

# Jefferson Central School District

## Procuring Services

JUNE 2021



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

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# Report Highlights

## Jefferson Central School District

### Audit Objective

Determine whether Jefferson Central School District (District) officials sought competition when procuring services.

### Key Findings

District officials did not always seek competition for services. Officials paid:

- \$135,000 to 10 of the 14 service providers reviewed without seeking competition.
- \$6,410 to an employee's private business for lawn care services without public written disclosure of his interest in the contract with the District.

### Key Recommendations

- Seek competition when procuring services.
- Ensure District officers or employees publicly disclose, in writing, any interests they have in contracts or agreements with the District.

District officials generally agreed with our recommendations and have initiated or indicated they planned to initiate corrective action. Appendix B includes our comment on an issue that was raised in the District's response letter.

### Background

The District serves the Towns of Harpersfield and Kortright in Delaware County, and the Towns of Blenheim, Gilboa, Jefferson and Summit in Schoharie County.

The five member elected Board of Education (Board) is responsible for the general management and control of financial and educational affairs. The Superintendent of Schools (Superintendent) is the chief executive officer responsible, along with other administrative staff, for day-to-day management under the Board's direction. In addition, the Superintendent is the Board-appointed purchasing agent, responsible for overseeing the procurement process.

#### Quick Facts

2019-20 Appropriations	\$7 million
Amount Paid to Service Providers	\$202,552
Service Providers	17

### Audit Period

July 1, 2019 – December 31, 2020

# Procuring Services

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## How Should Officials Procure Services?

Districts are required to adopt written policies and procedures governing the purchase of goods and services not subject to competitive bidding requirements. Goods and services must be procured in a manner that ensures the prudent and economical use of public funds in the taxpayers' best interest.

Using a request for proposal (RFP) process or obtaining written quotes are effective ways to ensure that services are obtained with the most favorable terms and best value. 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. Generally, there are no set rules regarding the frequency of RFPs or quotes. However, district policy should establish reasonable intervals to solicit proposals or quotes, such as every three to five years, to ensure services are being procured at a favorable rate.

Under certain circumstances, officials may determine that seeking competition would not be in the district's best interest. The board should specifically define these exceptions in the district's policies and procedures and ensure that they are justified in the public interest. In addition, all district officers or employees must publicly disclose, in writing, to the board any interests they have in contracts or agreements with the district. These disclosures must be recorded in the board minutes.

## Officials Did Not Always Seek Competition for Services

The District's purchasing policy requires officials to obtain written quotes from at least three vendors for purchases that exceed \$1,000, whether they are goods or services.

We reviewed payments to all 14 service providers paid more than \$1,000 during the audit period to determine whether RFPs were issued or quotes were obtained. We found that District officials did not seek competition for services obtained from 10 service providers paid approximately \$135,000 (Figure 1).

**Figure 1: Services Obtained Without Competition**

Service Type (Count)	Payments
<b>Insurance (2)</b>	\$82,672
<b>Staff Training Program (1)</b>	20,318
<b>Teacher for the Visually Impaired (1)</b>	7,725
<b>School Physician (1)</b>	6,325
<b>Financial Advisor (1)</b>	4,417
<b>Elevator Maintenance (1)</b>	2,560
<b>Sports Field Maintenance (2)</b>	8,910
<b>Attorney (1)</b>	1,922
<b>Total (10)</b>	<b>\$134,849</b>

Although officials told us quotes were obtained for one of the sports field maintenance services totaling \$6,410, they were unable to provide us with supporting documentation. These services were provided by a District employee's privately owned lawn care business because the District was unable to maintain the sports fields due to staffing issues and because the employee offered to provide them at a lower cost. We were unable to determine whether the District achieved cost savings due to the lack of supporting documentation for the quotes. Additionally, the Board minutes did not document that an employee's business was used for these services.

District officials told us they did not know that this interest in the contract needed to be disclosed to the Board in writing and included in the Board minutes. Although our testing did not reveal any irregularities in pricing, when employees, in their private capacities, conduct business with the District for which they serve, the public may question the appropriateness of these transactions.

