



Ramapo Catskill Library System Procurement

Report of Examination

Period Covered:

January 1, 2013 — December 5, 2014

2015M-84



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

July 2015

Dear Library System 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 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 Ramapo Catskill Library System, 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 library system 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 Ramapo Catskill Library System (Library System) is a nonprofit cooperative public library system which was chartered in 1959 by the New York State Board of Regents (Regents) and is located in the Town of Wallkill in Orange County. The Library System serves 47 chartered public libraries in urban, suburban and rural settings encompassing approximately 2,500 square miles in the counties of Rockland, Orange, Sullivan and Ulster and serves approximately 751,000 residents.

Each member library has its own board of trustees and director. The Library System works cooperatively with its member libraries to provide coordinated services to make their operations more efficient. The Library System is governed by an 11-member Board of Trustees, (Board) elected for five-year terms by the member libraries' board members. The Board is responsible for the general management and control of Library System financial affairs. The Board-appointed Executive Director (Director) is responsible for day-to-day operations.

The Library System provides programs that manage circulation, borrower registration, an online catalog and centralized purchasing of electronic equipment and programs, vehicles and library materials. The Library System also provides guidance, training and support to member library trustees and staff and operates a delivery service five days a week, which transports library materials between and among member libraries. This service facilitates interlibrary loans between member libraries as well as the libraries within the Mid-Hudson Library System. The Library System also provides these services to correctional facilities.

The Library System's primary sources of income include State aid, fees paid by member libraries and grants to fund special projects for new and existing library services. The 2014 total budget was approximately \$4.4 million.

Objective

The objective of our audit was to examine the Library System's procurement processes. Our audit addressed the following question:

- Did Library System officials ensure that all goods and services are purchased according to established laws?

Scope and Methodology

We examined the Library System's internal controls over procurement for the period January 1, 2013 through December 5, 2014. 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.

**Comments of Library
System Officials and
Corrective Action**

The results of our audit and recommendations have been discussed with Library System officials, and their comments, which appear in Appendix A, have been considered in preparing this report. Library System officials agreed with our recommendations and indicated they planned 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 New York State 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 Library System office.

Procurement

Section 103 of General Municipal Law (GML) generally requires political subdivisions to award purchase contracts in excess of \$20,000 to the lowest responsible bidder or, in certain circumstances, on the basis of “best value.”¹ We have expressed the view that cooperative library systems do not fall within the definition of a political subdivision for purposes of the procurement requirements of GML and, therefore, are not subject to those bidding or “best value” requirements when procuring goods and services for the use and benefit of the library system itself. However, since the member public libraries are subject to those requirements, the purchase of items by a library system for or on behalf of member public libraries are subject to the bidding or “best value” requirements, if the purchase would have been subject to bidding if it were made directly by a public library.²

Library System officials did not seek competition in accordance with GML when making purchases on behalf of its member public libraries. In addition, Library System officials have not adopted a purchasing policy. Consequently, Library System personnel have no guidance when making purchases. We found that Library System officials purchased approximately \$210,000 of computers and related equipment and warranties without seeking competition. These purchases would have been subject to the requirements of GML if the member public libraries had purchased the computers and related equipment on their own.

These purchases included 289 computers and 110 various computer accessories and warranties for member public libraries during our audit period, made without seeking competition in accordance with GML for these purchases. Seeking competition, as required in GML for these purchases, provides member public libraries with assurance that the purchases were made at the best possible price or on the most advantageous terms. As a result, member public libraries may have paid more for these computers and related items than was necessary.

¹ Entities governed by GML Section 103 may elect to award “purchase contracts” which exceed the statutory threshold (i.e., \$20,000) to a responsive and responsible offerer on the basis of “best value” as an alternative to an award to the lowest responsible bidder. The entity, however, must first authorize the use of best value by local law, rule, regulation or resolution, as the case may be, adopted at a public meeting. For this purpose, “best value” is defined, in part, as a basis for awarding contracts “to the offerer which optimizes quality, cost and efficiency among responsive and responsible offerers.” In assessing best value, non-price factors may be considered when awarding the purchase contract. The basis for a best value award, however, must reflect whenever possible objective and quantifiable analysis.

² See, e.g., Office of the State Comptroller Opinion Numbers 80-35 and 77-634

Library System officials told us they thought library systems were not subject to competitive bidding laws because they are not government entities and, therefore, did not believe they were required to seek competition for the purchase of computers and computer accessories. It has long been our view that the requirements of GML apply when a cooperative library system is not making purchases for its own use and benefit but rather is purchasing for or on behalf of member public libraries.

Recommendations

Library System officials should:

1. Establish and implement a competitive process when purchases that exceed the bidding threshold are made for or on behalf of public member libraries.
2. Adopt a procurement policy.

