

North Syracuse Central School District

Professional Services

JULY 2022



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

North Syracuse Central School District

Audit Objective

Determine whether North Syracuse Central School District (District) officials sought competition for the procurement of professional services and entered into written agreements with service providers.

Key Findings

Although District officials entered into written agreements with the 15 professional service providers we reviewed, they did not always seek competition for professional services in accordance with District policy. As a result, services may not have been procured in the most economical manner and in the best interest of the taxpayers.

District officials:

- Paid \$1.2 million to six professional service providers without seeking competition.
- Used a request for proposals (RFP) process to select certain professional service providers many years ago but did not seek new competition. Officials paid \$2.1 million to six professional service providers who were selected based on RFPs issued in 2013 and 2014.

Key Recommendations

- Update the procurement policy to specify when and how frequently officials should issue professional service RFPs.
- Use an RFP process to solicit competition when procuring professional services, as required by the policy.

District officials generally agreed with our recommendations and have initiated or indicated they planned to initiate corrective action.

Background

The District serves the Towns of Cicero, Clay, and Salina in Onondaga County.

The District is governed by an elected nine-member Board of Education (Board), which is responsible for the general management and control of financial and educational affairs. The Superintendent of Schools (Superintendent) is the District's chief executive officer. The Associate Superintendent for Business Services (Associate Superintendent), along with other administrative staff, are responsible for day-to-day management under the Board and Superintendent's direction.

The Board-appointed purchasing officer is responsible for overseeing the procurement process.

Quick Facts

Professional Service Providers	
Paid During the Audit Period	\$3.6 million
Count	15
2021-22 Appropriations	
Enrollment	8,097

Audit Period

July 1, 2020 – October 31, 2021

We extended our audit period to review RFPs issued back to May 1, 2013 and forward through May 17, 2022.

Professional Services

How Should a District Procure Professional Services?

New York State General Municipal Law (GML) Section 104-b requires school districts to adopt and annually review written policies and procedures governing the purchase of goods and services not subject to competitive bidding requirements such as professional services. These goods and services must be procured in a manner that ensures the prudent and economical use of public funds in the taxpayers' best interest.

Using written quotes or an RFP process are effective ways to help ensure that professional services are obtained with the most favorable terms and best value.¹ An RFP is a document that provides detailed information concerning the type of service to be provided, including minimum requirements and, where applicable, the evaluation criteria that will govern the contract award. Generally, there are no set rules regarding the frequency of RFPs. However, officials should seek competition for professional services at reasonable intervals to help ensure the services are procured at favorable rates.

Specific requirements do, however, apply to school districts for independent annual audit services. School districts must use a competitive RFP process to procure audit services and limit the term of the audit engagement to no longer than five consecutive years.

The District's procurement policy requires officials to seek competition for professional services, which are generally those that require specialized skill, training, professional judgment, expertise and creativity (e.g., attorneys, architects and engineers). The policy requires the District to use an RFP process to obtain proposals from professional service providers. When evaluating proposals, officials can give consideration to factors such as experience, staffing, the suitability of needs and price. The policy requires each professional service to be reviewed on a case-by-case basis with proposals requested at reasonable intervals.

Up-to-date written agreements with professional service providers are essential to provide both parties with a clear understanding of the services to be provided and the time frames and basis for compensation.

Officials Did Not Always Seek Competition for Professional Services and Issue RFPs in a Timely Manner

The District made payments, totaling approximately \$3.6 million, to 15 professional service providers during the audit period (Figure 1).

¹ Refer to our publication *Seeking Competition in Procurement* available on our website at <http://www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2019-01/seekingcompetition.pdf>.

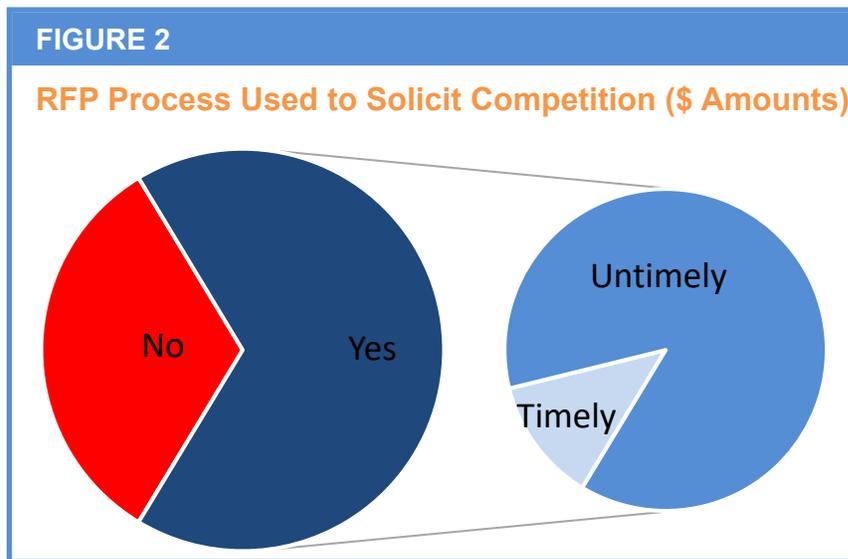
Using written quotes or an RFP process are effective ways to help ensure that professional services are obtained with the most favorable terms and best value.

