

North Bellmore Union Free School District

Procurement of Professional Services

AUGUST 2019



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

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Report Highlights

North Bellmore Union Free School District

Audit Objective

Determine whether the Board adhered to the law and District policy when procuring professional services.

Key Findings

The Board did not:

- Comply with the law and use a competitive request for proposal (RFP) process when contracting for the annual audit.

District officials did not:

- Always comply with District policy to procure professional services. Our review of procedures District officials used to select 17 professional service providers showed that they did not seek competition when selecting six service providers, who were paid a total of \$437,732 during the audit period.

Key Recommendations

- Use a competitive RFP process when contracting for the annual audit and repeat the process at least every five years as required by law.
- Ensure that District officials and personnel comply with the District's purchasing policy when procuring professional services.

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

Background

The North Bellmore Union Free School District (District) is located in the Town of Hempstead in Nassau County. The District is governed by an elected five-member Board of Education (Board). The Board is responsible for the general management and control of financial and educational affairs. The Superintendent of Schools is the chief executive officer and is responsible, along with other administrative staff, for day-to-day management under the Board's direction. The Assistant Superintendent for Business (Assistant Superintendent), who is also the purchasing agent, oversees the District's business operations and purchasing.

Quick Facts

2018-19 General Fund Appropriations	\$57.2 million
Enrollment	2,062
Professional Service Providers During Audit Period	22
Total Paid for Professional Services During the Audit Period	\$1.6 million

Audit Period

July 1, 2017 – December 31, 2018

Procurement of Professional Services

What is an Effective Procurement of Professional Services Process?

New York State Education Law (Education Law)¹ requires school districts to use a competitive request for proposal (RFP) process² when contracting for an annual audit of its records by an independent certified public accountant or an independent public accountant. After a district has contracted for this service, it may engage that provider annually for a maximum of five years, at which point it must repeat the RFP process. Education Law does not forbid districts from hiring the same service provider for consecutive five-year engagements as long as it follows the RFP process.

New York State General Municipal Law³ requires that school districts adopt policies and procedures governing the purchase of goods and services when competitive bidding is not required. Using an RFP process is an effective way to ensure that the district receives needed services on the most favorable terms or for the best value. Potential service providers typically are supplied with copies of the RFP specifications and are requested to submit proposals by a specified date.

Proposals may be solicited either via public advertisement or from a comprehensive compiled list of potential service providers who are contacted directly and provided with an RFP. An RFP can provide a mechanism for fostering increased competition for professional services and help ensure that contracts are awarded in the best interests of the taxpayers. Written agreements or contracts between a district and professional service providers give both parties a clear understanding of the services expected to be provided and the compensation for those services.

The District's purchasing policy states that the Board will use RFPs to engage professional service providers. The policy further states that the District will make certain that professional services are secured in a manner that protects the integrity of the process, ensures the prudent use of taxpayer dollars and provides a high quality standard of service, in accordance with law and regulation. In reviewing RFPs, the District will consider at a minimum, such factors as the suitability of the firm for the district's needs, expertise, credentials and applicable certifications, service quality and staffing availability.

Officials Did Not Use an RFP Process for Annual Audit Services

District officials did not use an RFP process when contracting for the annual audit as required by Education Law. District officials told us that they did not

1 New York State Education Law, Section 2116-a

2 An RFP is a document that provides detailed information concerning the type of service to be provided including minimum requirements and, where applicable, the evaluation criteria that will govern the contract award.

3 New York State General Municipal Law, Section 104-b

obtain proposals or seek competition for the annual audit. Although the law also requires the District to repeat the RFP process every five years, the Assistant Superintendent told us that they have not issued an RFP for the last seven years since he has been with the District.

The Board appointed an audit firm during its annual reorganization meeting without using RFPs as required and paid the firm \$74,000 during our audit period. Because the District did not obtain an RFP for its annual audit services every five years, the District did not comply with the law, and officials may not have obtained these services at the most favorable value.

Officials Did Not Always Comply with Policy When Procuring Professional Services

District officials did not always comply with the purchasing policy when procuring professional services by using RFPs, as required. During the audit period, officials paid approximately \$1.6 million to professional service providers.

We reviewed the procedures officials used to select 17 professional service providers, paid approximately \$1.5 million during our audit period,⁴ who provided services such as special education, legal and accounting services. Our review showed that officials appropriately used RFPs to select 10 special education and related services providers who were paid more than \$1.1 million and an internal auditor who was paid \$4,505. Officials requested proposals and adequately documented the proposals received from these providers.

Officials did not use RFPs to select six professional service providers who were paid a total of \$437,732, including \$153,077 for legal services, \$139,415 for accounting and auditing services,⁵ \$89,000 for independent performance evaluation services and \$56,240 for Medicaid billing specialist services.⁶ Officials told us that they did not use RFPs to select some of these service providers because the providers worked with the District for many years.

In addition, we reviewed 48 payments totaling \$499,462 made to the 17 providers to determine whether the payments were properly authorized and in accordance with the applicable contract terms. Payments to all these service providers were made in accordance with written agreements, which listed the services provided and fees charged. The agreements were approved by the Board, documented in the minutes and the service providers submitted itemized invoices.

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

5 This includes the \$74,000 paid to an accounting firm for the annual audit.

6 Payments to these providers spanned through 18 months, from July 1, 2017 through December 31, 2018.

However, because officials did not always use, or provide evidence that they used, competition to procure professional services, they cannot be sure that professional services are procured in the most prudent and economical manner.

