

Croton-Harmon Union Free School District

Professional Services

JUNE 2019



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

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Report Highlights

Croton-Harmon Union Free School District

Audit Objective

Determine if District officials sought competition for procurement of professional services.

Key Findings

District officials did not:

- Use competitive methods to select seven of 25 professional service providers who were paid \$128,205 during the audit period.
- Have written agreements for four professional service providers who were paid \$58,409 during the audit period.

Key Recommendations

- Seek competition for all professional services.
- Enter into written agreements and pass resolutions for current and future professional services.

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

Background

The Croton-Harmon Union Free School District (District) is located in the Village of Croton-on-Hudson, Westchester County, and serves students in parts of the Towns of Yorktown and Cortlandt. The District is governed by the Board of Education (Board) which comprises seven elected members. The Board is responsible for the general management and control of financial and educational affairs. The Superintendent of Schools is the District's chief executive officer and is responsible, along with other administrative staff, for day-to-day management under the Board's direction.

The Board appointed the former Assistant Superintendent for Business (Assistant Superintendent) as the purchasing agent who is responsible for implementing the purchasing policy.

Quick Facts

Employees	455
Enrollment	1,600
2018–19 Appropriations	\$47.2 million
Professional Service Providers	25
Amount Paid to Providers	\$1.2 million

Audit Period

July 1, 2017 – October 10, 2018

Professional Services

How Should a School District Procure Professional Services?

New York State General Municipal Law 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.¹ Using request for proposals (RFPs) is an effective way to ensure that the district procures services for the best price.²

The District's procurement policy requires the use of RFPs to obtain professional services and requires the District to periodically, but not less frequently than every five years, issue professional service RFPs, which generally provide detailed information concerning the type of service to be provided, including minimum requirements and the evaluation criterion that will govern the contract award.

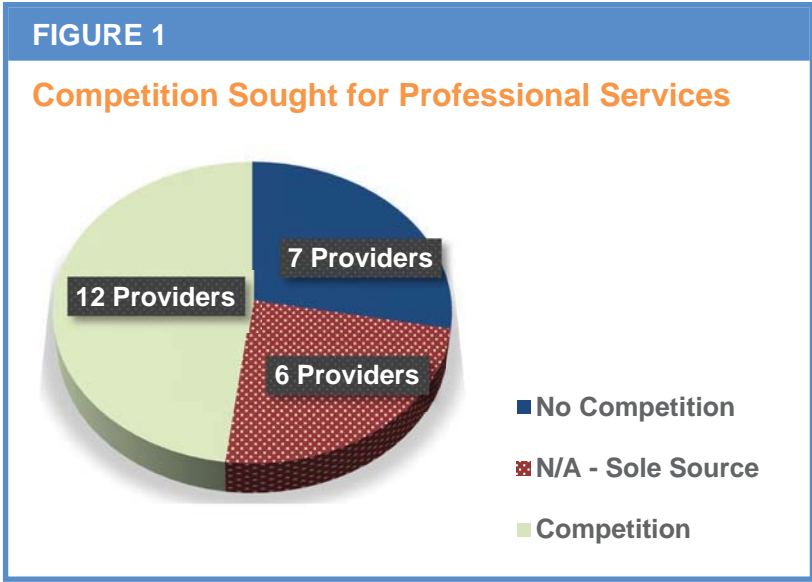
The board should enter into written agreements with all professional service providers specifying the contract period, the services to be provided and the basis for compensation for those services.

Officials Did Not Always Seek Competition for Professional Services

We identified 25 professional service providers who were paid a total of \$1.2 million during our audit period. District officials did not seek competition for seven professional service providers who were paid \$128,205. Officials referred to these providers as proprietary services because they were recommended and used by other school districts. However, the District's procurement policy did not include provisions for the use of certain vendors based on recommendations of other districts. Three of these proprietary service providers who were paid \$33,215 have been providing services to the District for between five to 17 years.

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

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



Although District officials issued RFPs when selecting three providers who were paid \$191,480 during the audit period, they continued obtaining services from these providers for a period of eight to 16 years without seeking competition. These providers were paid for legal, architectural and claims auditing services.

We reviewed documentation for the 25 professional services providers paid during our audit period and found that officials did not have written agreements with four providers who were paid a total of \$58,409. These providers included insurance and engineering services.

District officials told us that they did not implement their policy on RFPs because they believed that competition was not needed for propriety service providers. As a result, officials and the Board may not be assured that professional services are procured in the most economical way, in the best interests of taxpayers.

