



Town of Stuyvesant Procurement

Report of Examination

Period Covered:

January 1, 2015 — November 15, 2016

2017M-54



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

May 2017

Dear Town Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as 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 operations and Town Board governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of the Town of Stuyvesant, entitled Procurement. 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 local government 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 Town of Stuyvesant (Town) is located in Columbia County. It has an area of 26.8 square miles, a population of about 2,000 and 22 employees. The Town provides various services to its residents, including general government support and maintaining and improving Town roads. The Town's 2016 budgeted appropriations for its general fund totaled approximately \$468,000 and highway fund totaled \$486,000, which were funded primarily by real property and sales taxes.

The Town is governed by an elected Board of Trustees (Board), which is composed of four trustees and a Town Supervisor (Supervisor) who serves as the Town's chief executive officer and chief fiscal officer. The Board is the legislative body responsible for overseeing Town operations, including procurement of goods and services. The Supervisor is generally responsible for the administration and supervision of the Town's day-to-day fiscal operations, which includes maintaining accounting records and providing the Board with timely, accurate and useful financial information.

The Town does not have a centralized purchasing function. The Supervisor and Highway Superintendent are responsible for administering the purchasing activities. The Board is responsible for ensuring purchases comply with the Board's adopted procurement policy.

Objective

The objective of our audit was to evaluate the Town's procurement practices. Our audit addressed the following related question:

- Did Town officials procure goods and services in accordance with competitive bidding laws and the Town's procurement policy?

Scope and Methodology

We examined the Town's procurement practices for the period January 1, 2015 through November 15, 2016.

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. 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.

**Comments of Town Officials
and Corrective Action**

The results of our audit and recommendations have been discussed with Town officials, and their comments, which appear in Appendix A, have been considered in preparing this report. Town officials generally agreed with our recommendations and indicated they plan to initiate corrective action.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and forwarded to our office within 90 days, pursuant to Section 35 of General Municipal Law. 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 this plan available for public review in the Clerk's office.

Procurement

General Municipal Law (GML) generally requires the Board to advertise for bids on purchase contracts involving expenditures of more than \$20,000 and on contracts for public works involving expenditures of more than \$35,000. Exceptions from competitive bidding requirements include, but are not limited to, purchases through a New York State Office of General Services (OGS) contract or a County contract. Goods and services that are not required to be bid must be procured in a manner to ensure the prudent and economical use of Town money.

GML requires that the Board adopt a written purchasing policy for the procurement of goods and services. The policy should outline when competitive methods should be used and require adequate documentation of purchases made. GML also requires the policy to address the procurement of goods and services that are not required to be competitively bid. The policy should outline when Town officials should use alternative competitive methods and should require adequate documentation of actions taken. For example, prior to awarding contracts for professional services and insurance coverage, the Board should solicit written proposals or quotes, such as through a request for proposals (RFP) process, because it is an effective means to procure such services with the most favorable terms and conditions. Furthermore, the Board should monitor compliance with its policy and GML by ensuring claims are supported with adequate quotes or proposals and are in accordance with applicable contract rates and terms.

The Town's procurement policy requires Town officials to call the County Administrator's office to determine whether there is a County or State contract before making purchases. In addition, the policy establishes thresholds for when various types of competition should be used, as follows:

- If the purchase exceeds \$1,000 and is less than \$3,000, obtain at least two verbal quotes.¹
- If the purchase exceeds \$3,000 and is less than \$5,000, obtain two written quotes and attach them to the voucher.
- If the purchase exceeds \$5,000 and is less than \$20,000, obtain three written quotes and attach them to the voucher.

¹ This requirement does not apply to purchases made by the Highway Superintendent.

- If the purchase exceeds \$20,000, sealed bids are required.

However, the Town's procurement policy excludes professional services and does not require competitive methods to be used when procuring these services.

The Town made a total of 48 purchases totaling \$581,168 during the audit period. We reviewed all 21 purchases for goods totaling \$497,840 that exceeded the \$1,000 threshold and found the Town generally complied with its procurement policy.

The Town made 27 payments totaling \$83,328 to 10 vendors that were for professional services. However, Town officials were unable to provide documentation showing that they sought competition for these services. This occurred because the Town's procurement policy specifically exempts professional services from being obtained through proposals or quotations. According to the Supervisor, one vendor that was paid \$21,862 was selected using competitive methods, such as an RFP.

The Supervisor said he had attended training sessions held by the New York State Association of Towns and Office of the State Comptroller in which the presenters told attendees that there was greater value in purchasing professional services based on trust and the ability to provide needed services than on lowest bid. While lowest cost should not be the only factor in obtaining professional services, using competition would enable Town officials to determine which qualified professional service provider can provide services at the lowest cost.

Because the Town did not require or encourage using competition when awarding professional service contracts, Town officials cannot assure taxpayers that they have procured these services in the most economical manner without favoritism.

Recommendations

The Board should:

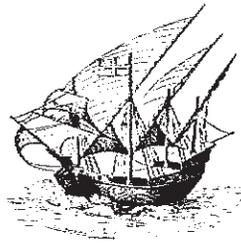
1. Amend the procurement policy to require the use of a competitive process when procuring professional services.
2. Use a competitive process when procuring professional services.

APPENDIX A
RESPONSE FROM TOWN OFFICIALS

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

Supervisor
Ronald Knott

Council Members
Thomas Burrall
Brian Chittenden
Edward Scott
Kelley Williams



Highway Superintendent
Charles Stiffler

Town Clerk/Tax Collector
Melissa A. Naegli

Town Attorney
Tal Rappleyea

TOWN OF STUYVESANT

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FAX: 518-758-8077

May 16th 2017

Chief Examiner of OSC

We would like to thank the department for the review process that the town of Stuyvesant recently received. I think I can speak for the board and other elected officials that this was an educational experience.

The recommendations came in regards to our town's procurement of professional services, and while I had always supported the process the town had adopted, I do also understand the concerns of the Comptroller's office in helping us to be able to insure our residents that we as a town board have made the best procurements.

The town board will plan to review and revise our town's procurement policy to incorporate the department's comments and better assure our residents that the town board is making the best procurement decisions for its residents.

A handwritten signature in black ink, appearing to read 'Ron Knott', written in a cursive style.

Ron Knott
Supervisor
Town of Stuyvesant
Supervisor@stuyvesantny.us
758-6248 X 16

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

The objective of our audit was to evaluate the Town's purchasing practices. To accomplish our audit objective and obtain relevant audit evidence, our procedures included the following:

- We reviewed the Town's procurement policy and interviewed Town officials to gain an understanding of the procurement process.
- We selected purchases that exceeded the bidding thresholds and reviewed paid vouchers to determine whether staff adhered to competitive bidding laws and maintained supporting documentation for the purchases.
- We reviewed claims that did not meet bidding thresholds to determine whether the Town adhered to the Town's procurement policy.

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.

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