



Madison Central School District Procurement of Professional Services

Report of Examination

Period Covered:

July 1, 2014 – July 31, 2015

2015M-322



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

February 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 district's 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 costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the Madison 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 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 Madison Central School District (District) is located in the Towns of Eaton, Madison and Stockbridge in Madison County and the Towns of Augusta, Marshall and Vernon in Oneida 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 one school with approximately 490 students and 140 employees. The District's budgeted appropriations for the 2015-16 fiscal year were \$9.6 million, funded primarily with State aid and real property taxes. The Board adopted a non-bid purchasing policy which governs the procurement of professional services.

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:

- Are professional services being procured in the most economical way and in the best interest of the District?

Scope and Methodology

We examined the District's professional services procurement processes for the period July 1, 2014 through July 31, 2015.

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 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 New York State General Municipal Law, Section 2116-1 (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 should be prepared and forwarded 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 (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 taxpayers 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 needed, qualified services upon the most favorable terms and conditions and in the best interest of the taxpayers. Furthermore, written contracts or detailed board resolutions are essential for establishing the professional services to be provided, the time frames for those services, the basis for compensation and a verification process that ensures the intended services were provided satisfactorily.

District officials have established a non-bid purchasing policy and procedures that provide guidance as to when proposals or quotes should be obtained for purchases not required to be competitively bid. District policy states that comparable proposals are not required for the procurement of professional services. However, the policy states that professional services should be retained after considering information about the prices charged by alternative service providers. In addition, the policy states that the Board should monitor the District's use of professional services and periodically issue RFPs to assess the cost effectiveness of services being utilized.

District officials did not always comply with the District's non-bid purchasing policy and procedures when procuring professional services. Therefore, the Board does not have adequate assurance that services were procured in the most economical way and in the best interests of the District. We reviewed the procurement of all professional service providers contracts (nine), totaling \$194,500 in payments during the audit period. The District

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

awarded two professional service contracts after issuing RFPs for energy performance services and auditing services, with payments totaling more than \$75,000. However, District officials did not seek competition for seven professional services or insurance contracts with payments totaling more than \$119,000. These payments were for general liability and casualty insurance (\$68,389), architectural services (\$19,574), financial advisor services (\$10,419), clerk of the works (\$9,608), legal services (\$7,583) and consulting services (\$3,750).

The Board also did not formally approve professional services contracts for three of these seven providers, including general liability/casualty insurance, architectural services and financial advisor services. In addition, there were no written agreements that stipulated the contract period, the services to be provided and the basis for compensation to three professional service providers, including architectural services, clerk of the works and legal services. Without written agreements, District officials do not have detailed guidelines on the services to be provided and the compensation to be paid.

District officials told us that they have a long-standing history of using the same vendors for legal and financial advisor services. The Treasurer told us that she solicits a quote every three years from another insurance company, but she did not retain documentation of the quote solicited. The Superintendent told us he sought quotes for architectural services within the last year. The Board decided to continue to retain their current architect because they were familiar with the building and past projects. However, the Board did not retain documentation supporting its decision to retain its current architectural firm. Without retaining documentation, the Board has limited assurance that it is receiving insurance coverage and architectural services at the best value.

When District officials do not follow existing policies, the intended controls cannot be effective. When officials do not seek competitive prices for services and retain such documentation, the Board has little assurance that the District has obtained the best prices in the best interest of District residents. Furthermore, without written agreements to document the services to be provided and the compensation to be paid, there is an increased risk that the District could pay more for the services than intended.

Recommendations

The Board should

1. Monitor the procurement of professional services to ensure compliance with its adopted policies and all applicable laws and regulations.

2. Ensure that officials review and retain appropriate purchasing documentation, such as quotes and proposals.
3. Enter into written agreements or maintain documentation for each professional service provider to clearly stipulate the contract period, the services to be provided and the basis for compensation.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

Board of Education

Jona Snyder
President
Stephanie Clark-Tanner
Vice President
Steven Yancey
Beverly Biedermann
Mary Bartlett-Linden
Heather Still
James Mitchell



MADISON CENTRAL SCHOOL DISTRICT

7303 Route 20, Madison, New York 13402

Phone: (315) 893-1878

Fax: (315) 893-7111

Perry T. Dewey
Superintendent
Larry Nichols
Building Principal
Brian Latella
Elementary Principal
Melanie Brouillette
Treasurer
Tracey Lewis
District Clerk

January 20, 2016

Office of the State Comptroller

State Office Building, Room 409
333 E. Washington Street
Syracuse, New York 13202-1428

Re: Audit report 2015M-322

Dear [REDACTED],

On behalf of the Madison Central School District I would like to thank you for this opportunity to respond to the draft copy for the Procurement of Professional Services audit report for the period July 1, 2014 – July 31, 2015. The District acknowledges and values your recommendations for improvement.

It is the District's goal to be fiscally responsible while providing financial stability for our educational institution. That being said we will take the recommendations that you provided with great interest.

As recommended, the District will monitor the procurement of professional services more closely and bring them in line with current policies and applicable regulations. We will also retain the appropriate documentation for the quotes that are solicited in one area for easy access. The Board of Education will receive and approve the appropriate written agreements for professional services that provide clearly stipulated contract periods, the services to be provided and the basis for compensation.

To that end the District will be sending out an RFP for insurance services along with request for fee schedules for legal other professional services.

The District thanks the examiners for the time they spent in the District reviewing various facets of operations and financial matters.

Sincerely,

Jona Snyder
Board President

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to determine if the District ensures that professional services are procured in the most economical way and in the best interest of the District taxpayers. To accomplish our objective, we interviewed appropriate District officials and employees, tested selected records and examined pertinent documents for the period July 1, 2014 through July 31, 2015. Our testing included the following steps:

- 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 and insurance providers for the audit period. We selected all nine vendors which received payments during the audit period. We reviewed payments made to these providers totaling \$194,534. We determined if written agreements existed with respect to these contracts. For vendors with contracts, we reviewed the contracts and compared payments (we randomly selected at least 50 percent of each of the professional services claims) 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).
- We reviewed the RFPs for compliance with the District’s policy to determine if competition was sought; the lowest-priced, responsible vendor was selected; and RFPs 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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