

Livonia Central School District

Conflict of Interest

2024M-89 | June 2025

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Report Highlights

Livonia Central School District

Audit Objective

Determine whether any Livonia Central School District (District) officials had interests in District contracts that were not in compliance with the District's code of ethics.

Key Findings

A Board of Education (Board) member, who resigned on May 31, 2022, had prohibited interests in District contracts pursuant to New York State General Municipal Law (GML) Article 18. A prohibited interest occurs when an official has an interest in a contract with the school district which they have a power or duty to negotiate, prepare, authorize or approve; authorize or approve payment under the contract; audit bills or claims under the contract; or appoint an officer or employee with those powers or duties.

The Board member's physical therapy company entered into six contracts with the District while he was a Board member which resulted in payments totaling \$724,869 from August 5, 2017 through December 19, 2022.

In addition, the former Superintendent's outside employment created an appearance of impropriety. The former Superintendent resigned on July 15, 2022.

The former Superintendent informed District administrators and staff of products and services provided by vendors that were recruited by, and partnered with, a company he partially owned. District officials contracted with 18 of these vendors, for a total cost of \$656,579, of which \$146,825 related to unnecessary or unused services.

The District lacked a formal procedure for identifying and reporting potential conflicts of interest until June 2021. As a result, District officials were not familiar with requirements of New York State General Municipal Law Article 18 as they relate to conflicts of interest. District officials did not fully understand the steps necessary to disclose a conflict and what constituted a prohibited conflict of interest. Had such procedures been in place, the conflicts of interest discussed herein may have been avoided.

Recommendations

The audit report includes four recommendations to help District officials ensure conflicts of interests are avoided. District officials generally agreed with our findings. Appendix B includes our comments on the District's response.

Audit Period

July 1, 2017 – March 29, 2024

Release of this report was held in abeyance while the findings were reviewed by outside law enforcement.

Background

The District is located in the Towns of Avon, Conesus, Geneseo, Groveland, Lima, Livonia, and Springwater in Livingston County, and the Town of Canadice in Ontario County. The District is governed by the elected seven-member Board. The Board's responsibilities include the general management and control of financial and educational affairs.

The Superintendent is the chief executive officer, responsible, along with other administrative staff, for day-to-day management under the Board's direction. The Assistant Superintendent of Finance and Human Resources assumed the duties of the former Superintendent after his resignation. The Assistant Superintendent of Finance and Human Resources was appointed Superintendent on May 12, 2023 with an effective date of July 1, 2023.

Quick Facts	
2021-22 Appropriations	\$35.4 million
Payments to the Conflict of Interest Vendor	\$724,869
Payments to Associated Vendors of the Former Superintendent's Company	\$656,579

Conflict of Interest

What Is a Conflict of Interest?

New York State General Municipal Law (GML) Article 18 prohibits a school district's officers and employees from having an interest in any contract with the school district when they have the power or duty – individually or as a board member – to negotiate, prepare, authorize or approve the contract; authorize or approve payment under the contract; audit bills or claims under the contract; or appoint an officer or employee with any of those powers or duties. For this purpose, a “contract” includes any claim, account, or demand against or agreement with the district.

A school district's officer or employee has an interest in a contract when they receive a direct or indirect monetary or material benefit as a result of a contract with their school district. A school district officer or employee would also be deemed to have an interest in the contracts of, among others, a corporation of which they are an officer, director or employee, or of which they own or control any stock.

GML provides limited exceptions that excuse a school district's officer or employee's interest in a contract from being legally prohibited.¹ Thus, a school district official would not have a prohibited interest in a contract solely by reason of being an officer or employee of a private business if (a) the individual's private compensation is not directly affected as a result of the contract, and (b) the duties of the private employment do not directly involve the procurement, preparation or performance of any part of the contract. In addition, a school district official would not have a prohibited interest in a contract in which the total compensation payable during a fiscal year does not exceed \$750.

By law, interests in actual or proposed contracts or other agreements on the part of a school district officer or employee, or his or her spouse, must be publicly disclosed in writing to the school district officer's or employee's immediate supervisor and to the school district's governing board as soon as they have knowledge of such interest, and be included in the official board meeting minutes.

