

Bronxville Union Free School District

Procurement

JUNE 2018



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

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Report Highlights

Bronxville Union Free School District

Audit Objective

Determine if District officials sought competition for the purchase of goods and services not subject to competitive bidding and ensured that written contracts were in place for all professional services.

Key Findings

District officials did not:

- Always seek competition for professional services.
- Have written agreements for 10 professional service providers who were paid \$394,380 during the audit period.
- Always obtain quotes for goods and services, as required by the purchasing policy.

Key Recommendations

- Consider revising the District's purchasing policy to require competition for procuring professional services.
- Enter into written agreements or pass resolutions for all current and future professional services.
- Ensure the required quotes for goods and services are obtained.

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

Background

The Bronxville Union Free School District (District) serves the Village of Bronxville in Westchester County. The District is governed by a Board of Education (Board) which is composed of seven elected members. The Superintendent of Schools (Superintendent) is the District's chief executive officer and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction.

The Board appointed the Assistant Superintendent for Business (Assistant Superintendent) as the purchasing agent who is responsible for approving all purchases and ensuring that they are made in accordance with District policy, regulations and applicable laws.

Quick Facts

Employees	362
Enrollment	1,660
2017-18 Budgeted Appropriations	\$47.1 million

Audit Period

July 1, 2016 – December 31, 2017

Procurement

How Should Officials Procure Goods and Services Not Subject to Competitive Bidding?

New York State General Municipal Law (GML)¹ requires that district officials adopt internal policies and procedures for the procurement of goods and services when competitive bidding is not required. GML² further requires school districts to include in their policies and procedures that, with certain exceptions, they secure alternative proposals or quotations for such goods and services. The district may set forth in its policy circumstances when, or types of procurements for which, it has determined alternative proposals or quotations will not be in its best interests. Goods and services not required to be competitively bid should be procured in a manner to assure the prudent and economical use of public funds in the residents' best interest and to guard against favoritism. It is also important for the board to enter into written agreements with professional service providers that indicate the contract period, the services to be provided and the basis for compensation for those services.

The district's purchasing policy and regulations encourage a periodic review of professional services by the Assistant Superintendent who is the purchasing agent. The evaluation of such services should consider cost, the professional provider's special knowledge or expertise, the quality of the services provided and the suitability for the district's needs. Furthermore, the policy requires formal written quotes from at least three separate vendors for purchase contracts in excess of \$5,000 (to \$20,000) and for public work contracts in excess of \$7,000 (to \$35,000).

Officials Did Not Always Seek Competition for Professional Services

We reviewed the District's procurement of services from 32 professional service providers³ paid \$1.6 million. We found that District officials did not seek competition for 26 professional service providers paid almost \$1.3 million (Figure 1). The District used these professional service providers for as many as 13 years without seeking competition. District officials sought competition for the remaining six providers.

1 New York State General Municipal Law (GML) Section 104-b

2 GML Section 104-b (2.b.)

3 We reviewed the services provided by 31 professional service providers. However, an architect had multiple contracts with the District resulting in 32 separate procurements.

Figure 1: Professional Services Without Seeking Competition

Professional Service	Count	Expenditure
Physicians & Nurses	3	\$25,838
Engineers & Architects	2	\$42,392
Education Consulting	8	\$333,330
Insurance	2	\$436,712
Asset Management	1	\$3,920
Legal	3	\$252,867
Financial Consulting	2	\$31,448
Professional Development	3	\$74,607
Advertising	1	\$17,000
Psychologist	1	\$49,038
Total	26	\$1,267,152

District officials did not always seek competition for professional services because its policy does not require the solicitation of quotes or proposals when acquiring professional services. However, the policy encourages a periodic review of professional services by the Assistant Superintendent. The Assistant Superintendent did not develop formal procedures for the review for professional services. As a result, District officials and the Board may not have assurance that professional services are being procured in the most economical way, in the best interests of residents and without favoritism.

The District Did Not Have Written Agreements With All Professional Service Providers

We reviewed the procurement documents for 32 professional services provided during our audit period and found that the District did not have written agreements with 10 providers. The providers were paid a total of almost \$395,000 during our audit period (Figure 2). Some of the providers have provided services to the District for over 12 years.

