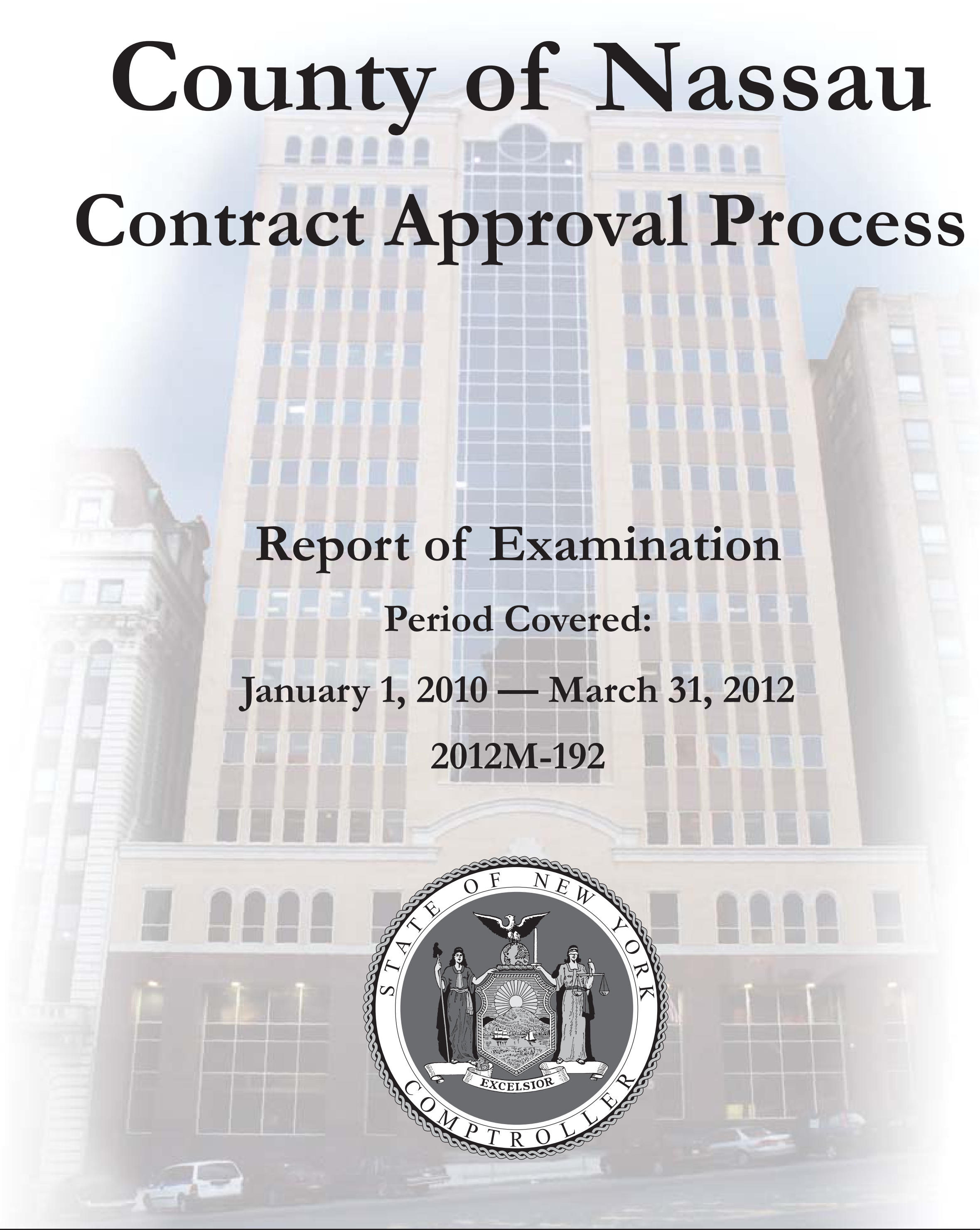
Office of the New York State Comptroller

Division of Local Government & School Accountability

County of Nassau

Contract Approval Process



Report of Examination

Period Covered:

January 1, 2010 — March 31, 2012

2012M-192

Thomas P. DiNapoli

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State of New York
Office of the State Comptroller

Division of Local Government and School Accountability

March 2013

Dear County 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 County 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 County of Nassau, entitled Contract Approval Process. 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 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

Nassau County (County), located on Long Island, covers 287 square miles and has a population of over 1.3 million. The County is governed by an elected County Executive, and a 19-member County Legislature (Legislature). There is also an appointed County Attorney, and an elected County Comptroller who is responsible for encumbering all County funds before they can be paid by the Treasurer. The County's 2012 adopted budget totaled approximately $3 billion.[1]

The County Executive's Office is, by Charter, responsible for managing all County administrative functions. With certain exceptions, contracts are made and executed by the County Executive. The County Comptroller is responsible for examining and approving all contracts, purchase orders, and other documents by which the County incurs financial obligations. The Legislature is responsible for approving, through its Rules Committee, personal service contracts[2] proposed by the County Executive.