The lack of written contracts describing the services to be provided and the basis for compensation prevents the Board from determining whether the fees charged are correct. Further, there is no clear understanding of the compensation these professionals are entitled to and the extent of services they are obligated to provide.

What Do We Recommend?

The Assistant Superintendent should:

1. Ensure that the purchasing policy is followed regarding the use of RFPs when procuring professional services.

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2. Conduct a periodic review of professional services providers to determine the need for new RFPs.

The Board should:

3. Require written contracts with all professional service providers.

Appendix A: Response From District Officials



Croton-Harmon Union Free School District
10 Gerstein Street
Croton-on-Hudson, New York 10520

Dr. Deborah O'Connell
Superintendent

Ms. Iris Cross Bugliosi
Board of Education President

May 20, 2019

Mr. James Obeng, Principal Examiner
Office of the State Comptroller Division of Local Government and School Accountability
33 Airport Center Drive, Suite 103
New Windsor, NY 12553

Dear Mr. Obeng,

This letter serves as our response to the draft findings report submitted to the Croton-Harmon School District dated April 22, 2019. The audit conducted by the Office of the State Comptroller for the audit period of July 1, 2017 - October 10, 2018 focused on procurement of professional services.

We thank you for your audit report and will begin to prepare a corrective action plan which incorporates your noted recommendations and submit this plan to Office of the State Comptroller.

We thank you for your professionalism and courtesy during this process.

Sincerely,

Iris Cross Bugliosi
Croton-Harmon Board of Education President

Deborah O'Connell, Ed.D.
Croton-Harmon Superintendent

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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 reviewed cash disbursement data for our audit period from which we removed payroll, debt services, tuition and reimbursement transactions and disbursements to vendors who did not provide professional services. We then filtered the data to identify potential professional service providers who were paid \$3,000 or more and identified 25 such providers. We reviewed payments to all 25 providers and related documentation to determine whether the District sought competition when awarding contracts for professional services.
- We reviewed our population of professional service providers with District officials to determine whether all the vendors we identified were in fact professional service providers. If competition was sought, we reviewed documentation to determine whether justification for the award was reasonable. For those services where the District did not seek competition, we made inquiries of officials to determine why competition was not sought.
- For each professional service provider reviewed, we determined whether Board resolutions or written agreements existed with respect to contracts for professional services. We also reviewed the vendor history to determine how long each provider had provided services to the District.

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.

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 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/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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Dr. Deborah O'Connell
Superintendent of Schools

August 21, 2019

Mr. James Obeng, Principal Examiner
Office of the State Comptroller Division of Local Government and School Accountability
33 Airport Center Drive, Suite 103
New Windsor, NY 12553

Dear Mr. Obeng,

This letter serves as our official response and Corrective Action Plan for the Croton-Harmon Union Free School District in response to the Report of Examination 2019M-51 on Professional Services for the audit period of July 1, 2017 – October 10, 2018 which focused on procurement of professional services.

We want to thank the Comptroller's Office and members of the audit team for their diligence and attention to the district's procurement procedures and their oversight of the District's management of taxpayer funds.

The District offers the following Corrective Action Plan:

Recommendations: The Assistant Superintendent should:

1. Ensure that the purchasing policy is followed regarding the use of RFP's when procuring professional services.

Response: The Assistant Superintendent will work with the three schools as well as the Departments of Facilities, Technology, Pupil Personnel Services and Transportation within the district to ensure that the purchasing policy is followed regarding the use of RFP's when procuring professional services. The Assistant Superintendent will also work with the Board of Education Policy Committee to review the Procurement Policies to ensure that they are up to date and reflect current guidelines and practices.

2. Conduct a periodic review of professional services providers to determine the need for new RFP's.

Response: School building and Department Administrators will maintain a list of RFP's issued for their buildings and departments with dates of issue. This list will be shared with the Assistant Superintendent so that she/he can conduct a periodic review of professional services providers to determine the timing for issuing new RFP's.

Recommendation: The Board should:

1. Require written contracts with all professional service providers.

Response: The Assistant Superintendent will work with the officers of the Board of Education during agenda planning to ensure that all contracts with professional service providers are approved by the Board of Education on a timely basis.

We once again thank you for your audit report and for your professionalism and courtesy during this process.

Sincerely,

Dr. Deborah O'Connell
Superintendent of Schools