What Do We Recommend?

The Board should:

1. Use an RFP process to appoint an external audit firm and repeat the process at least every five years as required by law.
2. Ensure that officials comply with the purchasing policy when procuring professional services.

Appendix A: Response From District Officials

www.northbellmoreschools.org



NORTH BELLMORE SCHOOL DISTRICT ADMINISTRATION OFFICES

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Marie L. Testa

Superintendent of Schools

Re: North Bellmore Union Free School District
Report No. 2019M-95

Carol A. Eskew

Deputy Superintendent

Dear Mr. McCracken:

Janet Pollitt

*Assistant Superintendent
for Curriculum &
Instruction*

As Superintendent of Schools and on behalf of the North Bellmore Union Free School District, I would like to thank you and your staff for providing the School District with an opportunity to address the findings of the Procurement of Professional Services Report of Examination for the period spanning July 1, 2017 through December 31, 2018 (the "Draft Audit Report"). The School District would also like to thank the local field staff of the Comptroller's office for their professionalism and consideration while performing this audit.

The North Bellmore Union Free School District is in receipt of the Draft Audit Report along with the recommendations contained therein. I have shared the Report with the Board of Education, and the District has undertaken a careful analysis of the Report and the underlying data. Please accept this letter as the District's written response.

The School District understands and appreciates the service provided by the New York State Comptroller's Office in undertaking its auditing function and the value in its suggestions to improve the School District's procurement processes. We view the audit as an opportunity for our School District to review and improve our financial processes and oversight. We take our obligation to the students, residents and taxpayers of our community very seriously, and any input that allows us to better serve them is always welcome. We understand that the audit is required by law, and we were happy to fully cooperate with your representatives so as to ensure that our procedures are appropriate.

Our mission is to inspire all students to be confident, passionate learners with the courage and skills to lead their lives with integrity, while contributing to our global community with creativity and compassion.



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Deputy Superintendent

Janet Pollitt
*Assistant Superintendent
for Curriculum &
Instruction*

Jacqueline Rehak
*Assistant Superintendent
for Business*

We accept and agree with the findings in the Report and were pleased that after reviewing the District's records, overall the School District has procured professional services in accordance with applicable law and Board policy. Moreover, it was determined that the School District appropriately used Requests for Proposals (RFP) to select special education and related service providers, and those requested proposals were adequately documented. In addition, the Draft Audit Report finds that payments made to all the service providers were made in accordance with the Board approved written agreements, which is consistent with the School District's expectations for these payments. Against this backdrop, the Draft Audit Report identifies only two areas raised by the audit after the New York State Comptroller Office's extensive review. Accordingly, the School District seeks to build upon and improve the procurement process for professional services and the overall fiscal responsibility of the School District. In furtherance of that goal, we offer the following response to the findings and recommendations in the Draft Audit Report. These responses are not intended to be exhaustive; rather, when the School District prepares and submits its corrective action plan, it will offer more specific comments and action in response to each of the recommendations contained in the final report.

Annual Audit Services

The School District understands that an RFP process should have been used for the annual audit at five year intervals. Inadvertently, the process was not utilized at the appropriate interval. The School District has already undertaken corrective measures to address this oversight and efforts are ongoing to ensure that such oversights are avoided in the future.

Inconsistent Compliance with Policy When Procuring Professional Services

The School District appreciates the comments from the Office regarding adherence to the Board Policy concerning professional services. We understand there were instances when the RFP process should have been used and, inadvertently, it was not. It is not the intention of the School District to overlook policy or procedures required by law, and in

no way should be indicative of how the School District operates. We require our administrators and staff to comply with the District's purchasing policy when procuring professional services.

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Jacqueline Rehak
*Assistant Superintendent
for Business*

The School District continues to review these recommendations to ensure consistency in this area and will take specific action to implement measures as appropriate as a result of your audit.

Thank you for your efforts to ensure sound fiscal practice and procedures. The School District is committed to maintain its goal of fiscal responsibility and prudence in the expenditure of public funds.

Very Truly Yours, *M*

Marie Testa
Superintendent of Schools

MT/jr

c Nina Lanci
Board President

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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 to gain an understanding of the procurement of professional services providers.
- We reviewed the policies over procurement of professional services.
- We reviewed the Board minutes to determine which professional providers were appointed by the Board.
- We obtained disbursement data directly from the computerized financial system and analyzed the data using computerized tools. We reviewed all disbursements made during the audit period to identify payments made to professional service providers and researched the identified providers to determine the nature of services provided. We identified 22 professional service providers paid \$1.6 million during our audit period. For materiality purposes, we limit our selection to service providers who were paid at least \$2,500, resulting in our sample of 17 providers who were paid more than \$1.5 million during our audit period.
- We reviewed the procedures that officials used to select the professional service providers included in our sample to determine whether they complied with the policies for procurement of these services.
- We reviewed RFPs sent out by officials to prospective professional service providers and the proposals submitted by our sample of providers to determine whether officials sought competition for these services. We determined whether proposals were received from applicants other than the selected providers of such service(s) and whether the selected professional service providers submitted proposals for the services performed.
- We reviewed Board approved written agreements for our sample of providers. We selected the three largest payments⁷ made to each provider for a sample of 48 payments totaling \$499,462. We reviewed these payments to determine whether officials made payments in accordance with agreed upon fees or prices, service providers' invoices were itemized and payments were approved before payment.

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.

⁷ Two professional service providers received less than three payments.

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 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 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/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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