In 2000, the State Legislature created the Nassau County Interim Finance Authority (NIFA), a public benefit corporation established by the Nassau County Interim Finance Authority Act (Act).[3] NIFA was empowered to issue bonds and notes for various County purposes. In addition, NIFA has certain powers under the Act to monitor and oversee the County's finances and, upon the declaration of a control period, to provide additional oversight. During a control period, NIFA is empowered, among other things, to approve, disapprove or modify the County's financial plan and to approve or disapprove County proposed contracts and borrowings.

The procurement of goods and services is a significant County function requiring extensive processes for the review and approval of contracts. The County Charter enumerates the procedures required for awarding contracts. The contract approval process is lengthy, includes six levels of approval and is subject to a maximum 45-day approval path.[4] The initiating department head, the Office of Management and Budget, the County Attorney's office, the Office of

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[1] Includes General, Debt Service, Police Headquarters, Police District, Fire Prevention, and Sewer and Storm Water Resources District Funds. Interdepartmental charges and inter-fund transfers are also included.

[2] Personal service contracts are for professional and other technical services which are not subject to the competitive bidding requirements.

[3] Created under Chapter 84 of the Laws of 2000, as supplemented by Chapter 179 of the Laws of 2000

[4] Contracts funded from capital sources and items acquired by way of purchase orders are excluded.

Legislative Affairs, and the Office of Purchasing and Contracts all play a role in the contract approval process. The procurement procedures are outlined in several comprehensive manuals including the Procurement Policy and Procedures manual, the Procurement Internal Control Guideline Manual, and the Contract Management Manual. The Procurement Policy and Procedures manual covers County procurement of goods, services, personal services, and construction. The procedures manual sets forth specific guidelines to follow when procuring goods or services through formal sealed bids, requests for proposals, competitive proposals (quotes), small purchases, direct purchases, emergencies, sole source, intergovernmental procurement, and preferred sources. Our audit focused on evaluating the County's practices and procedures required under the Charter for approving contracts subsequent to selecting a vendor.

Objective

The objective of our audit was to examine the County's internal controls over the approval of contracts equal to or greater than $50,000. Our audit addressed the following related question:

- Are County contracts equal to or greater than $50,000 authorized timely and in accordance with the County Charter and NIFA directives?

Scope and Methodology

We examined contracts of the County of Nassau equal to or greater than $50,000 for the period January 1, 2010 to March 31, 2012.

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 D of this report.

Comments of Local Officials and Corrective Action

The results of our audit and recommendations have been discussed with County officials and their comments, which appear in Appendix B, have been considered in preparing this report. County officials indicated they plan to implement corrective action. Appendix C includes our comments on the issues raised in the County's response letter.

The Legislature 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 the 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 County Legislature to make this plan available for public review in the office of the Clerk of the Legislature.

Contract Approval

The County Executive, or his Deputy, is responsible for the execution of contracts between the County and vendors. The County Legislature's Rules Committee must approve personal service contracts that exceed $25,000, are for a term of more than one year, or result in aggregate expenditures with a single entity of $50,000 or more per year.[5] Contracts in excess of $100,000 for procurement of goods or non-personal services must be approved by the County Legislature. Amendments to contracts that were not previously approved by the Legislature require such approval only if the amendment brings the contract within the scope of one of the above imposed criteria. Amendments to contracts that were previously approved by the Legislature generally require re-approval.

The County Charter is clear that certain contracted work should not begin prior to ratification by the Rules Committee. In addition, County contract approval procedures require that work not begin until contracts have the signature of the County Executive or the Deputy County Executive.