Also, District officials told us they did not seek competition for services because they were familiar and satisfied with these providers. Further, the purchasing policy did not address the frequency with which officials should seek competition for services or set forth any exceptions that qualify services to be procured without seeking competition. Officials obtained services (attorney, school physician, elevator maintenance and financial advisor) from several of the same providers over the past three years and obtained services from one insurance provider for the past 10 years.

When District officials do not seek competition for services, they cannot assure taxpayers that services are obtained in the most prudent and economical manner, without favoritism. Further, they may be unaware of other providers that could offer similar services at a more favorable price.

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## What Do We Recommend?

District officials should:

1. Use an RFP process or solicit quotes to seek competition when procuring services.
2. Update the purchasing policy to include details related to seeking competition for services and allowable exceptions.
3. Ensure District officers or employees publicly disclose, in writing, their deemed interests in contracts and document such in the Board minutes.

# Appendix A: Response From District Officials



## JEFFERSON CENTRAL SCHOOL

1332 State Route 10 • Jefferson, New York 12093

(607) 652-7821 • Fax (607) 652-7806

[www.jeffersoncs.org](http://www.jeffersoncs.org)

May 19<sup>th</sup>, 2021

Office of the State Comptroller  
Ms. Ann C. Singer, Chief Examiner  
Binghamton Regional Office  
State Office Building, Suite 1702  
44 Hawley Street  
Binghamton, NY 13901-4417

RE: Jefferson Central School District – Procuring Services Report of Examination, 2021M-42

Dear Ms. Singer:

The Jefferson Central School District is in receipt of the NYS Office of the State Comptroller Audit Report 2021M-42 – Procuring Services for the audit period of July 1, 2019 – June 30, 2020. We appreciate the collaborative efforts of the field examiner while completing the audit along with the professionalism and flexibility allowed during the process, especially during the COVID-19 pandemic. The District views this audit as an opportunity to review, strengthen, and improve both our procurement processes and oversight and agree with the findings in the report.

Our response to the audit has been prepared in accordance with the guidelines set forth by the Office of the State Comptroller and will also serve as the District's Corrective Action Plan. The Report of Examination noted two key findings in which the District will provide the following information for each:

**Key Finding #1:** District officials did not always seek competition for services. Officials paid \$135,000 to 10 of the 14 service providers reviewed without seeking competition.

**District Response:** General Municipal Law §103 and/or §104 does not require professional services to be competitively bid. Professional services, including legal services, medical services, and insurance are services that require special skill, training, expertise, the use of professional judgement or discretion, and/or a high degree of creativity in the performance of the contract, which do not need to comply with competitive bidding procedures. Independent auditing services are the only service exempt from this clause, and the District does procure for such service every five years.

See  
Note 1  
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The District would like to note the following with respect to the professional services findings:

- A Teacher for the Visually Impaired is provided to special education students. This service is provided specific in nature, maintaining the stability and consistency in the best interest of the students being served.
- Jefferson is in a rural area where some professional services are difficult to obtain and can cost more in expenses due to travel costs. Using a local vendor to provide similar services can result at times as a cost benefit.
- The attorney, insurance agent, and the financial advisors have been maintained due to the historical information regarding the district. This saves a district time and money with less time spent explaining past matters.
- The Staff training program are costs associated with a specific in-house program geared towards student intervention and support services.

Jessica Hendrickson  
Board of Education President  
[boe@jeffersoncsd.org](mailto:boe@jeffersoncsd.org)

Tarkan T. Ceng, Ed.D  
Superintendent  
[tceng@jeffersoncsd.org](mailto:tceng@jeffersoncsd.org)

William F. Clooney  
Principal  
[wclooney@jeffersoncsd.org](mailto:wclooney@jeffersoncsd.org)

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**Key Finding #2:** District officials also paid \$6,410 to employee’s private business for lawn care services without public written disclosure of his Interest in the contract with the District.

**District Response:** Due to the geographic location of the district, officials and board members have had difficulty obtaining other vendors. As such, this employee has become de facto a sole source vendor. We will continue to seek other sources in the future but may have to remain with the current vendor.

