



# Manchester-Shortsville Central School District

## Procurement of Professional Services

### Report of Examination

Period Covered:

July 1, 2014 – December 31, 2015

2016M-157



Thomas P. DiNapoli

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# State of New York Office of the State Comptroller

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## **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 Manchester-Shortsville 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 Manchester-Shortsville Central School District (District) is located in the Towns of Manchester, Hopewell and Farmington in Ontario 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 District's day-to-day management under the Board's direction.

The District operates one school with approximately 824 students and 153 employees. The District's budgeted appropriations for the 2015-16 fiscal year were \$16.6 million, which were funded primarily with State aid, real property taxes and grants. The District is a component district of the Wayne-Finger Lakes Board of Cooperative Educational Services (BOCES).

## 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:

- Does the District procure professional services in the most economical way and in the best interest of District taxpayers?

## Scope and Methodology

We examined the District's professional services procurement process for the period July 1, 2014 through December 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 relevant population size 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 that they planned 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

Seeking competition in the procurement of professional services helps to ensure that District funds are expended in the most economical fashion possible and that District officials are selecting vendors based on objective criteria.

General Municipal Law (GML) stipulates that goods and services which are not required by law to be bid, such as professional services, must be procured in a manner to assure the prudent and economical use of public money in the best interest of District residents 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 goods and services shall be secured by the use of written requests for proposals (RFPs), written quotes, verbal quotes or any other method of procurement which furthers the purposes of GML. The procedures should also require adequate documentation of actions taken with each method of procurement, justification and documentation of any contract awarded to other than the lowest responsible dollar offeror and details of any circumstances when, or the types of procurement for which, the solicitation of alternative proposals or quotes would not be in the best interest of the District.

Although the Board adopted an administrative regulation outlining the requirements for obtaining proposals for professional services, the regulation did not provide sufficient detailed requirements or guidance for seeking competition when procuring professional services.

The regulation specified that the purchasing agent will contact professional service providers and lists examples of types of professional services to be solicited. The regulation further stated that the price, along with qualitative factors, will be considered in the selection process. However, it did not provide guidance or specify the procedures to be followed to seek competition for professional services when the RFP process would not be required, such as obtaining written or verbal quotes for services costing less than a certain dollar threshold.

We reviewed the District's process for procuring services, which totaled \$239,689, during our audit period, from seven professional service providers not obtained through BOCES agreements. District

officials properly sought competition using RFPs for contracts of three service providers (architect, attorney and external auditor) totaling \$120,493. However, the District did not properly seek competition for contracts with the other four professional service providers totaling \$119,196 (Figure 1).

<b>Figure 1: Professional Services</b>	
<b>With Competition</b>	
<b>Service</b>	<b>Expenditures</b>
Architect	\$59,861
Attorney	\$35,657
Auditor	\$24,975
Subtotal	\$120,493
<b>Without Competition</b>	
<b>Service</b>	<b>Expenditures</b>
Bond Counsel	\$3,859
Financial Advisors	\$8,100
Insurance Agent	\$103,175
Physician	\$4,062
Subtotal	\$119,196
<b>Total</b>	<b>\$239,689</b>

While District officials sought competition for the three indicated services, the Board minutes documented an explanation only for the selection of its external auditor. The minutes indicated that the lowest external auditor bid was not selected due to distance from the District, experience and recommendations. The minutes did not indicate if the attorney or the architect were the lowest bidders or why these service providers were selected. District officials also could not provide any documentation showing that an analysis was performed to assist in the selection of these two service providers.

District officials told us that the attorney was selected, in part, because their current attorney was retiring but would still be working at this attorney’s law firm. While the Board is not required to select the lowest bidder, it must document why it selected the service providers.

District officials also told us that they did not use RFPs for services estimated to cost less than \$10,000. However, this is not in the administrative regulation and there were no supplemental guidelines covering professional services costing less than \$10,000 to ensure that District funds are spent in the most prudent manner. Further, the

amount paid to the insurance agent during 2014-15 was more than \$10,000, but proposals were not obtained for this professional service.

Although we found that the services procured were for legitimate and appropriate District purposes, when officials do not seek competitive prices for services, the Board does not have adequate assurance that the District has obtained professional services at the best price in the best interest of District residents.

## **Recommendations**

The Board should:

1. Revise the regulation to include specific dollar thresholds for when RFPs are required to obtain professional services and address procedures to be followed when professional service costs fall below this threshold, such as obtaining a specified number of written or verbal quotes, to provide guidance for how competition should be solicited for professional services.
2. Award contracts consistent with its policy and document its decisions.



## **APPENDIX A**

### **RESPONSE FROM DISTRICT OFFICIALS**

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



# Manchester-Shortsville Central School District

*"Red Jacket Schools"*

1506 Route 21, Shortsville, NY 14548-9502  
Phone (585) 289-3964 • Fax (585) 289-6660  
Web Page: [www.redjacket.org](http://www.redjacket.org)

*Charlene Dehn, Superintendent*  
*Kristine Guereri, Assistant Superintendent*  
*Timothy Burns, Business Manager*

*E-mail: [Charlene.Dehn@redjacket.org](mailto:Charlene.Dehn@redjacket.org)*  
*E-mail: [Kristine.Guereri@redjacket.org](mailto:Kristine.Guereri@redjacket.org)*  
*E-mail: [Timothy.Burns@redjacket.org](mailto:Timothy.Burns@redjacket.org)*

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June 24<sup>th</sup>, 2016

[REDACTED]  
Office of the State Comptroller  
Division of Local Government and School Accountability  
295 Main Street, Room 1032  
Buffalo, NY 14203-2510

Dear [REDACTED]

The Manchester-Shortsville School District is in receipt of the Comptroller's draft audit report titled: Procurement of Professional Services, Report of Examination 2016M-157 for the period covering July 1, 2015 through December 31<sup>st</sup>, 2015. 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 maximize the use of public monies at lowest possible cost to the District taxpayers. We appreciate the valuable insight that the audit process provided and were pleased to hear the audit went well.

We would like to extend our appreciation to the field auditor and other staff involved with the examination of our Business Office. The auditors provided positive and constructive feedback to our staff, administration, and to our Board.

We welcome the opportunity to improve our operations related to the procurement of professional services. We again appreciated the work of the auditors and the opportunity to respond to your report.

Sincerely,

Charlene Dehn  
Superintendent of Schools

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## Mission

*We will challenge all learners and work in partnership with students, parents and community to achieve high standards.*

## **APPENDIX B**

### **AUDIT METHODOLOGY AND STANDARDS**

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

- We interviewed District officials regarding the practices implemented for soliciting competition for professional services.
- We reviewed District policies and related procedures regarding obtaining professional services.
- We reviewed the Board minutes for indications that professional service contracts were awarded and professional service providers were appointed.
- We identified professional service providers through discussion with District officials and a review of professional service provider information in the District's accounting records.
- We reviewed payments to professional service providers and compared the payment amounts with service contracts and proposal documents.
- We compared computer generated data for professional services with source documents and canceled checks.

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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