



Town of West Seneca Purchasing

Report of Examination

Period Covered:

January 1, 2013 — December 18, 2014

2015M-11



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	1
INTRODUCTION	2
Background	2
Objective	2
Scope and Methodology	2
Comments of Town Officials and Corrective Action	2
PURCHASING	4
Procurement Policy	5
Audit of Claims	6
Purchases	8
Recommendations	11
APPENDIX A Response From Town Officials	12
APPENDIX B OSC Comments on the Town's Response	17
APPENDIX C Audit Methodology and Standards	18
APPENDIX D How to Obtain Additional Copies of the Report	19
APPENDIX E Local Regional Office Listing	20

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

July 2015

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 West Seneca, 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 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 West Seneca (Town) is located in Erie County (County) with a population of approximately 45,700 residents. The Town is governed by a three-member elected Board (Board) comprising a Town Supervisor (Supervisor) and two Council members. The Board is responsible for the general management and control of the Town's financial affairs and for safeguarding Town assets. The Supervisor is the Town's chief executive officer and is responsible, along with other administrative staff, for the day-to-day management of the Town under the direction of the Board. On January 2, 2014, the Board established the position of Town Comptroller (Comptroller). The Comptroller is responsible for Town accounting duties, including the audit of claims.

The Town provides various services to its residents, including police protection, street maintenance, parks and recreation, water, sewer and general government support. For the 2014 fiscal year, budgeted appropriations for all funds totaled approximately \$49.1 million. Expenditures are funded primarily by property taxes, sales tax, State aid and user fees.

Objective

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

- Did the Board ensure that purchases complied with the Town's procurement policy?

Scope and Methodology

We examined the Town's purchasing practices for the period January 1, 2013 through December 18, 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 C of this report.

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 findings and recommendations and indicated they have taken corrective action. Appendix B includes our comments on issues raised in the Town's response.

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 Town Clerk's office.

Purchasing

General Municipal Law (GML) requires that purchase contracts in excess of \$20,000 be awarded to the lowest responsible bidder or on the basis of best value (competitive offer) and that contracts for public work that exceed \$35,000 be competitively bid. GML further requires that towns adopt a written procurement policy governing the procurement of goods and services that are not subject to competitive bidding requirements. The Board should annually review and revise as needed the procurement policy.

With certain exceptions, the procurement policy must require that alternative proposals or quotations for goods and services be secured by use of written or verbal proposals or quotations. A procurement policy may also set forth circumstances when the solicitation of alternative proposals or quotations will not be in the best interest of the Town. The policy should describe the procedures for determining which method will be used and for maintaining adequate documentation to support and verify the actions taken.

While not required pursuant to GML or the Town's procurement policy, it is considered a good business practice to solicit written proposals or quotations, such as through a request for proposals (RFP) process, prior to awarding contracts for professional services, as it is an effective means to procure such services upon the most favorable terms and conditions for taxpayers.

We found that Town officials generally adhered to GML for purchases of goods and services subject to competitive bidding requirements; however, officials did not always follow the requirements of the Town's procurement policy for purchases.

In addition, during the time that there was no Comptroller, the Town did not establish an effective claims auditing process, since the Board, as a whole, did not audit claims. Instead, we found that the Town's computerized purchasing system only required one Board member or the Supervisor to approve each claim. The Board would then be provided a list of the "approved" claims for its review and approval for payment. Furthermore, we question whether the Board or the Comptroller conducted a thorough audit because the electronic claims generally did not include enough documentation to determine adherence to the Town's procurement policy.

Beginning in early 2013, purchasing records such as voucher information, billing accounts, department approvals and supporting

documentation have been retained in electronic format¹ in the computerized purchasing system. Town officials indicated that all claims require three levels of approval – the department head, the finance department and a Board member or the Supervisor. Each phase in the approval process is evidenced by the approver’s initials, which are automatically recorded on the electronic voucher, once the official approves the claim. The Board, as a whole, is then provided with a list of the “approved” claims for its review and approval for payment.

In addition, the computerized purchasing system provides for hard copy documents² to be scanned as image attachments to electronic vouchers. An electronic claim then becomes the final record of a purchase as the corresponding original documents are eventually destroyed once a claim has been paid. For this reason, it is essential that officials ensure that the electronic version of a claim packet³ accurately and completely represents the original purchase documents.

