



# Wheatland-Chili Central School District

## Procurement of Professional Services

### Report of Examination

Period Covered:

July 1, 2014 – November 23, 2015

2016M-12



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**

May 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 Wheatland-Chili 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 Wheatland-Chili Central School District (District) is located in the Towns of Chili, Wheatland and Brighton in Monroe County and the Town of Caledonia in Livingston 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 day-to-day management of the District under the Board's direction.

The District operates two schools with approximately 690 students and 160 employees. The District's budgeted appropriations for the 2015-16 fiscal year are \$17.4 million, which are funded primarily with State aid, real property taxes and grants.

## Objective

The objective of our audit was to evaluate the District's process and procedures for the procurement of professional services. Our audit addressed the following related question:

- Does the Board ensure that professional services are procured in a manner to assure the prudent and economical use of public moneys in the best interest of the taxpayers?

## Scope and Methodology

We examined the District's procurement of professional services from July 1, 2014 through November 23, 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.

## 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 generally agreed with our recommendations and indicated they have begun to implement 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 is not just a matter of ensuring compliance with laws and local policy. The people who are directly responsible for making procurement decisions should create a cost-conscious and thrifty procurement environment in which seeking competition becomes intuitive and “second nature” for the organization.

General Municipal Law (GML) stipulates that goods and services which are not required by law to be procured pursuant to competitive bidding, such as professional services,<sup>1</sup> must be procured in a manner to assure the prudent and economical use of public moneys, in the best interest of the taxpayers, 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 a written request 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, require justification and documentation for any contract awarded to other than the lowest responsible dollar offeror and set forth circumstances when, or the types of procurement for which, the solicitation of alternative proposals or quotes will not be in the best interest of the District. Education Law specifically requires school districts to use an RFP process when contracting for annual audit services and limit the audit engagement to no longer than five consecutive years.

Although the Board has developed a procurement policy, the corresponding regulations<sup>2</sup> do not provide guidance or requirements for seeking competition when procuring professional services<sup>3</sup> or for documenting the method of selecting professional service providers. In fact, the purchasing regulations indicate that the procurement procedures for seeking competition are not required

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<sup>1</sup> GML does not require competitive bidding for the procurement of professional services that involve specialized skill, training and expertise, use of professional judgment or discretion, or a high degree of creativity.

<sup>2</sup> The regulations contain its procedures.

<sup>3</sup> The procurement policy acknowledges the District’s legal responsibility to use an RFP process for independent audit services and limits the audit engagement to five consecutive years.

when procuring professional services. In discussion with District officials, we confirmed that their regulations were developed based on a general misconception that District officials are not required to seek competition when procuring professional services.

We reviewed the District’s procurement of services from 22 professional service providers totaling approximately \$4.9 million between July 1, 2014 and September 30, 2015. The District sought competition for nine providers, with expenditures totaling approximately \$4.5 million,<sup>4</sup> or 90 percent, including the District’s external auditor. While District officials did use an RFP process for the external auditor, District officials<sup>5</sup> did not select the auditor with the lowest cost primarily due to their longstanding relationship with the previous auditor who they again selected. Although auditor rotation is not required by law, District officials should strongly consider rotating auditors periodically to maintain independence and obtain a fresh perspective.

District officials did not properly seek competition or document procurement decisions for 13 professional service providers with expenditures totaling \$486,099, as shown in Figure 1.

<b>Figure 1: Professional Services without Competition</b>	
<b>Professional Service</b>	<b>Expenditure</b>
Insurance (2)	\$161,880
Architect	\$121,969
Professional Development (3)	\$72,059
Legal	\$58,681
Consulting (2)	\$24,163
Health Services (2)	\$23,678
Security and Facilities	\$18,550
Special Services for Students	\$5,119
<b>Total</b>	<b>\$486,099</b>

While District officials verbally provided reasonable explanations for not seeking competition for some of the professional services procured (e.g., sole service providers), they did not adequately document their methods or reasons for selecting the providers. District officials told us they obtained verbal or other quotations for certain other professional services, but did not document their actions. Proper

<sup>4</sup> The majority (six) of these professional service engagements were related to an ongoing capital project and were bid out by the construction manager.