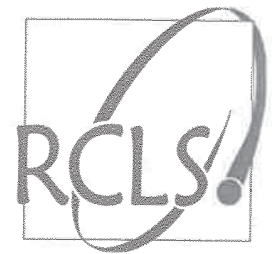
APPENDIX A

RESPONSE FROM LIBRARY SYSTEM OFFICIALS

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

June 22, 2015

Tenney Blamah
Chief Examiner of Local Government and
School Accountability
Newburgh Regional Office
Office of the State Comptroller
33 Airport Center Drive, Suite 103
New Windsor, NY 12553



Ramapo
Catskill
Library
System

Re: Ramapo Catskill Library System -- Procurement
Audit Report Number 2015M-84

Dear Ms. Blamah,

The Ramapo Catskill Library System ("RCLS" or the "System") Board of Trustees has received the Office of the State Comptroller's draft Report of Examination for the period January 1, 2013 - December 5, 2014 ("Report"). Please accept this submission as the System's response to the Report, as well as its Corrective Action Plan.

We have reviewed the findings made by the Office of the State Comptroller ("OSC"), and we concur with the recommendations made. As the Audit Report notes, the only purchases made by RCLS that were subject to competitive bidding were purchases of computers and related equipment on behalf of our member libraries. While we understand that RCLS has not consistently conformed to competitive bidding requirements in making these purchases, we want to emphasize that RCLS has always made a good faith effort to obtain the best possible price for these cooperative purchases and for all the goods and services we purchase. When possible, we have and will continue to take advantage of State contracts through the Office of General Services. In the past, if we were able to get better pricing than was available through State contracts, we availed ourselves of that option. When making such cooperative purchases in the future, RCLS will take greater care to adhere in all cases to the requirements of the General Municipal Law.

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Toward that end, we have taken immediate action to respond to the recommendations made by OSC. We have set forth in Attachment A the System's planned corrective action in response to each of the two recommendations made in the Report.

The Board of Trustees and management team of RCLS appreciate the guidance provided by the Office of the State Comptroller. We are cognizant of the importance of using public funds in a prudent and cost-effective manner to ensure that both RCLS and our member libraries are able to offer the best possible services at the lowest cost.

Sincerely,

Robert Hubsher
Executive Director

rhubsher@rcls.org

Carl S. Berko^witz
President of the Board of Trustees

Enclosure

cc: Board of Trustees
Robert Hubsher, Executive Director

Attachment A

Corrective Action Plan of the
Ramapo Catskill Library System

Audit Recommendation 1: Library officials should establish and implement a competitive process when purchases [that] exceed the bidding threshold are made for or on behalf of public member libraries.

Implementation Plan of Action: RCLS is preparing a Procurement Policy to be considered by the RCLS Board of Trustees at the next regularly scheduled Board of Trustees meeting. The Procurement Policy will include all aspects of the RCLS procurement process, including a competitive process for making cooperative purchases on behalf of RCLS member public libraries when such purchases exceed the bidding threshold.

Implementation Date: The RCLS Board of Trustees plans to review the proposed Procurement Policy, including the competitive procurement process for cooperative purchases, at its regularly scheduled meeting in August 2015. Implementation of the Procurement Policy will commence immediately upon its adoption by the Board of Trustees. RCLS does not intend to make cooperative purchases on behalf of its members until after adoption of the Procurement Policy.

Person Responsible for Implementation: The RCLS Board of Trustees, the Executive Director, and Staff will be responsible for implementing this plan of action.

Audit Recommendation 2: Library officials should adopt a procurement policy.

Implementation Plan of Action: RCLS is preparing a Procurement Policy to be considered by the RCLS Board of Trustees at the next regularly scheduled Board of Trustees meeting.

Implementation Date: The RCLS Board of Trustees plans to review the proposed Procurement Policy, including the competitive procurement process for cooperative purchases, at its regularly scheduled meeting in August 2015. Implementation of the Procurement Policy will commence immediately upon its adoption by the Board of Trustees.

Person Responsible for Implementation: The RCLS Board of Trustees will be responsible for implementing this plan of action.

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the Library System to determine if internal controls over procurement were sufficiently adequate. To accomplish our audit objective and obtain valid audit evidence, we performed procedures that included the following steps:

- We interviewed key Library System officials to gain an understanding of the purchasing process.
- We obtained cash disbursements for 2013 and 2014 which we reviewed for purchases that, in the aggregate, exceeded the \$20,000 bidding threshold. We then reviewed eight purchases from 2013 and five from 2014 to determine if competitive bidding was used for the purchases.

We conducted this performance audit in accordance with 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 C

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