Although we found that County contracts are authorized in accordance with the County Charter and NIFA directives, the authorization process is not always timely. Seven of the 22 contracts subject to the County Charter 45-day approval process[6] exceeded the limit from two to 111 days. When additional guidelines were added by NIFA during a control period, the contract approval process increased to an average of 85 days, an increase of 39 days. Due to the County's lengthy process for approving contracts, officials are allowing services to be performed by vendors prior to the ratification of contracts and the signature of the County Executive or the Deputy County Executive.

County Charter Guidelines — The Charter imposes a contract approval process with multiple steps that must be followed.[7] Prior to Legislative approval, contracts must be approved by the initiating department head, certified by the Office of Management and Budget, approved by the County Attorney's office as to form and then again for insurance coverage, reviewed by the County Comptroller's office, and handled again later by the Comptroller to encumber funds. Contracts are then reviewed by the Office of Legislative Affairs before County

[5] This requirement does not apply in certain limited circumstances.

[6] Maximum number of days permitted

[7] Appendix A is a flowchart delineating the County contract approval process, including NIFA's approval.

Executive approval and then again after Legislative approval. Certain contracts are not subject to Legislative approval, including:

- Contracts with State mandated and other not-for-profit organizations providing care, aid, or support to public assistance recipients
- Contracts providing direct services to senior citizens
- Procurement contracts required to be made pursuant to Federal, State, or local law
- Contracts with recipients for the disbursement of grants under the Community Development Block Grant Program
- Purchases through the New York State Office of General Services.

We randomly selected 29 contracts (17 not-for-profit/special grants, three professional services, and nine other goods and services), which all follow the same approval process. These contracts were approved between January 1, 2010 and March 31, 2012 from a population of 1,039 vendors that were paid $50,000 or more in one year, to determine whether the approval process was efficient, and whether the timeliness of the approval process significantly changed after the NIFA control period was initiated in January 2011. We also reviewed the first claim paid under each contract/purchase order selected to determine whether goods or services were rendered prior to final approval. Payments for the 29 contracts and purchase orders reviewed totaled $121,244,984.

All 29 contracts reviewed followed the appropriate approval path as mandated by the Charter and 22 of the 29 contracts and purchase orders we reviewed were subject to the 45-day approval process. Although the average approval time for these 22 contracts was 46 days, seven of the contracts exceeded the 45 day limit, completing the approval process anywhere from 47 days to 156 days (more than three times the amount allowed by the Charter). For example, a contract for court reporting services was initiated on January 26, 2011, but was not signed by the County or Deputy Executive until May 19, 2011, 113 days later. The approval path for another contract for special counsel services started on January 25, 2010, but was not signed by the County or Deputy Executive until June 30, 2010, 156 days later.

Table 1: Contracts Exceeding 45 Day Limit - Days Spent in Each Department						
Contract	Initiating Department	OMB	County Attorney	Comptroller	County Executive	Total Days
1	5	8	7	26	2	48
2	1	7	8	40	1	57
3	119	10	1	21	5	156
4	5	12	4	42	15	78
5	5	2	3	33	26	69
6	1	4	50	44	14	113
7	1	12	2	29	3	47

The lag in the contract approval process is most consistent in the County Comptroller's office where the average approval time for the County Comptroller to approve the 22 contracts was 21 days.

Although the Charter and contract procedures are clear that contracted work should not begin prior to the County Executive or the Deputy County Executive signing the contract, we found that work on 15 of the 29 contracts began on average 49 days prior to the contracts being signed and executed by the County Executive (the actual number of days ranged from 6 to 110 days). Specifically:

- Work related to 10 not-for-profit/special grant contracts[8] was performed on average 45 days before the contracts were signed by the County Executive. For example, a $240,000 contract for a community development grant program was executed on March 4, 2011 but services began as early as January 13, 2011, 50 days prior to being signed by the County Executive. A $67,945 contract for counseling services was executed on July 20, 2011, but services were performed as early as April 1, 2011, 110 days prior to execution.

- A legal services contract was executed on June 30, 2010, but legal services were first provided 51 days earlier on May 10, 2010.

- Goods and services related to four other contracts were provided on average 59 days before the contracts were signed by the County Executive. For example, two contracts for court reporting services were signed 92 days and 70 days after some of the work had been provided by the respective vendors.