Figure 1: Professional Services Procured

Type of Service ^a	Payments
Third-Party Administrators (3)	\$1,917,000
Architectural (2)	1,016,500
Legal (2)	342,600
Engineering (2)	104,700
Bond Counsel (1)	64,700
Healthcare Consultant (1)	60,400
Audit (2)	48,400
Financial Advisement Services (1)	45,900
Environmental Services (1)	15,300
Total	\$3,615,500

a) Number of service providers in each category is shown in parenthesis

We reviewed the procedures the District used to select these providers to determine whether officials issued RFPs as required by District policy.² We found no evidence District officials issued RFPs to seek competition for professional services totaling \$1.2 million (Figure 2). While officials sought competition for the remaining professional services, they did not issue RFPs in a timely manner for professional services totaling \$2.1 million.



District officials sought timely competition for three professional service providers who were paid approximately \$304,000. The District issued RFPs to obtain proposals for third-party administrators for the District’s self-insured workers’

² Refer to Appendix B for information on our sampling methodology.

compensation program and pharmacy plan, and for bond counsel between May 2018 to January 2020.

District officials did not seek competition for six professional service providers who were paid approximately \$1.2 million for architectural, engineering, financial advisement and environmental services. The Associate Superintendent explained that the District selected its architects around 2009. Since the District was satisfied with the services provided by the architects, after completing a significant capital project in 2011, officials chose to retain the architects and did not issue RFPs. He said that officials have also been satisfied with their current engineers and the financial advisement firm, so officials have not issued RFPs for these services. Lastly, he explained that it was an oversight that the District did not seek competition for environmental services.

Although officials may be satisfied with the District's current service providers, the District should seek competition in a timely manner, with reasonable frequency for professional services. Using RFPs increases awareness of other service providers who could offer similar services at a more favorable rate and helps ensure taxpayers that procurements are made in their best interest.

District officials did not seek competition in a timely manner for six professional service providers who were paid approximately \$2.1 million of the total costs reviewed. Instead, officials used previous service proposals that were sought more than eight years ago and they have continued to use the same service providers without soliciting any new competition. This included the third-party administrator for the District's health plan, and providers of internal and external audit services, legal and healthcare consulting services. The District issued RFPs to obtain proposals:

- In April 2014, for the third-party health plan administrator, and
- From May 2013 to November 2013 for the remaining service providers.

Although the District's procurement policy requires officials to review professional services on a case-by-case basis and to issue RFPs to solicit competition at reasonable intervals, it does not provide clear guidance on how frequently officials should review the District's ongoing professional services or the number of years for these intervals. The Associate Superintendent and purchasing officer told us that they believe the District is overdue in using an RFP process to obtain proposals for professional services.

The Superintendent provided a memo to the Board in February 2021 (prior to our audit fieldwork), explaining that disruptions related to the COVID-19 pandemic delayed officials' plans to issue RFPs in the spring of 2021 for some professional services. The memo outlined the District's plan to use an RFP process in the

spring of 2022 to obtain proposals for its primary professional services, including legal, architectural, audit and healthcare consulting services. The Board President told us that the Board had reviewed the memo and agreed with the plan.

At the time of this memo, the District had already exceeded the required five-year timeframe for using an RFP process to award the contract for independent audit services by nearly three years. The firm that provided these services was paid \$28,500 during our audit period.

After the completion of our onsite fieldwork, we followed up with the Associate Superintendent in May 2022 to determine whether officials moved forward with their plan to issue RFPs for professional services. Officials issued RFPs for both independent annual audit services and internal audit services in early May 2022 and the Associate Superintendent told us they were working to develop RFPs for architectural, legal and healthcare consulting services. However, they had not developed RFPs to seek competition for engineering, financial advisement, environmental services or third-party health plan administrator services.

When officials do not seek competition for professional services or they do not seek competition in a timely manner, they lack assurance that services are procured in the most economical way, in the best interests of taxpayers and without favoritism.

