



Katonah-Lewisboro Union Free School District

Procurement of Professional Services

Report of Examination

Period Covered:

July 1, 2014 – April 6, 2016

2016M-193



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 Katonah-Lewisboro 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 recommendation 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 Katonah-Lewisboro Union Free School District (District) is located in the Town of Lewisboro and parts of the Towns of Bedford, Pound Ridge and North Salem in Westchester 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 five schools with approximately 3,200 students and 700 employees. The District's budgeted appropriations for the 2015-16 fiscal year were \$108.7 million, which were funded primarily with State aid and real property taxes.

Objective

The objective of our audit was to review the process and procedures used to procure professional services. Our audit addressed the following related question:

- Did the District seek competition when procuring professional services?

Scope and Methodology

We examined the District's professional services procurements for the period July 1, 2014 through April 6, 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

New York State General Municipal Law (GML) requires every school district to adopt written policies and procedures for the procurement of goods and services, such as professional services¹ and insurance, which 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 money in the best interest of the residents and that procurements are not to be influenced by favoritism, extravagance, fraud or corruption.

The law generally requires that a district's written policies and procedures provide that alternative proposals or quotations be obtained by use of a written request for proposals (RFP), by written or verbal quotes or by any other method that furthers the purpose of the law. The appropriate use of a competitive process can help ensure that school districts obtain goods and services of the best quality at the best prices.

The Board adopted a policy governing the procurement of professional services. The policy states that competitive bids or quotations shall be solicited in connection with purchases pursuant to law. The policy directs that professional services are secured in a manner that protects the integrity of the process, ensures the prudent use of tax dollars and provides a high quality standard of service, in accordance with law and regulation.

We reviewed the procurement of all 41 professional service providers' contracts totaling approximately \$4.8 million during the audit period. The District has not recently sought competition when procuring services from eight service providers,² who received payments totaling \$699,328. These payments were for general legal counsel (\$335,260), engineering services (\$224,541), scoring NYS assessments (\$34,662), claims auditing (\$29,452), bond advisors (\$23,741), an impartial hearing stenographer (\$19,674), bond counsel (\$17,373) and a transportation consultant (\$14,625).

According to District officials, the Board contracted with these service providers each year rather than issue a formal RFP because the providers have a long history with the District and are familiar with its needs.

¹ Professional services generally include services rendered by attorneys, engineers and certain other services requiring specialized or technical skills, expertise or knowledge; the exercise of professional judgment; or a high degree of creativity.

² See Appendix B for our sample selection.

By not periodically seeking competition for professional services, the District may be missing cost savings opportunities. When officials do not seek competitive prices for services, the Board has little assurance that the District has obtained the best value for District residents.

Recommendation

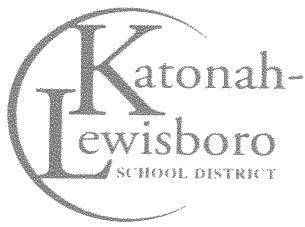
The Board should:

1. Use competitive methods when procuring professional services in compliance with its adopted policy.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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



July 8, 2016

via overnight mail

Ms. Tenneh Blamah
Office of State Comptroller
33 Airport Center Drive, Suite 103
New Windsor, NY 12553-4725

Dear Ms. Blamah:

To begin we want to thank the Comptroller's Office for the extensive work that was just recently completed. For numerous weeks, two (and at times) three examiners worked tirelessly within the District conducting an examination of many, many areas of the District's business operations. Your staff were well prepared, respectful of our time and quite skilled at their duties. After weeks of pouring through documents and interviewing staff the area of audit was selected. The recommendation made is helpful and will be implemented and corrected as outlined below. Once again, please extend our appreciation to the staff who conducted the risk assessment and audit.

The Katonah Lewisboro Union Free School District (the "District") acknowledges receipt of the *New York State Comptroller's Report of Examination for the audit period July 1, 2014 through April 6, 2016 (2016M-193)* (the "Report"). The Report suggests one area where the District might improve its process for obtaining professional services— and recommends *"The Board should: 1. Use competitive methods when procuring professional services in compliance with its adopted policy."* The District acknowledges this suggested recommendation and hereby sets forth its legally required Corrective Action Plan. Relative to the recommendation included in the Report, the District has provided a proposed plan of implementation of corrective action, an anticipated implementation date for the corrective action, and the persons expected to be involved in the implementation of the correction action.

Corrective Action Plan

Audit Recommendation No. 1

"The Board should: 1. Use competitive methods when procuring professional services in compliance with its adopted policy."

Andrew Selesnick
Superintendent of Schools

Katonah-Lewisboro School District
P.O. Box 387
Katonah, NY 10536

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aselesnick@klschools.org
Website: www.klschools.org

District's Response to Audit Recommendation No. 1

The District Administration and the Board of Education will address this recommendation in several different ways:

1. Board of Education Policy will be reviewed and adjusted, if deemed necessary, to ensure professional services are competitively procured in a manner which takes into account the sensitive nature of some of these services. There are some professional services (legal services for example) which are extremely sensitive and may require additional flexibility beyond that outlined in current Board of Education Policy.
2. At the time that this Corrective Action Plan was prepared the Business Office had already issued Requests for Proposals (RFPs) for five out of the eight vendors identified. We will be issuing RFPs as it relates to the other three vendors identified (legal, architect and impartial hearing stenographer) after more discussion and review of the current work in progress. The sensitive nature of the work being handled by our legal counsel as well as the sensitive/extremely confidential nature of the work of the stenographer require additional planning before issuing an RFP. As we complete our summer projects we will likely issue an RFP for architectural services.
3. A schedule of professional services and dates when each service should be considered for future competitive procurement will also be established.

Implementation Date

As specified above we have already sought competitive proposals for five of the eight vendors identified. Competitive proposals for the other three vendors will be secured as outlined above. The schedule of professional services and dates when each service should be considered for future competitive procurement will be developed by September 2016. Board of Education Policy will be reviewed by the Board Policy Committee during the 2016-2017 school year.

Person Responsible for Implementation

The Board of Education, Superintendent of Schools, Mr. Andrew Selesnick, and Assistant Superintendent for Business, Michael Jumper will be responsible for the actions outlined in the above plan.

The District submits this report to serve as its legally required response to the Comptroller's Report as well as our Corrective Action Plan. The District thanks the Comptroller's Office for its efforts, and is committed to taking corrective actions that will address and resolve the Comptroller's observation in a timely fashion.

Respectfully submitted,

Mr. Andrew Selesnick
Superintendent of Schools
Katonah Lewisboro Union Free School District

Katonah Elementary School
Meadow Pond Elementary School

John Jay High School

Increase Miller Elementary School
John Jay Middle School

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

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

- We reviewed the District’s policies and interviewed officials to determine the process in place 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 obtained a list of professional service providers and payments made to these providers during our audit period. We verified that all significant providers were included by reviewing cash disbursement data to identify vendors who appeared to be professional service providers for the audit period. We identified 41 professional service providers and determined whether or not they had contracts. We selected the 15 highest paid vendors who received payments during the audit period. We then used a random number generator to randomly selected five transactions from each vendor for a sample of 75 transactions totaling \$1,045,125. We reviewed the contracts and compared payments to contracts to determine whether payments agreed with contract terms. We reviewed documentation supplied with voucher packets for evidence that the services were rendered.
- We reviewed the RFPs for compliance with the District’s policy to determine if competition was sought, RFPs were documented and properly approved and the lowest-priced, responsible vendor was selected.

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 conclusion based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusion based on our audit objective.

APPENDIX C

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