NIFA Guidelines — NIFA initiated a control period on the County on January 26, 2011, when it determined that the County's multiyear

[8] Nine of the 10 contracts are for State-mandated services.

financial plan, covering fiscal years 2011 through 2014, was not sound and projected that the County would incur a major operating fund deficit of one or more percent during the 2011 fiscal year. During the control period, NIFA is empowered to review and approve all contracts and to establish guidelines requiring the County to submit contracts meeting specific criteria for NIFA's approval.

During a control period, NIFA contract approval guidelines require the County to submit for review and approval all contracts equal to or greater than $50,000. Contracts under $50,000 do not need NIFA approval unless the contract amounts, issued to a particular vendor for the provision of similar services, aggregates to $50,000[9] or more in any 12 month period. The average time to approve contracts was 46 days before the control period, while the average was 85 days after the control period began. However, NIFA's review of the contracts did not cause the 39 day increase. Most of the increase in contract approval time occurred at the County.

From April 1, 2011 through March 31, 2012,[10] the Office of the Clerk of the Legislature certified 879 County contracts that needed NIFA approval. We randomly selected 30 of these contracts to determine if the County adhered to NIFA's written contract approval guidelines. Fourteen of the 30 contracts totaling $9,956,236 received the necessary NIFA approvals. Nine other contracts, for not-for-profit/special grant purposes, totaling $677,200, were not submitted for review and approval even though these contracts were subject to approval under NIFA guidelines. County officials provided us with informal email communication from NIFA officials exempting certain contracts from submission to NIFA for approval and NIFA officials confirmed the exemption communications. However, the written guidelines were not amended to exclude specific contracts from the NIFA approval list. NIFA officials stated that the contract approval process between the two parties is still a work in progress. The remaining seven contracts in our sample did not ultimately require NIFA approval and were handled appropriately.

During the NIFA control period, the County received goods and services from 17 of the 30 vendors before the County Executive and NIFA approved the contracts.

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[9] Contracts excluded from the NIFA review and approval process include emergency contracts, contract advisements and "penny" contracts that do not increase the monetary amount of the original contract, and purchase or blanket orders that are not encumbered against a contractual line or are for the procurement of personal services of less than the $50,000.

[10] The portion of the audit period which was also the NIFA control period.

- Work related to 13 not-for-profit/special grant contracts[11] was performed on average 88 days before the contracts were either approved by NIFA or signed by the County Executive.

- Two professional service providers performed services before their contracts were either signed by the County Executive or approved by NIFA. Services on a contract for design and construction services were rendered 52 days before the contract was approved by NIFA. Also, a contract to assist the County Legislature with inter-municipal agreements, finance, public finance, and firematic issues was not sent to NIFA for approval. Services were provided 10 days before the contract was signed by the County Executive.

- Two other contracts, one for billing services and the other for mailing services, were approved 111 days and 43 days after respective services were provided to the County.

Historically, vendors started work or provided goods and service before contracts were approved, and the County would eventually pay its obligation upon final contract approval. Despite verbal assertions from County officials that vendors are aware of the Charter provision that vendors should not provide goods or services to the County before the contract is approved, this practice still continues during the NIFA control period. County officials told us that vendors are fully aware of the risk of not being paid if they provide goods/services to the County before a contract is fully executed and approved. NIFA's written contract guidelines neither allows nor prohibits the use of this known past practice nor provides any guidance on what actions NIFA officials should take when the guidelines are not followed.

Allowing goods and services to be procured prior to completing the formal contract review process defeats the purpose of these external control procedures and is generally not a good business practice because neither party is protected by the terms and conditions of the unapproved contract. At the exit conference, County Officials told us that the vendor assumes all the risk of providing services to the County before the contract is approved and that the County has no legal obligation to pay the vendor for such services unless the contract is approved. However, it is uncertain if the County is precluded from enforcing the terms and conditions of the unapproved contract in the event the vendor's performance had been substandard.

<u>Sewage System Privatization Contract</u> — The County secured a consulting contract with a financial advisor to aid with the possible sale or lease of the County sewage treatment system, also characterized as

[11] Ten of the 13 contracts are for State-mandated services.

a "Monetization Transaction." The County's intent was to privatize the sewer operation by entering into a long term public, private, partnership agreement (i.e., P3 Agreement) in exchange for the County receiving an immediate financial benefit estimated at $750 million. NIFA requires that contracts in excess of $5 million be approved by the NIFA Board. While there were established guidelines for securing this type of contract, the guidelines were not properly followed.

