



Uniondale Public Library

Procurement

Report of Examination

Period Covered:

January 1, 2013 – June 30, 2014

2015M-126



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

August 2015

Dear Library 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 of Trustee 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 Uniondale Public Library, 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 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 Uniondale Public Library (Library) was created by a special act of the State Legislature in 1959 and is located in the Town of Hempstead (Town) in Nassau County (County). The Library is part of the Nassau Library System.

The Library is governed by a five-member Board of Trustees (Board) that is responsible for the general management of the Library's financial affairs. The Director, who is appointed by the Board, is the chief executive officer responsible for the Library's day-to-day administration.

The Library operates one building with 84 employees, including 19 who are full-time. The Library's expenditures for the 2013 fiscal year totaled \$3.6 million which were funded primarily with real property taxes, State aid and fines collected on overdue materials. Budgeted appropriations for the 2014 fiscal year were \$4.2 million. Each year, the Library submits a budget to the Town of Hempstead, which includes an appropriation for Library operations in its annual budget.

Objective

The objective of our audit was to assess the Library's controls over procurement. Our audit addressed the following related question:

- Did the Library use competitive methods in procuring goods and services?

Scope and Methodology

We examined the Library's internal controls over procurement for the period January 1, 2013 through June 30, 2014. Our audit also examined the adequacy of certain information technology controls. Because of the sensitivity of this information, we did not discuss the results in this report, but instead communicated them confidentially to Library officials so they could take corrective action.

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
Library Officials and
Corrective Action**

The results of our audit and recommendations have been discussed with Library officials and their comments, which appear in Appendix A, have been considered in preparing this report. Library officials agreed with our recommendations and indicated they have taken, or plan to take, 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 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 Board to make this plan available for public review in the Board Secretary's office.

Procurement

An effective procurement process helps ensure that goods and services of the right quality, quantity and price are purchased in compliance with Board and legal requirements, without the influence of favoritism, extravagance or corruption. Therefore, it is important that Library officials seek competition when available. General Municipal Law (GML) requires advertising for competitive bids for purchase contracts that equal or aggregate to more than \$20,000, and for public works contracts that equal or aggregate to more than \$35,000.¹ GML also requires the Board to adopt a written procurement policy governing the purchase of goods and services that are not legally subject to competitive bidding. This policy should indicate when Library officials must obtain price quotations or requests for proposals (RFPs), describe the procedures for determining which method will be used and provide for adequate documentation of the actions taken.

The Board has not adopted a comprehensive procurement policy. Instead, the policy simply states, “The Library requirements for competitive bidding for the purchase of equipment, services, or contracts for labor and material will be consistent with current Municipal Laws” and “All capital expenditures costing more than \$3,000.00 must have prior approval of the Board of Trustees.”

Because the purchasing policy does not address procurements that are not subject to bidding laws, Library officials did not always seek competition when procuring goods and services. While the use of competition for such procurements is not legally required, the law does require a policy to be established; and best practices indicate that the use of competition helps ensure the most prudent use of taxpayer moneys. We found that Library officials paid a professional service provider and an insurance broker a total of \$90,912 without soliciting competition. Further, Library officials did not solicit competitive bids when procuring services costing \$134,076 and did not solicit competition when procuring goods and services from 10 vendors who were paid a total of \$28,551. As a result, Library officials and taxpayers have limited assurance they obtained goods and services at the most reasonable cost.

Professional Services

GML does not require competitive bidding for the procurement of professional services that involve specialized skill, training and expertise, use of professional judgment or discretion or a high degree

¹ Purchases made through State or County contracts need not be competitively bid.

of creativity. The use of a competitive process, such as an RFP process can help ensure that the Library receives desired services for the best price. An RFP specifies minimally acceptable functional, technical and contractual requirements and the evaluation criteria that will govern the contract award. A written agreement is necessary to establish the services to be provided, the timeframes for delivery of services and the basis for compensation.

The Library's purchasing policy does not require officials to solicit competitive proposals for the services of professional service providers. We tested payments to a professional service provider who provided consulting services and an insurance broker with aggregate payments totaling \$90,912² and found that Library officials did not solicit competition for either of these service providers.

Bids

GML requires competitive bids be advertised for purchase contracts that equal or aggregate to more than \$20,000, and public works contracts that equal or aggregate to more than \$35,000.

