

Frontier Central School District

Procurement of Professional Services

AUGUST 2018



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

Contents

- Report Highlights 1**

- Procurement 2**
 - How Should a School District Procure Professional Services? 2
 - The Board’s Purchasing Policy Is Inadequate 2
 - What Do We Recommend? 3

- Appendix A – Response From District Officials 4**

- Appendix B – Audit Methodology and Standards 6**

- Appendix C – Resources and Services 8**

Report Highlights

Frontier Central School District

Audit Objective

Determine whether the District procured professional services in accordance with Board policies and applicable statutory requirements and whether payments for such services were for proper District purposes.

Key Findings

- The Board did not establish adequate policies or ensure that District officials developed adequate written procedures for procuring professional services.
- The District selected and paid nine professional service providers \$466,960, but could not provide documented evidence for how or why those vendors were selected.

Key Recommendation

- Review and update the purchasing policy and procedures to ensure they include detailed guidance for procuring professional services.

District officials generally agreed with our recommendation and indicated they planned to initiate corrective action.

Background

The Frontier Central School District (District) serves the Towns of Eden and Hamburg in Erie County. The Board of Education (Board) is responsible for the general management and control of the District's operations.

The Superintendent of Schools is the chief executive officer and is responsible for the District's day-to-day management under the Board's direction and for the budget's development and administration. The purchasing agent is responsible for ensuring all goods and services are procured in the most prudent and economical manner possible.

Quick Facts

Employees	1,000
Enrollment	5,100
2017-18 Budgeted Appropriations	\$84 million

Audit Period

July 1, 2016 – March 6, 2018

Procurement

How Should a School District Procure Professional Services?

New York State General Municipal Law (GML)¹ requires every school district to adopt written policies and procedures for procuring goods and services that are not subject to competitive bidding requirements, such as professional services.² GML states that these goods and services must be procured in a manner that ensures the prudent and economical use of public funds, in the best interest of taxpayers, and is not influenced by favoritism, extravagance, fraud or corruption.

A school district's policies and procedures should explain when to use alternative proposals or quotations, such as requests for proposals (RFPs), written or verbal quotes or other similar procedures, to solicit professional services. The procedures also should require staff to adequately document actions taken with each method of procurement, justifications for using chosen procurement methods and reasons for awarding contracts to vendors that do not provide the lowest responsible dollar offer. In addition, the procedures should require staff to document details of any circumstances when soliciting alternative proposals or quotes, or using specific methods of procurement, would not be in the best interest of the school district.

The Board's Purchasing Policy Is Inadequate

The Board adopted a purchasing policy that required District officials to establish written procedures for procuring goods and services not subject to competitive bidding requirements, such as professional services, and officials did so. However, the procedures were not sufficiently detailed and did not provide adequate guidance for employees or the purchasing agent.

The Board's policy and the procedures did not provide directives to be followed to ensure the prudent and economical use of public funds when procuring professional services. For example, the policy and procedures did not address acquiring professional services or provide monetary thresholds for staff to use when determining whether they had to use verbal or written quotes, RFPs and/or bids when procuring professional services.

Furthermore, the policy and the procedures did not describe the type of documentation that staff must maintain to support the selection and awarding of professional service contracts. Without detailed policies and procedures, employees did not have clear guidelines regarding when and how to procure professional services.

¹ GML Section 104-b

² Professional services generally include services provided 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.

As a result, employees did not always use competition when procuring professional services or document sufficient evidence to demonstrate whether the vendor selected was a prudent and economical use of public funds. In addition, employees did not always retain adequate documentation of their process of evaluating, selecting and awarding contracts or whether they used a competitive process.

We reviewed the District's procurement of 14 professional service providers that were paid approximately \$1.46 million during our audit period to determine whether officials used a process that ensured the prudent and economical use of public funds, such as competitive bids, RFPs or written/verbal quotes, while acquiring these services. We found that the District used competition, such as an RFP process, or obtained two or more written quotes when acquiring the services of three providers³ that were paid \$935,000 (64 percent).

District staff also properly documented why two vendors⁴ were paid approximately \$59,000 (4 percent) when the acquisition of these services did not require any procurement methods. However, the District did not seek competition, or did not document the selection basis of, when awarding contracts to the remaining nine vendors⁵ that were paid approximately \$467,000 (32 percent).

We reviewed one or more invoice for each of the providers in our sample and found that the services provided were for legitimate and appropriate District purposes. However, because the Board did not adopt a comprehensive purchasing policy and ensure adequate written procedures were developed for procuring professional services, District officials cannot ensure that these procurements were made in the most prudently economical manner.

What Do We Recommend?

The Board and District officials should:

1. Review and update the purchasing policy and procedures to ensure they include detailed guidance for procuring professional services, such as describing officials' duties and responsibilities, thresholds for using RFPs and written and verbal quotes and documentation requirements for the selection process.