On February 16, 2010, the County issued a request for proposals (RFP) due on March 8, 2010, which were described as a traditional underwriting service and directed respondents to "provide the County with alternative fund raising ideas, which may include Public/Private Partnership and /or any other innovative fund raising and financial structures." Twenty-four proposals were received and evaluated by the evaluation committee and, based on the ranking and scoring of the proposals, a financial advisor was selected.

The County signed a contract for $24,750 with the financial advisor on September 1, 2011 to seek and review requests for a company to purchase, lease and/or operate the County's three sewage treatment plants.[12] Because this contract was under the $50,000 threshold, it did not require approval by the Legislature or by NIFA. The consultant was paid $24,750 under the terms of this contract, which ended October 1, 2011. A second contract, which covered the period October 1, 2011 through December 31, 2012, was negotiated by the County after the consultant had identified three qualified firms. The contract provided for a quarterly advisory fee, from $100,000 up to $500,000; a transaction fee of 1 percent of the aggregate value of the monetization transaction for no less than $5 million; a termination fee[13] equal to 15 percent of the "Breakup Fee,"[14] which would not exceed the transaction fee; and expenses up to $25,000.

The second contract was approved by the County Legislature on December 5, 2011 and delivered to NIFA for approval on February 10, 2012. This contract was not forwarded to the NIFA Board of Directors for consideration, as per guidelines. Instead, NIFA staff discussed the merits of the contract with County officials at a meeting where it was concluded that the contract would not be approved by the NIFA Board as submitted. Since a record of the meeting was not

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[12] Includes Cedar Creek, Bay Park, and Glen Cove Sewage Treatment Plants

[13] The contract defines Termination Fee as follows: "If the Monetization Transaction is not consummated and the County or the System receives compensation pursuant to termination provisions contained in the agreement governing the Monetization Transaction, whether pursuant to a letter of credit or other form of deposit or break-up fee arrangement (a "Breakup Fee"), the Contractor will charge a "Termination Fee" equal to 15 percent of the Breakup Fee, which will not exceed the Transaction Fee."

[14] Ibid.

made, it is not exactly known what comments or suggestions were made regarding this contract.

However, as a result of the meeting, the County issued a new RFP on February 24, 2012 solely for "Investment Banking and/or Financial Advisory Services for a Public-Private Partnership for the County's Sewer System." Five proposals were received by the County and reviewed by an evaluation committee. Ultimately, the same financial advisor was selected. The Legislature approved the contract on April 16, 2012. It was projected that the County could generate net revenues of approximately $400 million and potentially retire approximately $465 million of the Sewer System's debt if the Monetization Transaction was consummated. For its involvement, the financial advisor would receive an "Advisory Fee" of $200,000 per quarter for the first two quarters and $100,000 per quarter thereafter; a transaction fee of 0.75 percent of the aggregate value of the transaction of no less than $5 million; a termination fee equal to 15 percent of the "Breakup Fee", which would not exceed the transaction fee; and expenses up to $25,000. All of these conditions were similar to the contract that was not approved by NIFA in February 2012.

County officials indicated that they intended to request a meeting with NIFA officials to discuss the contract before formally submitting it for approval. However, that meeting never occurred and the NIFA Board acted on May 17, 2012 to reject the financial advisor's contract. Although NIFA rejected the contract, County officials entered into a new contract for $24,750 with the same financial advisor on June 8, 2012 to seek and review requests for qualification for a company to purchase, lease and/or operate the County's three sewage treatment plants. NIFA rejected the monetization agreement because they considered it to be a high interest loan.

County officials told us that they entered into the June 2012 contract with the consultant to gauge market interest in this type of transaction and present the results to NIFA so that it could reconsider the P3 contract approach for privatizing the County sewer system. All four of these contracts followed the appropriate approval path as mandated by the Charter.

<u>Capital Projects Contracts</u> — The County generally finances expenditures for capital projects through the adoption of an annual capital plan. The majority of the capital program is funded through issuance of long-term debt. For 2011, the capital plan included $201 million in capital projects funded primarily by issuing $167 million in County debt and $34 million from non-County sources, such as grants. The proposed 2012 capital plan included $112 million in capital projects, of which $100 million was to be funded with proceeds from long-term debt.

The County's process for approving capital construction contracts prior to the NIFA control period was similar to the approval of other contracts, except that they did not require Legislative approval.

- The Legislature approved the Capital Plan.

- The Legislature authorized the issuance of General Obligation Bonds (GOBs) to fund the capital program.