The District's code of ethics for Board members and all District personnel (the “code of ethics”) describes the situations that would require public disclosure of an interest in a contract, and provides that no person may invest or hold any investment directly or indirectly in any financial, business, commercial, or other private transaction that creates a conflict with his or her official duties, or that would otherwise impair his or her independence of judgment in the exercise or performance of his or her official powers or duties. The code of ethics further details that no employee or officer will participate in selecting, awarding or administering a contract supported by federal award if they have a real or apparent conflict of interest.

A Board Member Had a Prohibited Conflict of Interest

The District lacked a formal procedure for identifying and reporting potential conflicts of interest until June 2021. As a result, District officials were not familiar with the requirements of New York State General Municipal Law Article 18 as they relate to conflicts of interest. Interviews with Board members also revealed that they did not fully understand the steps necessary to disclose a conflict and what constituted a prohibited conflict of interest.

¹ It should be noted, however, that these exceptions do not excuse an officer's or employee's duty to disclose their interest in such contracts.

One Board member had a controlling interest in a physical therapy company prior to the company entering into six contracts, which he and his wife signed² on behalf of the physical therapy company, with the District between July 1, 2017 and June 30, 2022, resulting in disbursements totaling \$724,869.

Although the remaining Board members knew of the Board member's prohibited interest, they mistakenly believed that if he abstained from voting on the contracts with his physical therapy company, he would be absolved of any conflicts. It was not until the Assistant Superintendent of Finance and Human Resources asked the District's legal counsel to investigate the conflict that the Board member was instructed by counsel to resign on May 31, 2022.

As a Board member, this individual had one or more powers and duties that could give rise to a prohibited interest, including the ability to authorize or approve contracts, authorize or approve payments under contracts, audit bills or claims under the contracts, or appoint someone to perform those functions.

The Former Superintendent's Actions Created an Appearance of Impropriety

The former Superintendent, who resigned on July 15, 2022, did not disclose his partial ownership interest in a company that recruited and fostered professional relationships between educational technology vendors and school administrators across the country by networking at annual summits and conferences hosted by this company (the "Company"). The Company's work also involved sending emails and making phone calls to recruit vendors and members, attending industry conferences and meetings, and visiting with prospective members and vendors at their place of business.

On June 4, 2018, the former Superintendent signed a shareholder agreement making him a 10 percent owner of the Company. On that same date, he sent an email from his District email account to the Company's other part-owners, which in part stated:

- "...[A]s I've now 'crossed the threshold' into personally benefiting from our collaboration, please use my personal consulting email for correspondence and scheduling calendar appointments."

Then, on June 8, 2018, the former Superintendent instructed the Company's other part-owners to delete his District email account and only use his private email address for their communications, as his:

- "...[S]chool account [was] subject to policies and FOIL requests we want no part of!"

In his capacity as Superintendent, he informed District administrators and staff of products and services provided by these vendors for potential purchases.

