

Eastport-South Manor Central School District

Procurement of Professional Services

OCTOBER 2019



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

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Report Highlights

Eastport-South Manor Central School District

Audit Objective

Determine whether the District sought competition for its professional service providers.

Key Findings

District officials did not:

- Use competitive methods to select 10 of 16 professional service providers who were paid more than \$1 million during the audit period.
- Have written agreements for four professional service providers who were paid \$325,053 during the audit period.

Key Recommendations

- Seek competition for all professional services.
- Enter into written agreements or approve detailed resolutions for all individuals and firms that provide professional services.

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

Background

The Eastport-South Manor Central School District (District) serves the Towns of Brookhaven and Southampton in Suffolk County. The seven member Board of Education (Board) is responsible for financial and educational affairs. The Superintendent of Schools (Superintendent) is the District's chief executive officer and responsible, along with other administrative staff, for day-to-day management under the Board's direction. The Assistant Superintendent for Business is responsible for overseeing business operations, including developing and administering the budget.

The Superintendent was appointed in July 2019 after serving as acting Superintendent since April 2019.

Quick Facts

Employees	549
Students	3,257
2018-19 Appropriations	\$93.5 million
Professional Service Providers During the Audit Period	32
Amount Paid to Providers During the Audit Period	\$2.06 million

Audit Period

July 1, 2017 – January 31, 2019

Procurement of Professional Services

How Should a District Procure Professional Services?

New York State General Municipal Law¹ requires the governing board to adopt written procurement policies and procedures for procuring goods and services not required by law to be competitively bid, such as professional services. Although not legally required, an RFP can provide a way to foster increased competition for professional services and ensure that contracts for these services are awarded in the best interest of taxpayers.²

The board should enter into written agreements with all professional service providers to clearly define and communicate the intentions of both parties, and clearly address the needs, expectations, roles and responsibilities of the contracted parties. Such agreements should specify the services to be provided, the contract period, the time frames for those services and the basis for compensation.

The District's procurement policy requires that officials contact several professional service providers and request that written proposals be submitted. The policy also requires officials to prepare a well-planned RFP, which should contain critical details of the engagement, including the methods which will be used in selecting the service provider.

Officials Did Not Always Seek Competition When Procuring Professional Services

District officials did not always solicit competition by issuing RFPs when procuring professional services as required by the procurement policy. We reviewed the claims for 16 professional service providers³ who were paid more than \$1.4 million during our audit period. We found that contracts for 10 providers⁴ paid in excess of \$1 million were awarded without the benefit of competition (Figures 1 and 2).

1 New York State General Municipal Law, Section 104-B

2 Refer to our publication Seeking Competition in Procurement available on our website at www.osc.state.ny.us/localgov/pubs/lmgmg/seekingcompetition.pdf

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

4 For two professional service providers, seeking competition was not required because these services were obtained through cooperative service agreements with the Eastern Suffolk Board of Cooperative Educational Services (BOCES) (for medical and pharmaceutical claims auditing services totaling \$14,670) and the Questar III BOCES (for internal audit services totaling \$27,350).

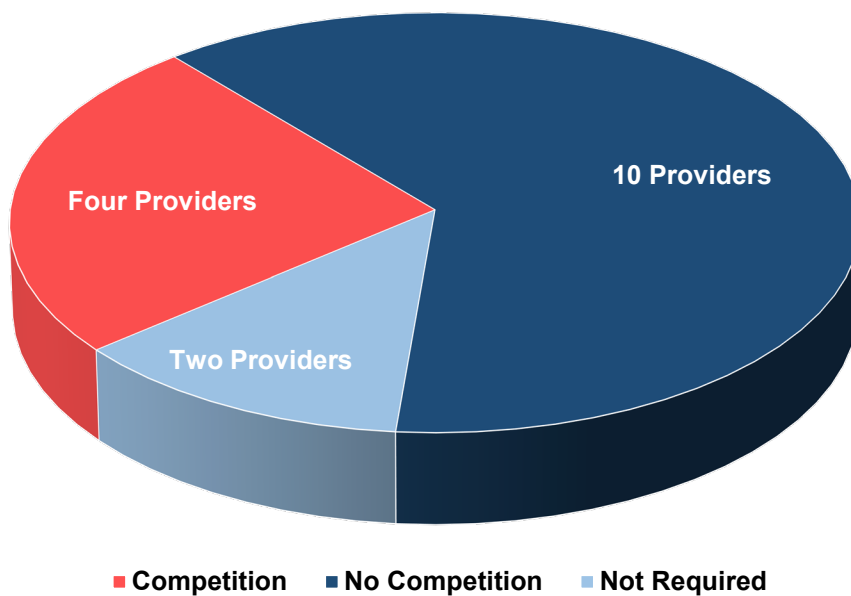
Figure 1: Professional Services Procured During the Audit Period