- The Department of Public Works initiated the process to secure public bids for the approved capital projects.

- Contracts were awarded and temporarily financed with inter-fund loans, which were later repaid when the GOBs were issued.

The County did not issue the total amount of GOBs up front. Instead, the County issued GOBs periodically, as funds were needed. By not issuing debt until funds are actually needed for projects that take several years to complete, the County limited the amount of interest expense it incurred. NIFA approval is required each time GOBs are issued.

After the enactment of the control period, the process for the approval of capital construction contracts at the County level remained unchanged, except that each contract over $50,000 has to be submitted to NIFA for approval before expenditures can be made and any debt has to be approved by NIFA before it can be issued. Unlike operating expenditures, which are funded through the adoption of an annual budget, capital construction contracts are funded with proceeds of GOBs as described in the capital plan and could span multiple fiscal years.

The County needs to change the way it goes about initiating, funding and completing capital projects. Since the County is in a control period, NIFA can and has approved lower amounts of borrowing than the County has requested. NIFA has done so to lessen the burden that debt places on the overall budget and to decrease County spending in accordance with revenue constraints imposed in the multiyear plan. However County officials may be operating under the assumption that future requests to issue additional GOBs to complete ongoing capital construction contracts will be approved by NIFA because the initial contracts were previously approved. If County officials do not change their approach to initiating and completing projects, there is an increased risk that capital construction projects in progress could be left unfinished.

For example, County officials submitted a request to NIFA for approval of about $90 million in GOBs for capital construction contracts, some of which were pre-control period and were initially partially financed through temporary interfund loans. NIFA approved the issuance of $60 million of debt for these contracts. County officials indicated that NIFA expects the County to fund the $30 million difference from the general fund operating budget. NIFA officials indicated that they approved the reduced amount because this was all the County could afford at that time and the County could not continue "doing business as usual" in a control period.

During the contract period, the County needs to amend its procedures for completing capital projects. NIFA has directed the County to prioritize projects to match approved borrowing limits and to proceed with projects in phases so that projects could be stopped if additional funding is not granted. To do otherwise places all capital projects at risk.

Recommendations

1. County officials should continue to review the contract approval process in an effort to make it more efficient and eliminate or combine multiple approval stages within the same County department.

2. County officials should develop a process for prioritizing the approval of contracts for essential and needed services so that vendors can provide those services at the earliest possible time. This should eliminate the practice of having vendors begin work before contracts are approved.

