit only after soliciting competition.
 - Provide guidance as to how competition should be solicited, including written requests for proposals, written quotes and verbal quotes.
 - Specify documentation requirements, including the rationale for decisions made.
2. Ensure the District has written agreements, for services in excess of a reasonable limit, with all professional service providers that detail the types and timeframes of services and the compensation to be paid.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

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April 14, 2016

Mr. Edward Grant, Chief Examiner
Office of the State Comptroller
Division of Local Government and School Accountability
Rochester Region
The Powers Building
16 W. Main St, Suite 522
Rochester, NY 14614

Dear Mr. Grant,

Cato-Meridian Central School District is in receipt of a draft copy of the audit report titled: Procurement of Professional Services, Report of Examination 2016M-13 for the period covered July 1, 2014 – January 8, 2016. The District is in agreement with the recommendations made in the report, and it is a goal of the District to be fiscally responsible and to make the most economical use of public monies at the lowest possible cost to the District taxpayers.

We appreciate the feedback received and the comments made by your audit team in support of our continuing efforts. We welcome the opportunity to improve our operations related to the procurement of professional services.

Sincerely,

W. Noel Patterson
Superintendent

Crosby Lamont, Jr.
Assistant Superintendent for Business

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

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

- We interviewed District officials and staff to gain an understanding of the procurement process for professional services.
- We reviewed minutes of the Board's proceedings and District policies as they related to the scope of our audit.
- We reviewed vendor histories for 2014-15 and 2015-16 (through November 23, 2015) to identify all professional service providers paid \$1,501 or more during either fiscal year, which aligned with the District's threshold for the purchase of supplies and equipment. Based on this criterion, the District received services from 22 professional service providers with total expenditures of \$549,762.
- We reviewed documentation for these 22 professional service providers to determine if the District was seeking 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 District officials for an explanation.
- We determined if the District had written agreements with the professional service providers to indicate the types and timeframes of services to be provided and the compensation to be paid.

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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