	Total Paid
Physical Therapy	\$691,024
Attorney	\$192,157
Architect	\$58,828
Medicare Consultant	\$24,667
Tutoring	\$23,266
Pre-school Special Education	\$9,426
School Physician	\$6,030
Educational Consultant	\$3,500
Private Investigator	\$2,928
Engineer	\$828
Grand Total	\$1,012,654

The payments for these services, approved by the claims auditor, did not include evidence that the required competitive method was followed. As a result, District officials did not obtain these services through a competitive process in accordance with the Board-adopted procurement policy.

FIGURE 2

Competition Sought for Professional Services



District officials did not enter into written agreements with four professional service providers we reviewed (the architect, behavioral analyst, engineer, and private investigator) who were paid a total \$325,053 during our audit period. Additionally, the Board did not adopt a resolution authorizing these service providers to perform services for the District. As a result, the claims for these services did not include the basis for compensation or define the scope of services provided.

District officials continued to obtain services from the architect and the Medicare consultant over the past 10 years without seeking competition. Additionally, officials told us that RFPs were not always issued when procuring professional services for special education services because of the sensitive nature of finding a provider that could meet the needs of a particular child.

A good business practice often used by school districts is to solicit RFPs before the beginning of the school year for services that are regularly provided to students. In addition, the policy specified the use of RFPs for professional services, which does not preclude this process when procuring special education services.

The lack of written contracts or detailed Board resolutions describing the services to be provided and the basis for compensation could prevent the Board and the claims auditor from determining whether fees charged are correct. Additionally, there is an increased risk that the District will pay for services it has not received. Further, because officials did not always seek competition to secure professional service contracts, these services may not have been obtained for the best price, and officials have less assurance that these purchases were the most prudent and economical use of public funds.

What Do We Recommend?

District officials should:

1. Ensure the Board adopted policy is followed regarding the use of competitive methods, such as an RFP process when procuring professional services.
2. Conduct a periodic review of professional services providers to determine the need for new RFPs.

The Board should:

3. Enter into written agreements or approve detailed resolutions for all individuals and firms that provide professional services to the District.
4. Enforce compliance with the procurement policy.

Appendix A: Response From District Officials

Eastport-South Manor Central School District

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JOSEPH A. STEIMEL
Superintendent of Schools



TIM LAUBE
Assistant Superintendent for Business & Operations
(631) 801-3001; Fax: (631) 874-6743

October 2, 2019

Office of the State Comptroller
Ira McCracken, Chief Examiner
NYS Office Building, Room 3a10
250 Veterans Memorial Highway
Hauppauge, NY 11788-5533

Dear Mr. McCracken,

The Eastport-South Manor Central School District has received your report entitled, "Procurement of Professional Services Report of Examination 2019M-156." Please note this letter serves as our District response as well as the District's Corrective Action Plan.

Audit Recommendation 1:

District officials should ensure the Board adopted policy is followed regarding the use of competitive methods, such as an RFP process when procuring professional services.

District Response

Implementation Plan:

The District agrees with this recommendation. Since the initiation of the Comptroller's audit, the District has executed RFPs for: attorney, claims auditor, internal auditor. The District also is in progress to issue RFPs for architect, school physician, tutoring services, physical therapist and Medicare consultant.