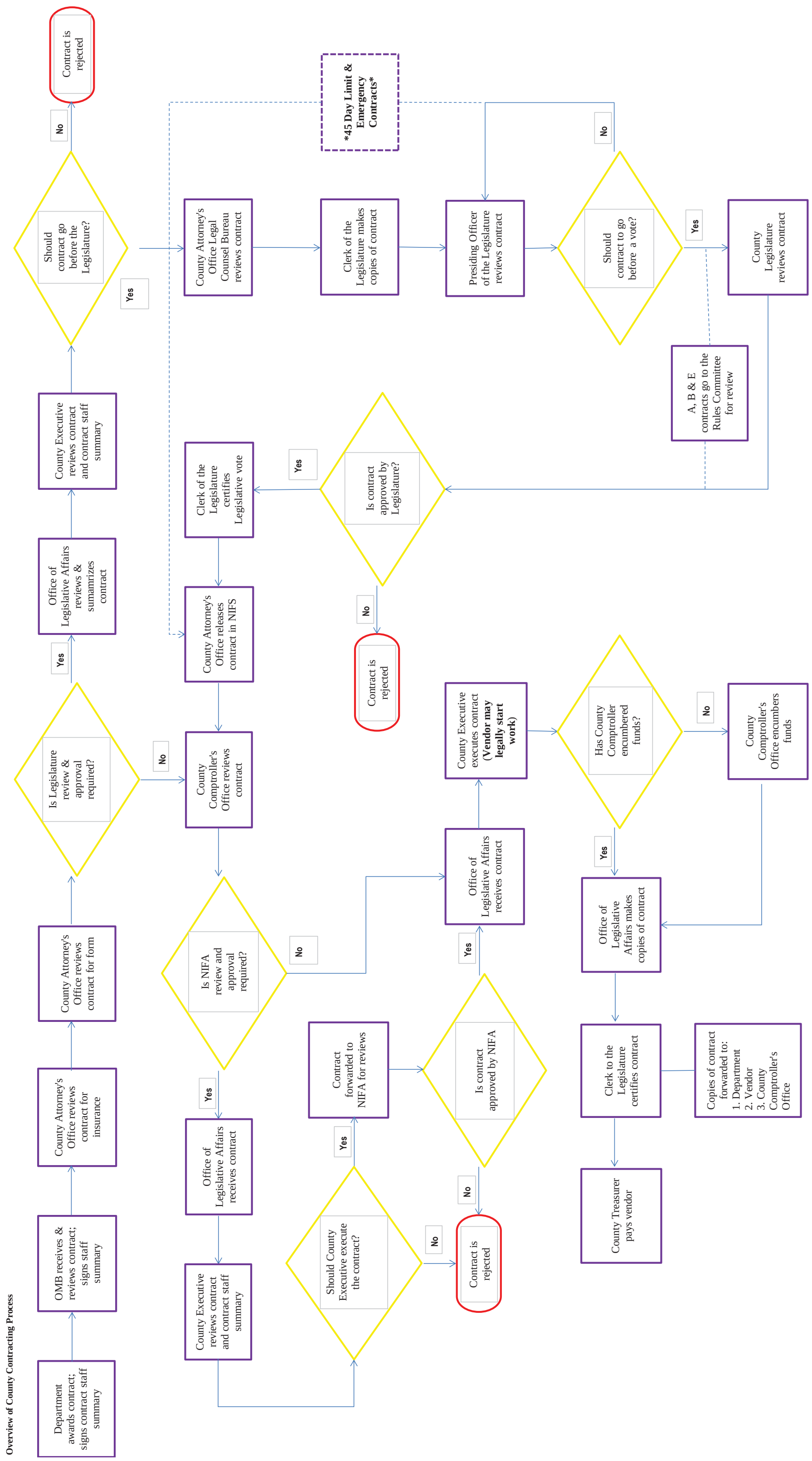
3. County officials should review those contracts where goods/services were provided before being signed by the County Executive, determine the cause of the delay, and identify corrective actions needed to make the process more efficient.

4. County officials should continue to meet with NIFA officials to review and update the contract approval guidelines to ensure that they are comprehensive, clear, concise, and consistently applied. Both parties should also consider streamlining the approval process so that contracts can be approved more timely.

5. County officials should propose a plan to NIFA for financing capital projects.

APPENDIX A

FLOWCHART OF COUNTY CONTRACT APPROVAL PROCESS



APPENDIX B

RESPONSE FROM LOCAL OFFICIALS

The local officials' response to this audit can be found on the following pages.

EDWARD P. MANGANO
COUNTY EXECUTIVE

TIMOTHY P. SULLIVAN
DEPUTY COUNTY EXECUTIVE
FOR FINANCE

MANAGEMENT, BUDGET & FINANCE
One West Street
Mineola, New York 11501
(516) 571-4270

February 19, 2013

Mr. Ira McCracken
Chief Examiner
Division of Local Government and
School Accountability
Office of the State Comptroller
110 State Street
Albany, NY 12236

Dear Mr. McCracken:

I am in receipt of your letter to County Executive Mangano dated January 18, 2013 and revised draft audit. This letter constitutes the County's second response. A previous response was submitted on December 13, 2012, which was after receipt of a previous draft audit and subsequent exit interview on November 27, 2012.

Certain conditions were explained to the County when we initially met to discuss the scope of the audit and reiterated during the exit conference. The County was referred to an OSC publication entitled "Responding to an OSC Audit Report". As explained to the County during both conferences, and outlined in the aforementioned OSC publication, near the end of the audit the County is to receive a draft audit report and have 30 days to respond. Upon release of the audit report, the County would have 90 days to develop and submit a Corrective Action Plan.

I have attached the County's response to that draft audit which was sent on December 13, 2012, and a letter from OSC acknowledging the County's response. As explained by OSC staff to the County and documented in the above-referenced publication, OSC would accept "only one response from [a] local government". Furthermore, it was stated and documented that OSC would evaluate the response "to see if it causes [OSC] to remove or modify a finding or recommendation".