The Board's purchasing policy does not require officials to solicit competitive bidding for either public works contracts or non-public works contracts as noted previously. Such a policy would help ensure that Library purchases are in compliance with the applicable legal requirements. We tested payments to two vendors totaling \$155,665³ and found that Library officials did not solicit competitive bids when procuring security services totaling \$134,076. Therefore, the purchases from one of the vendors did not comply with statutory bidding requirements, and Library officials cannot be assured that they are obtaining the best quality of goods and services at the most reasonable cost to taxpayers.

Quotes

The Library's purchasing policy does not specify a process for purchases that are not legally subject to competitive bidding. Such a policy is required by law. We tested payments for purchases from 16 vendors totaling \$66,607⁴, all of which were under the legal bidding threshold, to determine if Library officials used a competitive procurement process. Ten of the 16 purchases, totaling \$28,551, had no indication that competition was solicited. For example, the Library paid \$11,518 to a company for cleaning supplies without soliciting competition. While the use of competition is not legally required, best practices indicate that it is an effective method for obtaining goods and services at the lowest price and in the best interest of taxpayers.

² Aggregate payments during the audit period were \$35,100 to the professional services provider and \$55,812 for insurance coverage.

³ To obtain our test sample, we randomly selected 20 vendors who were paid \$3,000 or more to determine if competitive methods were used and categorized them by professional services, quotes or bids.

⁴ Ibid.

During our fieldwork, Library officials provided us with documentation indicating they were in the process of establishing a comprehensive purchasing policy.

Recommendations

1. The Board should adopt a comprehensive procurement policy that reflects GML requirements. The policy should:
 - Establish a process for the procurement of goods and services that are not required by law to be competitively bid. The Board should consider requiring the use of competition (quotes or bids) in these instances.
 - Establish a process to solicit competitive bidding for public works contracts in the amount of \$35,000 and above and non-public works contracts in the amount of \$20,000 and above, as required by law.
2. Library officials should ensure that goods and services are purchased in accordance with the purchasing policy.

APPENDIX A

RESPONSE FROM LIBRARY OFFICIALS

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

UNIONDALE PUBLIC LIBRARY

PHILIP J. COSGROVE MEMORIAL BUILDING

CHRISTINE BELLING, Director
400 UNIONDALE AVENUE
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516-489-2220
Fax: 516-489-4005

August 5, 2015

Mr. Ira McCracken, Chief Examiner
Office of the State Comptroller
NYS Office Building, Room 3A10
250 Veterans Memorial Highway
Hauppauge, NY 11788-5533
Re: Response and Corrective Action Plan, Report of Examination 2015M-126

Dear Mr. McCracken,

On behalf of the Uniondale Public Library, I would like to respond to your Report of Examination resulting from the audit of the Library's procurement for goods and services.

We would like to thank the Office of the State Comptroller for the time spent at the Library and the professional manner in which the audit was conducted. The report's findings and the feedback received throughout the audit process will assist the Board of Trustees and Staff of the Library with ensuring we are compliant with relevant statutes and observe good business practices.

Audit Recommendations:

1. The Board should adopt a comprehensive procurement policy that reflects General Municipal Law requirements.
2. Library Officials should ensure that goods and services are purchased in accordance with the purchasing policy.

Corrective Action:

1. The Library Board of Trustees has taken corrective action with regard to the audit recommendations and passed a comprehensive procurement and purchasing guidelines policy on March 18, 2015.
2. Since the more comprehensive policy was adopted, the Library has followed it and will continue to do so.

Thank you again for the opportunity this process has provided for our Library to review our practices for procuring goods and services. We are cognizant of the importance of using public funds in a cost effective manner to ensure the Uniondale Community receives excellent service at a reasonable price.

Respectfully Submitted, 

Christine Belling
Library Director
Uniondale Public Library

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

The objective of our audit was to assess the Library's controls over procurement for the period January 1, 2013 through June 30, 2014. To achieve our audit objective and obtain valid audit evidence, we performed the following audit procedures:

- We interviewed appropriate Library officials and employees to learn about the procedures used in soliciting proposals and obtaining quotes, and in the bidding process.
- We reviewed all pertinent purchasing and claims voucher records and warrants.
- We reviewed the Library's purchasing policy to determine if it addressed the procurement of professional services, obtaining quotes, and soliciting bids. We reviewed vendor payment records to determine if the Library used competition in acquiring goods and services.
- We reviewed claims and professional service contracts to determine if payments were made in accordance with the terms of the contracts.
- We selected vendors using a computerized random number generator. For each vendor chosen we selected the largest claim paid during the audit period and determined whether the vendor was selected through a competitive process.
- We reviewed bidding documents to determine if the bidding process was properly executed.

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.

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