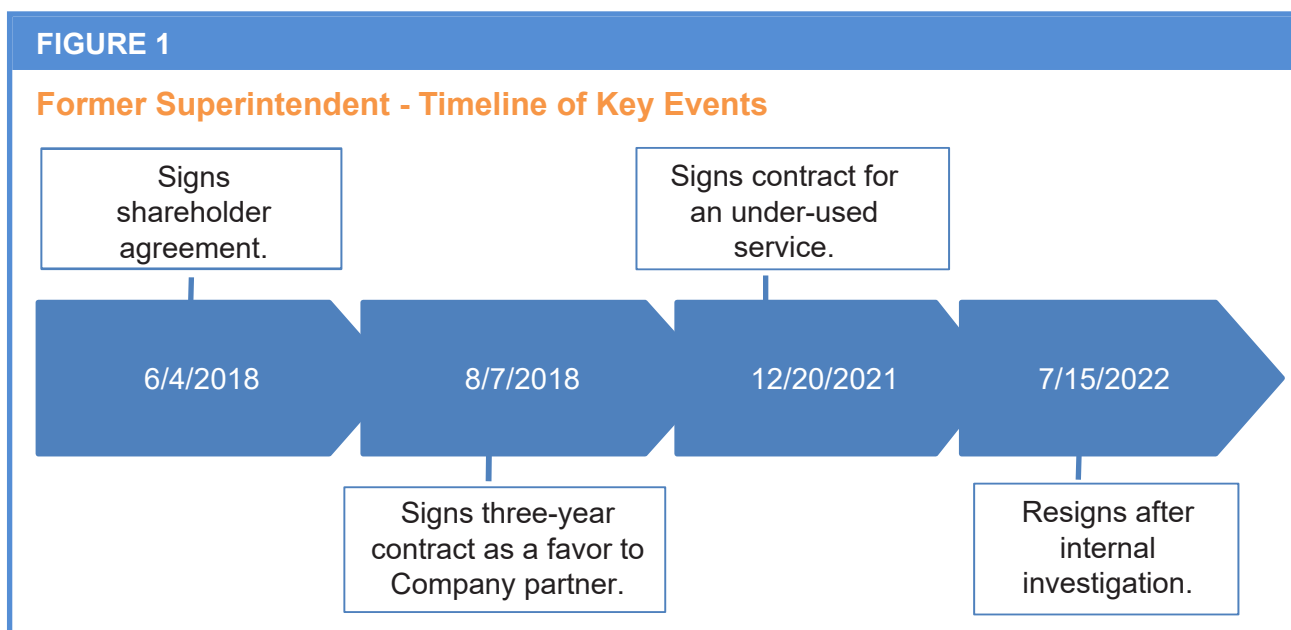
Our review of the former Superintendent's emails identified that he sent at least 45 emails to District administrators and employees that informed them about 43 vendors associated with his Company as

² The Board member signed two contracts, and his wife signed three contracts. The 2017-18 contract was not available for review at the District.

potential product and service providers. Oftentimes, the former Superintendent would expressly state that this was not a recommendation, but multiple administrative staff stated they interpreted the emails as a directive to look at or use these vendors. At the same time, staff noted that they did not experience any backlash if they did not agree to use or recommend a particular vendor.

District officials procured products and services from 18 of these vendors, totaling \$656,579, from July 1, 2017³ through January 10, 2023, of which \$590,817 was paid to 15 vendors through the Genesee Valley Board of Cooperative Educational Services (GV BOCES) and included \$37,060 in additional GV BOCES administration fees. The remaining \$65,762 was paid directly to five vendors.⁴ Additionally, from July 12, 2017 through November 30, 2022, the District paid a one-time \$950 annual membership fee for the Assistant Superintendent of Operations to the Company and \$450 to two associated vendors with a District-issued credit card.

Through further discussions with multiple District administrators and employees, and a review of usage reports and professional development sign-in sheets from 11 vendors, we determined the District paid \$146,825 to vendors affiliated with the Company for services or products that did not have an identified need, and were underused or never implemented by the District (see Figure 1 and the examples that follow).



- On August 7, 2018, the former Superintendent directly negotiated and signed a three-year contract on the District's behalf with another vendor as a favor to a Company partner, stating in an email to the partner that the service provided by the vendor is not "mission critical to [him] as an essential

3 Seven purchases totaling \$98,315, occurred prior to June 4, 2018, the date the former Superintendent had an ownership stake of the Company.

4 Two vendors were paid both directly by the District and through GV BOCES.

implementation,” but the District is moving forward on the contract to help out with the account. The contract was valued at \$15,000, which the District paid in eight equal payments through GV BOCES over the first year of the contract, and provided professional development analysis through surveys and summary reports. Two District administrators stated the service went unused as the summary reports could have been created in-house with already existing tools.

- The former Superintendent continually directed staff to engage with one vendor, guided the vendor through the District’s procurement process, and was integral in the District securing a one-year contract with the vendor on December 20, 2021, valued at \$45,143. According to two District administrators, the online tutoring program provided by the vendor did not have an identified need and the District did not have the capacity to fully implement it. Our review of the vendor’s usage report identified that 53 of the 1,014 student licenses purchased (5 percent) were used.

We reviewed the former Superintendent’s calendars, emails, phone logs and travel vouchers and determined that his involvement with the Company may have taken time away from his District responsibilities. The former Superintendent spent time conducting business for this Company during:

- 116 work days: 60 days while in-District and 56 days while away from the District attending meetings with Company-associated vendors or meeting with other Company part-owners.
- 36 occurrences where he met or emailed District officials about vendors partnered with the Company.