Your January 18, 2013 letter asks the County if it would like to respond a second time. Upon our review of the second draft audit, the County notes that certain changes were made that do not stem from our December 13, 2012 response. See Note 1 Page 19

While the County was troubled by this process, we were very pleased to see that while the audit found certain contract approvals were not completed in a timely manner, there were no instances of any payments being made prior to the requisite approvals being completed. We constantly look for ways to improve County operations where appropriate, and look forward to working internally, as well as with NIFA, to improve the contract processes where possible.

Additionally, we will work with the County Legislature to formulate a corrective action plan addressing the audit findings. The plan will be communicated to you within the prescribed ninety day response period.

Sincerely,

Timothy P. Sullivan
Deputy County Executive for Finance

c: Steven J. Hancox
Deputy Comptroller

Gregory May
Nassau County Director of Legislative Affairs

EDWARD P. MANGANO
COUNTY EXECUTIVE

TIMOTHY P. SULLIVAN
DEPUTY COUNTY EXECUTIVE
FOR FINANCE

OFFICE OF MANAGEMENT, BUDGET & FINANCE
1 West Street, Mineola, New York 11501
(516) 571-4270

December 13, 2012

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

Dear Mr. Hancox:

I am in receipt of audit report 2012M-192 from your office, entitled "County of Nassau – Contract Approval Process", which covered the period January 1, 2010 through March 31, 2012.

Thank you for your staff's professionalism and audit efforts, which will assist Nassau County in improving its contract approval processes. We were very pleased to see that while the audit found certain contract approvals were not completed in a timely manner, there were no instances of any payments being made prior to the requisite approvals being completed.

We constantly look for ways to improve County operations where appropriate, and look forward to working internally, as well as with NIFA, to improve the contract processes where possible.

Additionally, we will work with the County Legislature to formulate a corrective action plan addressing the audit findings. The plan will be communicated to you within the prescribed ninety day response period.

Sincerely,

Timothy P. Sullivan
Deputy County Executive for Finance

c: Gregory May, Nassau County Director of Legislative Affairs
Ira McCracken, Office of State Comptroller
[redacted] Office of the State Comptroller

APPENDIX C

OSC COMMENT ON THE COUNTY'S RESPONSE

Note 1

In the December 13, 2012 response, County officials indicated that the audit would assist the County in improving its contact approval process. Subsequently, we made changes to the draft report due to additional information related to NIFA's role in the contract approval process. Since NIFA has oversight authority, their insights were considered in developing this audit report. We issued a revised draft report that included NIFA's views and afforded the County the opportunity to respond to it.

APPENDIX D

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the County's contract approval process. To accomplish the objective of this audit and obtain valid evidence, our audit procedures included the following:

- We reviewed the County Charter and Administrative Code to gain an understanding of the laws and regulations pertinent to the procurement process.
- We obtained an understanding of internal controls related to the procurement process by reviewing the County's written Procurement Internal Control manual.
- We obtained and reviewed the County Procurement Policy/Procedure manual and written Contract Management Guidelines to gain an understanding of the guidelines applicable when procuring goods and services equal to or greater than $50,000.
- We reviewed the NIFA Act to determine the powers vested in the authority and the process used to exercise those powers.
- We obtained and reviewed NIFA's Contract Approval Guidelines and determined what provisions would apply to our audit work.
- We interviewed key County personnel to determine the process by which the County approves contracts.
- We interviewed key NIFA personnel to determine the process by which County contracts are approved.
- We inquired about the number of contracts the County entered into since the start of our audit period. We obtained the vendor names and contract numbers to quantify our population.
- We requested and reviewed original contracts for those vendors included in our sample.
- We requested and reviewed the County contract routing slip and the NIFA approval request sheet for each of the sampled contracts to establish the dates the contracts were approved by each related department.
- We reviewed invoices and other pertinent documentation provided by the County for tested vendors to determine the dates goods were ordered or services began.
- We quantified the average approval time for contracts sampled prior to and after the NIFA control period.

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.

APPENDIX E

HOW TO OBTAIN ADDITIONAL COPIES OF THE REPORT

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Public Information Office
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Albany, New York 12236
(518) 474-4015
http://www.osc.state.ny.us/localgov/

APPENDIX F

OFFICE OF THE STATE COMPTROLLER
DIVISION OF LOCAL GOVERNMENT AND SCHOOL ACCOUNTABILITY

Andrew A. SanFilippo, Executive Deputy Comptroller
Steven J. Hancox, Deputy Comptroller
Nathaalie N. Carey, Assistant Comptroller

LOCAL REGIONAL OFFICE LISTING

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