



Town of Putnam Valley

Purchasing

Report of Examination

Period Covered:

January 1, 2012 — March 6, 2013

2013M-193



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

August 2013

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 Putnam Valley, entitled Purchasing. 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

The Town of Putnam Valley (Town) is located in Putnam County, has a population of approximately 11,000 residents and covers 43 square miles. The Town provides various services to its residents, including general governmental support, street maintenance and improvements, snow removal and code enforcement. The Town has 102 employees. Budgeted appropriations for the 2013 fiscal year were approximately \$5.09 million for the general fund and \$4.35 million for the highway fund, funded primarily with real property taxes, sales tax and State aid.

The Town Board (Board) includes four members and the Town Supervisor (Supervisor), and is the legislative body responsible for managing Town operations. The Supervisor is the chief fiscal officer who has custody of, receives and disburses Town funds. Although the Board is primarily responsible for the effectiveness and proper functioning of the Town, the Supervisor and departments share the responsibility.

The Town has a decentralized purchasing system in which each department places its own orders for goods and services, but must first obtain a purchase order number from the Supervisor's office.

Objective

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

- Are internal controls over purchasing appropriately designed and operating effectively to adequately safeguard Town assets?

Scope and Methodology

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard Town assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: financial oversight, cash receipts and disbursements, purchasing, payroll and personal services, and information technology. Based on that evaluation, we determined that controls appeared to be adequate and limited risk existed in most of the financial areas we reviewed. We did determine that risk existed in the purchasing area and, therefore, we examined internal controls over the Town's purchasing transactions for the period January 1, 2012, to March 6, 2013.

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
Local Officials**

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 findings.

Purchasing

An internal control system, established by the Board and implemented by Town officials, is the integration of activities, plans, attitudes, policies and efforts of staff members to provide reasonable assurance that the Town will achieve its mandates and objectives. Town officials are responsible for establishing effective policies and procedures to ensure that procurements are made by authorized individuals, and are properly documented, audited and approved. Internal controls help ensure that procurements are supported by appropriate documentation, for valid business purposes and are properly recorded.

During our audit period, the Town procured goods and services from 41 vendors. We judgmentally selected 26 of these vendors who received more than \$20,000 each to determine whether Town officials obtained appropriate competition when soliciting these purchases. The Town paid these 26 vendors approximately \$2.4 million in total. We determined that Town officials obtained appropriate competition when soliciting these purchases.

We also reviewed supporting documents to verify that procurements and subsequent payments were properly authorized, accurate and for legitimate purposes and, where applicable, if reimbursed expenses were appropriate and properly supported by paid bills or receipts. All transactions that we examined were for proper Town business purposes, and were supported by contracts, Board resolutions and appropriately itemized invoices. Our tests did not disclose any significant deficiencies or irregularities. Therefore, we determined that internal controls over the Town's purchasing process were properly designed and operating effectively.

APPENDIX A
RESPONSE FROM LOCAL OFFICIALS

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



ROBERT V. TENDY
Supervisor

Town of Putnam Valley

Town Board Members

JAQUELINE ANNABI, *Councilwoman*
LOUIE LUONGO, *Councilman*
STEVEN MACKAY, *Councilman*
WENDY WHETSEL, *Councilwoman*

Supervisor's Office

MARIANNE DE SANTIS, *Finance Director*
SUSAN MANNO, *Facilities Manager*
BEVERLY KELLY, *Secretary to the Supervisor
and the Board*

August 6, 2013

Office of the State Comptroller
Newburgh Regional Office
33 Airport Center Drive – Suite 103
New Windsor, NY 12553
Attn.: Tenneh Blamah

Re.: Town of Putnam Valley Purchasing
Report of Examination – 2013M-193

Dear Ms. Blamah:

The Town of Putnam Valley is in receipt of the Report of Examination (preliminary draft findings) regarding purchasing for the Town of Putnam Valley. We met with [REDACTED], at Town Hall yesterday for the exit conference and we reviewed everything in order to fully understand the process.

The Town of Putnam Valley has nothing to add to the report and no questions or disagreements as to the findings.

However, we would like to state that the process was clearly set forth, informative, and certainly not unpleasant.

Very truly yours,

✓ Robert Tendy
Supervisor, Town of Putnam Valley

cc.: Marianne DeSantis
Putnam Valley Town Board

265 Oscawana Lake Road, Putnam Valley, New York 10579 Ph. (845) 526-2121/ Fax (845) 526-2130

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

During the initial assessment, we interviewed appropriate Town officials, performed limited tests of transactions and reviewed pertinent documents such as Town policies and procedures manuals, Board minutes, and financial records and reports. In addition, we obtained information directly from the computerized financial databases and then analyzed it electronically using computer-assisted techniques. This approach provided us with additional information about the Town's financial transactions as recorded in its databases. Further, we reviewed the Town's internal controls and procedures over the computerized financial databases to help ensure that the information produced by such systems was reliable.

After reviewing the information gathered during our initial assessment, we determined where weaknesses existed, and evaluated those weaknesses for the risk of potential fraud, theft and/or professional misconduct. Based on that evaluation, we determined that controls appeared to be adequate and limited risk existed in most of the financial areas we reviewed. We then decided upon the reported objective and scope by selecting for audit those areas most at risk. We selected purchasing for further audit testing. Our audit included the following steps:

- We interviewed Town officials, including the Supervisor, Financial Director and Highway Superintendent, and conducted various tests of purchasing transactions.
- The Town made purchases from 41 vendors during the period January 1, 2012, through February 28, 2013. We judgmentally selected 26 vendors from the highest paid vendors (not including payroll or utilities) who were paid payments exceeding \$20,000. Payments made to these 26 vendors totaled \$2.4 million during our audit period.
- We determined if these procurements were competitively bid, professional services, or purchased under other exceptions such as State or county contracts.
- We examined relevant contracts and determined if payments were made in accordance with these contracts, and if invoices were adequately itemized. We examined payment vouchers totaling \$1,460,045 out of a total of \$2,440,561.

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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DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY

Andrew A. SanFilippo, Executive Deputy Comptroller
Nathalie N. Carey, Assistant Comptroller

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