We also identified travel expense reimbursements, which were approved by the Board and paid for by the District, totaling \$2,425 for the period January 9, 2017 through June 30, 2022, that the former Superintendent incurred while attending Company events, on weekends or while on leave. Specifically, this included \$1,424 for weekend travel, \$795 for expenses incurred while on leave and \$206 for expenses incurred while attending a summit hosted by the Company.

While it appears that the former Superintendent’s work with the Company has no statutory prohibition under Article 18 of GML, the former Superintendent’s involvement with the Company created an appearance of impropriety, raising questions about the impairment of his independence and judgment in the exercise and performance of his powers and duties.

Although the former Superintendent’s contract with the District was modified in 2016 to allow him to undertake consultative work, speaking engagements, writings, lectures, or other professional duties, obligations, and activities with or without remuneration, he could only do so if such activities did not interfere with “the full and faithful discharge of the Superintendent’s duties and responsibilities.”

Additionally, at the time the former Superintendent contracted with the Company, the District lacked formal procedures for District employees and Board members to identify and report potential conflicts of interest. Specifically, it was not until June 2021 that a conflict-of-interest disclosure form was developed, and District employees were required to disclose potential conflicts of interest. Members of the Board were not required to complete a form until the 2022-23 fiscal year. However, the District’s conflict-of-interest disclosure form does not require individuals to list their title or amount of financial interest.

District officials must be accountable to the public, especially when the expenditure of taxpayer money is involved. When District officials, in their private capacities, conduct business with the District, the public may question the appropriateness of the transactions. Such transactions may create an actual conflict of interest or appearance of impropriety, and/or result in improper enrichment at the taxpayers' expense.

What Do We Recommend?

The Board should:

1. Ensure that officials and employees are familiar with and follow the requirements of GML Article 18, and the District's code of ethics as they relate to conflicts of interest.
2. Confer with the District's legal counsel directly, to obtain an opinion on whether their specific situations present a potential conflict of interest.

District officials should:

3. Carefully review information contained on the District's conflict-of-interest disclosure forms to ensure that all interests that could pose a conflict are identified.
4. Ensure all interests or prospective interests in District contracts are properly disclosed to the Board and included in the Board meeting minutes.

Appendix A: Response From District Officials

LIVONIA Central School District

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May 27, 2025

Stephanie Howes
Chief of Municipal Audits
Division of Local Government and School Accountability
Office of the State Comptroller
The Powers Building
16 West Main Street, Suite 522
Rochester, NY 14614-1608

RE: Livonia Central School District's Audit Response Letter in response to Report of Examination (2024M-89)

Dear. Ms. Howes,

Livonia Central School District is in receipt of the draft Report of Examination related to Conflicts of Interest (2024M-89). Please accept this letter as the District's response to the audit findings.

The District acknowledges and shares the audit's goal in determining whether any District officials had interests in District contracts that were not in compliance with the General Municipal Law as outlined in the District's Code of Ethics. We are generally in agreement with the audit's findings.

The exit conference with members from your office was held with us on May 20th for the purpose of ensuring that the facts that were relied upon for findings of the audit were accurate and complete. Based on our review of the draft report, several clarifications were provided by the District and your office made several adjustments based on this feedback. We truly appreciate your responsiveness to our feedback.

Our response is based on the draft report and not the final report as we have not had the opportunity to review that prior to its release. The District requests several clarifications that are minor in nature and we do not anticipate that any of these clarifications would alter the core findings or conclusions of the report:

- Clarify that the Board's misunderstanding regarding service contracts involving a Board member's business was **based on guidance provided by the former Superintendent**. All current Board members who were serving at the time have confirmed that this advice came directly from the former Superintendent.
- Clarify that the District instituted a Conflict of Interest Disclosure process during the 2020–2021 school year, prior to the discovery of the Former Superintendent's conflict of interest

See Note 1 Page 9

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in 2022. As part of this process, the Former Superintendent submitted a Conflict of Interest Disclosure Form on July 28, 2021. In that submission, he affirmed his awareness of and his agreement to comply with the District's Conflict of Interest and Code of Ethics policies. He also answered each question on the form, indicating that he had no actual or perceived conflicts of interest at that time.