³ Insurance and auditing services

⁴ One provided maintenance and upgrades of equipment that the provider had already installed at the District under contract, and the other was part of a legal settlement agreement that required the District to pay a specific attorney for the plaintiff's legal fees.

⁵ Physician services, attorneys, student services consulting, healthcare consulting and lead and asbestos testing

Appendix A: Response From District Officials

FRONTIER CENTRAL SCHOOL DISTRICT

FRONTIER EDUCATIONAL CENTER
5120 ORCHARD AVENUE
HAMBURG, NY 14075-5657

Telephone: (716) 926-1711 Fax: (716) 926-1778

Richard J. Hughes, Ed.D.
Superintendent of Schools

Linda M. Leising
District Clerk



August 13, 2018

Jeffrey D. Mazula, Chief Examiner
Office of the State Comptroller
295 Main Street, Suite 1032
Buffalo, NY 14203

RE: Audit Response and Corrective Action Plan [attached]

Dear Mr. Mazula:

Frontier Central School District is in receipt of your Draft Report titled 'Procurement of Professional Service 2018M-98', for the period July 2016 - March 2018. We have reviewed the audit results and recommendations and offer our response.

This Audit recommends that the Board of Education review and update the purchasing policy and procedures to reflect detailed guidance on the requirements for procurement of professional services including the description of officials' duties and responsibilities; the thresholds when using RFP's; and written and verbal quotes and documentation requirements for the selection process. The District concurs that these policy and procedures should be reviewed. We further note that the Audit acknowledges that the services provided by selected professionals were legitimate and appropriate District purposes and all payments were properly authorized.

We appreciate the courtesy and attention to detail of the Comptroller's staff. We also acknowledge the clear and respectful lines of communication that are established during this audit.

Sincerely,

Dr. Richard Hughes
Frontier Central School District
Superintendent of Schools

8/13/18
Date

FRONTIER CENTRAL SCHOOL DISTRICT

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HAMBURG, NY 14075-5657

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Richard J. Hughes, Ed.D.
Superintendent of Schools

Linda M. Leising
District Clerk

Unit Name: Frontier Central School District
Audit Report Title: Procurement of Professional Services
Audit Report #: 2018M-98

Subject: Frontier Central School District Board of Education response for the requested approval no later than October 31, 2018 for the recommendation included in the most recent audit report. The following is our corrective action plan as proposed.

Audit Recommendation:

Review and update the purchasing policy and procedures to ensure they include detailed guidance for procuring professional services.

Implementation Plan, Dates and Person Responsible:

By no later than November 30, 2018, the Frontier Central School District Director of Finance, William Thiel, after consultation with the District's Counsel and Internal and Claims Auditors, will recommend appropriate changes in purchasing policy and procedure addressing professional services to the Board of Education Policy Committee for its deliberation.

By no later than January, 30, 2019, the Frontier School District Board of Education Policy Committee will recommend appropriate changes in the purchasing policy and procedures addressing the professional services to the full Frontier School District Board of Education for their deliberation.

By no later than February 28, 2019, the Frontier School District Board of Education will adopt any appropriate changes in purchasing policies and procedures addressing these professional services.

Sincerely:

Dr. Richard Hughes
Frontier Central School District
Superintendent of Schools

8/13/18

Date

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 reviewed the Board's adopted policies and written procedures to determine whether they sufficiently addressed procuring goods and services that are not subject to competitive bidding requirements, in accordance with statutory requirements.
- We interviewed the Board and District officials to gain an understanding of the District's procurement operations and practices.
- We examined Board minutes and related procurement documents to assess whether the District issued RFPs or obtained written quotes, or whether officials retained other adequate supporting documentation, to ensure the prudent and economical use of public funds.
- We identified the professional service providers sample population during our audit period through discussions with District officials and a review of professional service provider information, such as contractual agreements and accounting records. We judgmentally selected 14 providers to include a range of total payments made (high-, medium- and low-dollar contract values).
- We reviewed one or more invoice paid to each professional service provider in our sample to determine whether payments were for proper District purposes.

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

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.

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 2116-1(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 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. We encourage the Board to make the CAP available for public review in the District Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

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

www.osc.state.ny.us/localgov/costsavings/index.htm

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

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

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

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

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

www.osc.state.ny.us/localgov/planbudget/index.htm

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

www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.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/localgov/finreporting/index.htm

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

www.osc.state.ny.us/localgov/researchpubs/index.htm

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

www.osc.state.ny.us/localgov/academy/index.htm

Contact

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

www.osc.state.ny.us/localgov/index.htm

Local Government and School Accountability Help Line: (866) 321-8503

BUFFALO REGIONAL OFFICE – Jeffrey D. Mazula, Chief Examiner

295 Main Street, Suite 1032 • Buffalo, New York 14203-2510

Tel (716) 847-3647 • Fax (716) 847-3643 • Email: Muni-Bufferalo@osc.ny.gov

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