<sup>5</sup> This RFP process was completed and the contract awarded by former District officials in 2011. The Former Business Manager retired in February 2012. A new RFP will be completed by current District officials for the five-year period beginning with the 2016-17 fiscal year.

documentation should include the reason for the determination that a procurement is not required to be competitively bid,<sup>6</sup> the alternative method used, the reason for provider selection and any reason the District could not or did not seek competition. For nine of the 13 providers from which services were procured without documented competition, the Board did not approve the procurement decisions. Contributing to the lack of documentation was the District's failure to establish comprehensive competitive procedures in its purchasing regulations specific for procuring professional services. Although we found that the services procured were for legitimate and appropriate District purposes, by not requiring purchasers to seek and document competition, District officials and the Board do not have assurance that professional services are procured in the most economical way and in the best interest of the taxpayers.

## Recommendations

1. The Board should revise its purchasing regulations to:
  - Require District officials to award professional service contracts only after soliciting competition.
  - Provide guidance as to how competition should be solicited for professional services, including the appropriate use of an RFP process, written quotes or verbal quotes.
  - Clarify the documentation requirements for the solicitation process, including documentation of the decisions made.
2. The Board and District officials should establish procedures to monitor and enforce compliance with the revised purchasing regulations.

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<sup>6</sup> For example, because it was a professional service or a purchase that was below the competitive bidding dollar threshold.

## **APPENDIX A**

### **RESPONSE FROM DISTRICT OFFICIALS**

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



# Wheatland-Chili Central School District

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*A Top 100 High School in New York State – US News and World Report 2013, 2015*

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April 12, 2016

Edward V. Grant Jr., Chief Examiner  
Rochester Regional Office  
Office of the State Comptroller  
The Powers Building  
16 West Main Street Suite 522  
Rochester, NY 14614-1608

Dear Mr. Grant:

On Monday, March 21, 2016, Wheatland-Chili Central School District representatives met with [REDACTED] to review the draft findings of the Office of State Comptroller's Audit Report.

The District appreciates the comment regarding procurement of professional services. The District strongly agrees that seeking competition in procurement should create a cost-conscious and thrifty environment.

Regarding professional services, your office made two recommendations about revising purchasing regulations and procedures to monitor and enforce compliance. The Wheatland-Chili Central School District accepts these recommendations and has already initiated the process to implement both as follows:

- Procurement regulations and procedures will be drafted and presented to the Board of Education's Audit Committee on May 25, 2016.
- The final version of the procurement regulations and procedures will be shared with the Board of Education at the June 6, 2016 board meeting.
- The new process will be implemented with District Administrators and necessary support personnel by July 15, 2016.

The School District would like to extend our appreciation to [REDACTED] for their comprehensive review of our financial operations and their professionalism in conducting this audit.

Sincerely,

Kim Snyder  
School Board President

C: Dr. Deborah Leh  
Ms. Beth Ann Gillette  
Ms. Dahlia Watts  
Board of Education

## APPENDIX B

### AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to determine if the Board ensures that professional services are procured in a manner to assure the prudent and economical use of public moneys in the best interest of the taxpayers. To accomplish our audit objective, we interviewed District officials and employees, tested selected records and examined pertinent documents for professional services procured from July 1, 2014 through November 23, 2015. Our testing included the following steps:

- We interviewed District officials and staff to gain an understanding of the procurement process as it relates to professional service providers.
- We reviewed minutes of the Board's proceedings and District policies as they related to the scope of our audit.
- We reviewed all vendors with expenditures at or above \$5,000 and identified 22 professional service providers that contracted with the District with total expenditures of \$3,223,354 in 2014-15 and \$1,724,283 from July 1, 2015 through September 30, 2015.
- For all professional service providers with expenditures at or above \$5,000, we reviewed documentation to determine if the District was seeking competition in awarding contracts. We used professional judgment to determine if the services procured were appropriate for a school district. For those services where the District did not seek competition, we inquired of District officials for an explanation.
- We reviewed contracts with the professional service providers.

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.

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