See Note 2 Page 9

As concerns were identified, the Board of Education and District leadership acted swiftly and decisively to protect the integrity of District operations. These actions included vesting the Assistant Superintendent of Finance and Human Resources with decision-making authority regarding District vendor contracts and purchases, appointing an outside investigator, referring the matter to the New York State Education Department, and seeking legal counsel in response to questions concerning whether a former board member had a prohibited conflict of interest in a service agreement with the District.

Since 2022, the District has implemented meaningful governance reforms, including enhanced conflict of interest disclosures, stronger financial controls, and increased oversight by both administrators and the Board of Education. These changes were initiated as part of a broader commitment to ensure all District operations fully comply with the law and uphold the highest standards of public service. While such efforts have, at times, required a more structured and policy-driven approach than in previous years, they reflect the District's obligation - and leadership's responsibility - to model ethical governance and safeguard public resources. These steps reflect our commitment to ensuring that no conflict, whether it be actual or perceived, compromises public trust.

The District is committed to operating with transparency, integrity, and the highest sense of public responsibility. We will submit a Corrective Action Plan to the Office of State Comptroller following the issuance of the final audit report. In that Corrective Action Plan, we will detail the steps the District has taken behind the scenes in the last three years to ensure that every aspect of district operation meets the expectations of our community, our auditors, and the law.

Finally, on behalf of the Board of Education and the District's administration, we would like to thank the New York State Comptroller's Office field staff who assisted the District in this audit. As you know, this audit covered an audit period of almost seven years and the audit process took over two years. We appreciate the professionalism, communication and thoroughness of the field staff who participated in this audit process.

Respectfully submitted,

Joshua Monster
Board of Education President

Jeremy Lonneville
Superintendent of Schools

*"Where All Students Achieve and Thrive."
Dr. Jeremy Lonneville, Superintendent*

Appendix B: OSC Comments on the District's Response

Note 1

While the Board members said they were aware of the one member's ownership of the physical therapy company, when asked, none of them were able to recall who provided the abstention guidance.

Note 2

Based on the manner and format in which this information was provided by District officials, we were unable to verify its reliability. As such, we did not update the report as District officials requested.

Appendix C: 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. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed District officials and reviewed Board policies to gain an understanding of the District's controls for identifying and preventing prohibited conflicts of interest.
- We reviewed the former Superintendent's employment contracts from February 20, 2013 through July 15, 2022 to determine his powers, duties and obligations as the Superintendent.
- We reviewed Internet archives of the former Superintendent's Company's website from August 2020 through January 2023 to determine the vendors that partnered with his Company.
- We reviewed LinkedIn profiles of key District employees and conflict-of-interest disclosure forms filed by Board members and District employees from June 4, 2021 through December 9, 2022 for any potential outside interests.
- We reviewed cash disbursement records for the period July 1, 2017 through January 10, 2023 for vendors with potential outside interests that we identified or were disclosed to determine whether the District made payments to these vendors. We reviewed contracts, claims packets and invoices paid to these vendors to determine the total amount paid, who authorized the contract, and identified the products and services to be provided and whether these items were procured in accordance with the Board's procurement policy.
- We reviewed the GV BOCES invoices and cross contract agreements to determine the amount paid indirectly to vendors partnered with the Company.
- We interviewed District officials and reviewed vendor usage records and District-maintained professional development sign-in sheets to determine whether the District received and used products and services procured from previously identified vendors.
- We reviewed the former Superintendent's District email account to determine whether he used the email for non-work-related matters and made partnered Company vendor suggestions to District administrators and employees involved in the procurement process.
- We reviewed District-issued credit card statements from July 12, 2017 through November 30, 2022 for payments made to the former Superintendent's Company or associated vendors.
- We reviewed the former Superintendent's electronic calendar to determine the dates he was out of the District or had a scheduled meeting with a Company partner or associated vendor.
- We reviewed the former Superintendent's District-issued cell phone logs to determine whether he made calls to Company partners or associated vendors. We reviewed the location of the calls to determine additional dates he was out of the District.
- We consulted with the Office of the State Comptroller's legal department concerning the potential prohibited interests identified during the audit.

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 D: Resources and Services

Regional Office Directory

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

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/fiscal-monitoring

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.ny.gov/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.ny.gov/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.ny.gov/local-government/publications

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.ny.gov/local-government/academy

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