**Response to Recommendations and Corrective Action Plan**

**Auditor Recommendations & the District Response/Corrective Action:**

1. Seek competition when procuring services.

District Response & Corrective Action Plan

The District agrees with the recommendation. The District, in conjunction with its current policies, will use the Request for Proposal (RFP) process/solicit quotes to seek competition in procuring professional services. If an RFP, The District will develop a rubric to determine the best price and/or the most qualified service provider to award. The District will reserve the right to accept the most qualified service. Please keep in mind that professional services do not require an RFP but may be used. This recommendation will be implemented immediately (by June 30, 2021).

2. Ensure District officers or employees publicly disclose, in writing, any interests they have in contracts or agreements with the District.

District Response & Corrective Action Plan

The District agrees with the recommendation. The District will disclose any interests by updating its Code of Ethics Board of Education policy to include information on conflict of interest and provide a Conflict of Interest Statement for all Board of Education members and key employees. The Board of Education will review the current policy and update to include conflict of interest by August 31, 2021. The Board of Education and key employees will complete the Conflict of Interest form by the beginning of each school year. When a potential contract which would cause a perceived conflict of interest, said person will be required to fill-out the documentation with all specifics so the board has full information before entering into any contract.

The board understands that any contract is for one school year, and to not obligate future boards, will be reauthorizing contracts annually.

The Superintendent will be the responsible official to oversee recommendations are implemented as per the Corrective Action Plan.

Again, the District would like to thank the staff of the New York State Office of the State Comptroller’s Office for thoroughly reviewing the District’s policies and procedures. We are open to the recommendations and will take the necessary steps to improve internal controls by making every effort to spend in the most economical and appropriate manner possible.

Sincerely,

Tarkan T. Ceng, Ed. D.  
Superintendent

## Appendix B: OSC Comment on the District's Response

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### Note 1

Although the law does not require competitive bidding for professional services, the District's procurement policy requires officials to seek competition for purchases of goods and services that exceed \$1,000.

## Appendix C: Audit Methodology and Standards

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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 reviewed the Board's adopted policies and written procedures to determine whether they sufficiently addressed procuring goods and services that are not subject to competitive bidding, in accordance with statutory requirements.
- We interviewed District officials and employees to gain an understanding of the District's procedures for the procurement process.
- We reviewed cash disbursement data for our audit period and identified 17 service providers. We reviewed our identified population with District officials to determine whether all those we identified were services providers.
- We identified all service providers who were each paid more than \$1,000 during our audit period. We reviewed the contracts of all 14 service providers we identified and RFP documentation, if any, to determine whether District officials sought competition for these services. For those services where the District did not seek competition, we made inquiries of officials to determine why competition was not sought.
- We reviewed all written agreements between the District and each service provider to determine whether the agreements were current. We also reviewed all payments made to each provider during the audit period to assess whether the payments were made in accordance with the agreement.
- We made inquiries of District officials and employees involved in the purchasing process to identify their outside employment interests or business ownerships to determine whether any officials or department heads had a prohibited conflict of interest. We then reviewed vendor reports and Board-approved abstracts of audited claims to calculate the number of times and total dollar amounts a business owned by a District employee was paid.

We conducted this performance audit in accordance with generally accepted government auditing standards (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.

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.

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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-a (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 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 CAP should be posted on the District's website for public review.

## Appendix D: Resources and Services

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### **Regional Office Directory**

<https://www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf>

### **Cost-Saving Ideas** – Resources, advice and assistance on cost-saving ideas

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## Contact

Office of the New York State Comptroller  
Division of Local Government and School Accountability  
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: [localgov@osc.ny.gov](mailto:localgov@osc.ny.gov)

[www.osc.state.ny.us/local-government](http://www.osc.state.ny.us/local-government)

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

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**BINGHAMTON REGIONAL OFFICE** – Ann C. Singer, Chief Examiner

State Office Building, Suite 1702 • 44 Hawley Street • Binghamton, New York 13901-4417

Tel (607) 721-8306 • Fax (607) 721-8313 • Email: [Muni-Binghamton@osc.ny.gov](mailto:Muni-Binghamton@osc.ny.gov)

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