Lastly, we determined officials entered into written agreements with all 15 professional service providers. We reviewed a sample of payments made to the providers totaling \$747,800 (21 percent) and found that the payments were made in accordance with the terms of the agreements or fee schedules.

What Do We Recommend?

The Board should:

1. Update the procurement policy to specify when and how frequently officials should issue professional service RFPs.
2. Comply with the requirement to issue an RFP for independent annual audit services at least every five years.

District officials should:

3. Use an RFP process to solicit competition when procuring professional services, as required by the policy.

Appendix A: Response From District Officials



July 5, 2022

Rebecca Wilcox
Chief Examiner
Office of the New York State Comptroller
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333 E. Washington Street
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Ms. Wilcox,

The North Syracuse Central School District appreciates the important role that the Office of the New York State Comptroller plays in assisting public school districts by identifying opportunities for improvement and recommending best practices. The audit was conducted in a professional manner with the full cooperation of our district office staff. It has been a pleasure working with your auditor,

The Board of Education's Procurement Policy #6700 is reviewed annually, amended where appropriate and formally adopted each year by the Board. This policy provides administrative guidelines and procedures that the administration and staff must follow to provide district-wide consistency and compliance with General Municipal Law, Section 104-b. Although Section 104-b has no requirement on the frequency of solicitation, the district's administrative guidelines and procedures state that each professional service needed should be reviewed on a case-by-case basis, with solicitation requested at reasonable intervals.

The draft audit report concluded that reviews for such professional services were not always conducted at reasonable intervals. We concur that we are past due in seeking proposals. In February 2021 the board and administration had concluded and formally documented that solicitations of proposals would begin in the spring of 2022. This would have occurred sooner, however our purchasing officer retired and a new individual was hired in January 2020, just prior to the outbreak of COVID-19. The combination of a new purchasing officer and COVID-19 delayed the issuance of RFP's. In May of 2022, proposals for both internal and external auditors were requested. Our audit committee of the board reviewed all the proposals and selected auditors for the next 5 years.

The 2 largest service providers are the third-party administrators (TPA) of our health and pharmacy plans. Since they are subject to collective bargaining agreements, we have not sought formal proposals

for these services since 2014. However, we continue to work with a consultant, our unions and the TPA's to maintain high quality benefits for our employees and retirees while making changes that have avoided cost increases. We will discuss the possibility of seeking proposals during our next union contract negotiations.

As mentioned in the draft audit report, we have not solicited proposals for architects due to the fact that from the time of selection in 2009 to date, the District has completed a limited number of projects (one building renovation completed in 2011 and one expected to be completed in August 2022). This is primarily due to the economic impact of construction cost increases and delays affected by Covid. However, during this time, we have worked with the architects to perform building condition surveys every 5 years in accordance with NYSED requirements. Through this process, the cost of which is substantially covered by state aid, the district and our architects have learned about our facilities and developed plans for future projects. Considering this investment of time and fees, we did not think a change in architects would be wise.

After consideration of the recommendations, the Board has decided to update its procurement policy to specify the District shall use a competitive RFP process when contracting for independent annual audit services and that, in accordance with applicable law, no audit engagement shall be for a term longer than five consecutive years at a time. Since GML Section 104-b has no requirement on the frequency of solicitation, other professional services will continue to be reviewed on a case-by-case basis, with solicitation requested at reasonable intervals. The District will comply with the requirement to issue RFP's for independent annual audit services every 5 years. We will also use the RFP process to solicit competition when procuring professional services as required by the Board Policy 6700.

Sincerely,

Paul Farfaglia

President, Board of Education

Appendix B: Audit Methodology and Standards

We conducted this audit 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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed District officials and employees, and reviewed relevant laws and the District's procurement policy and procedures, to gain an understanding of the procurement process.
- We reviewed electronic cash disbursement data for the audit period and sorted data to select the population of professional service providers subject to RFPs according to the District's procurement policy. For those vendors we were uncertain about, we obtained clarification from District officials as to whether the vendors were professional service providers. We identified 15 professional service providers who were collectively paid approximately \$3.6 million during the audit period and reviewed these purchases to determine whether RFPs were issued to procure these services in accordance with the policy.
- We reviewed all available written agreements between the District and each professional service provider to determine whether the District had agreements in place and they were current.
- We reviewed the District's highest payments to each provider during the audit period, totaling \$747,817 and the corresponding invoices, to assess whether payments were made in accordance with the agreement or fee schedule.

We conducted this performance audit in accordance with generally accepted government auditing standards (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.

The Board has the responsibility to initiate corrective action. 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, 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. 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 CAP should be posted on the District's website for public review.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/local-government/publications

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/local-government/publications

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/local-government/resources/planning-resources

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www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/local-government/required-reporting

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