Figure 2: Professional Services Without Contracts

Professional Service	Count	Expenditure
Engineers & Architects	1	\$12,789
Education Consulting	4	\$222,072
Legal	2	\$111,071
Financial Consulting	2	\$31,448
Advertising	1	\$17,000
Total	10	\$394,380

Because of a lack of a formal review process for professional services, District officials were unaware that there were no written agreements with 10 of the professional service providers until we requested them during our fieldwork. The lack of written agreements deprives the District of protection in the event that these professional providers default on their obligations. Without written agreements, there is no clear understanding of what compensation these professionals are entitled to and the extent of the services that they are obligated to provide.

Officials Did Not Always Comply with the Purchasing Policy

We reviewed purchases made from 30 vendors during our audit period totaling \$394,557 that required written quotes. District officials did not have written quote documentation for 19 vendors paid \$275,940. For example, a construction company was paid \$31,364 in the 2016-17 fiscal year without written quotes. District officials contracted with the company at their architect's recommendation.

According to District officials, employees who prepared requisitions did not submit documentation to the approvers or Assistant Superintendent. District officials also did not maintain documentation to support emergency and sole source purchases, as required by the District's purchasing policy. As a result, District officials and the Board do not have assurance that goods and services are being procured in the most economical way, in accordance with the District's purchasing policy and in the residents' best interest.

What Do We Recommend?

The Board should:

1. Consider revising its purchasing policy and regulations to require competition for procuring professional service providers.
2. Enter into written agreements or pass resolutions for all current and future professional services that detail the services to be provided and the compensation for those services.

The Assistant Superintendent should:

3. Conduct a periodic review of professional services providers.
4. Ensure the required quotes for goods and services are obtained and documentation is maintained for emergency and sole source purchases.

Appendix A: Response From District Officials



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Superintendent of Schools

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May 23, 2018

Ms. Tenneh Blamah
Chief Examiner of Local Government and School Accountability
State of New York
Office of the State Comptroller
Newburgh Regional Office
33 Airport Center Drive, Suite 103
New Windsor, NY 12553-4725

Dear Ms. Blamah:

We are in receipt of your draft audit #2018M-46 entitled "Procurement," reflecting the preliminary report of the examination and testing performed upon the procurement processes and procedures of the Bronxville Union Free School District ("BUFSD"). We thank your office for its efforts.

BUFSD will take the findings and recommendations under advisement and implement any necessary corrective measures. BUFSD will file a Corrective Action Plan, as appropriate, within 90 days of the release of the final audit report.

Sincerely,

Roy R. Montesano

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 laws and the District's purchasing policy and procedures to gain an understanding of the procurement process.
- We reviewed the District's purchasing policy and regulations to determine if they were comprehensive and in accordance with applicable laws.
- We reviewed cash disbursement data and sorted the data by vendor and account code to identify all professional service providers paid during the audit period. We reviewed the list of professional service providers with District officials to verify that all vendors identified were professionals.
- The District contracted with 43 professional service providers with total payments in 2016-17 of \$799,619 and \$853,355 for the period July 1, 2017 through December, 31, 2017. We selected to review 31 that had individually received payments totaling \$3,000 or more. One professional service provider had multiple agreements with the District for which we reviewed 32 separate procurements of services. We reviewed documentation to determine whether the District sought competition when awarding contracts for professional services. If competition was sought, we reviewed documentation to determine if the justification for the award was reasonable. For those services where the District did not seek competition, we interviewed District officials to determine why competition was not sought and when the last time a review of the provider was performed as encouraged by District policy.
- 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.
- For each professional service provider reviewed, we selected the highest paid claim for each provider, during our audit period, for a total of 31 payments totaling \$793,385. We compared each payment to Board resolutions or contracts to determine whether the payments agreed with contract terms and were appropriate District expenditures.

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- We reviewed cash disbursement data and sorted the data by vendor and payment amount from largest to smallest for 2016-17 and for the period July 1, 2017 through December 31, 2017. We excluded payments for items such as payments to other districts, payroll-related expenditures, health insurance, professional services, reimbursements and utilities. Then, we eliminated aggregate amounts paid that required competitive bidding or purchases made at the Assistant Superintendent's discretion. The remaining payments were purchases that required written quotes as per District policy.
 - We judgmentally selected 20 vendors that were paid a total of \$269,870 during 2016-17 and an additional 10 vendors that were paid a total of \$124,688 from July 1, 2017 through December 31, 2017 that fell within the District's purchasing policy requirements for obtaining written quotes. We reviewed documentation related to purchases for each vendor to determine if written quotes were obtained prior to purchase as required by the District's purchasing policy and regulations.

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 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

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