Additionally, the District is enhancing Board of Education policy 6700 and 6700-R to clarify policy language and to address exceptions to the RFP process. Also, the District will add language to the above mentioned policies that states the District will maintain documentation of written justification of exceptions when they occur.

Implementation Dates:

Attorney, June 21, 2019
Claims Auditor, June 4, 2019
Internal Auditor, June 19, 2019
Architect, December 31, 2019
School Physician, June 30, 2020
Physical Therapist, June 30, 2020
Medicare Consultant, June 30, 2020

Together We Build Excellence

The District plans to implement the above listed policy changes before February 29, 2020 in order to give the District's Policy Committee and Board of Education adequate time to review and discuss the proposed changes to the policy.

Person Responsible for Implementation:

The Assistant Superintendent for Business and Operations will supervise the RFP process for the planned RFPs listed above.

The Assistant Superintendent for Personnel and Student Services will supervise the process of implementing the proposed changes to Board policy 6700 and 6700-R with assistance from the Assistant Superintendent for Business and Operations.

Audit Recommendation 2:

District Officials should conduct a periodic review of professional service providers to determine the need for new RFPs.

District Response

Implementation Plan:

The District agrees with this recommendation. The District should seek RFPs for all professional services at least once every five years except for instances addressed in Audit Recommendation 1's District Response. In addition the District will add this process to its Board policy in section 6700 and 6700-R

Implementation Date:

The District plans to implement the above listed policy changes before February 29, 2020 in order to give the District's Policy Committee and Board of Education adequate time to review and discuss the proposed changes to the policy.

Person Responsible for Implementation:

The Assistant Superintendent for Personnel and Student Services will supervise the process of implementing the proposed changes to Board policy 6700 and 6700-R with assistance from the Assistant Superintendent for Business and Operations.

Audit Recommendation 3:

The Board should enter into written agreements or approve detailed resolutions for individuals and firms that provide professional services to the District.

District Response

Implementation Plan:

The Board agrees with this recommendation. The District proposes to add the following language to policy 6700 and 6700-R: Vendors selected via the RFP process should enter into a Board approved contract. This contract should include fees for services and a description of the service provided. The Board of Education also can pass a resolution to approve these contracts.

Implementation Date:

The District plans to implement the above listed policy changes before February 29, 2020 in order to give the District's Policy Committee and Board of Education adequate time to review and discuss the proposed changes to the policy.

Person Responsible for Implementation:

The Assistant Superintendent for Personnel and Student Services will supervise the process of implementing the proposed changes to Board policy 6700 and 6700-R with assistance from the Assistant Superintendent for Business and Operations.

Audit Recommendation 4:

The Board should enforce compliance with the procurement policy.

District Response

Implementation Plan:

The Board agrees with this recommendation. The Board should inquire as to the fees and description of services of professional service contracts presented to the Board if the contract does not specifically include this information already.

Implementation Date:

Implementation date will be upon acceptance of this letter by the Comptroller's Office.

Person Responsible for Implementation:

The Assistant Superintendent for Business and Operations and staff of the business office.

The District appreciates the opportunity to work with your staff. We found your audit team to be highly professional, courteous and skilled.

Best,

Joseph Steimel
Superintendent of Schools

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 the District's purchasing policy and procedures to gain an understanding of the procurement process.
- We received the vendor history reports covering our audit period. We eliminated all vendors who were not professional service providers. This left 27 professional service providers for the period July 1, 2017 through June 30, 2018 and 24 for July 1, 2018 through January 31, 2019, resulting in 32 unique professional service providers. Using our professional judgment, we selected a sample of 16 professional service providers based on those providers with the highest total combined payments for our audit period for each type of service provided (16 out of 32 professional service providers or 50 percent).

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 the relevant population size and the sample selected for examination.

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 2116-1(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. The CAP should be posted on District's website for public review.

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/pubs/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/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

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

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

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