Procurement Policy

The Board is responsible for ensuring that Town officials follow the Town’s procurement policy. Compliance with the Town’s policy should be part of the review and approval process when the Board or an appointed Comptroller⁴ audits and approves claims for payment.

In accordance with GML, the Board adopted a procurement policy⁵ for goods and services that are not subject to competitive bidding requirements. An annual review of this policy by the Board is required by GML. Board minutes indicate that a review was done on an annual basis. However, the policy still references statutory dollar thresholds

¹ The exception to this is payments made from the trust and agency account. These claims are still retained in hard copy format. Whether the use of the Town’s computerized purchasing system, which includes use of electronic signatures and retaining documents in an electronic format, is in compliance with the Electronic Signatures and Records Act is not within the scope of this audit. We recommend that the Town consult with its attorney to discuss this matter. The Town also should consult with the New York State Archives to assure that the Town is properly disposing of paper records.

² Such as invoices, packing slips, load tickets, credit card statements, receipts, quotes, bidding information, Board resolutions, etc.

³ A claim generally is a demand against the Town for the payment of money due for goods that have been delivered or services that have been provided. The combination of original invoices, receiving slips and other relevant supporting documentation is commonly referred to as the voucher or claim package.

⁴ In a town, the audit of claims is conducted by the town board, or the town comptroller in towns that have created the office. The Board created the office of town comptroller on January 2, 2014. However, the Comptroller resigned from her position effective May 12, 2014.

⁵ The Board adopted the procurement policy in 1995.

that were increased more than five years ago.⁶ Accordingly, if the Town's policy were strictly followed as written, officials would be required to competitively bid purchases at lower thresholds than GML presently requires. In fact, eight of the purchases we selected fell between the current competitive bidding thresholds in GML and the Town's procurement policy's requirements.⁷ In these instances, Town officials did not follow the Town's procurement policy as none of the eight purchases were competitively bid. In that case, the Board should adhere to its current policy or make revisions to keep the dollar thresholds for bidding that are in the policy consistent with those in GML. In addition, the Board adopted a purchasing resolution⁸ which requires every purchase greater than \$5,000 be approved by the Board prior to committing to the purchase. However, as discussed in the Purchases section of this report, the Board did not always follow its resolution.

Audit of Claims

The audit and approval of claims is an essential component of the Town's internal control system. New York State Town Law (Town Law) requires, in most instances, the Board (or, in the case of a Town that has established the Office of Town Comptroller, the Town Comptroller) to audit and approve claims prior to directing the Supervisor to pay the claims. The Board or Comptroller should ensure that claims are itemized and have adequate supporting documentation including evidence that Town officials followed appropriate procurement procedures. To help in this process, department heads should ensure that all supporting documents are attached to each claim to allow the Board or Comptroller to conduct a proper audit.⁹

Town officials indicated that all claims require three levels of "approval" – the department head, the finance department and a Board member or the Supervisor. Each phase in the approval process is evidenced by the approver's initials, which are automatically recorded on the electronic voucher, once the official approves the claim. The Board, as a whole, is then provided with a list of the "approved" claims for its review and approval for payment.

⁶ Effective November 12, 2009, the dollar threshold for contracts for public work increased to \$35,000. Effective June 22, 2010, the dollar threshold for purchase contracts increased to \$20,000. The Town's procurement policy references dollar thresholds that were in place prior to these dates. There is no indication of any updates or amendments to the policy since 1995.

⁷ As currently written, the Town's procurement policy requires competitive bidding for purchase contracts in excess of \$10,000 and contracts for public work in excess of \$20,000.

⁸ Resolution adopted January 24, 2011

⁹ For example, supporting documentation could include evidence that the Town, when required by GML, has competitively bid or, as an exception to bidding, obtained goods using certain governmental contracts. When not subject to competitive bidding, documentation could also include confirmation of written or oral quotes when required by the Town's procurement policies and procedures.

We found, however, that the claims auditing process was not consistent with Town Law as the Board, as a whole, did not audit claims.¹⁰ Instead, the computerized purchasing system required only one Board member or the Supervisor to be the final “approver” for each claim. Once the final approval occurred, the status of these claims was changed and they were placed on a list of claims that were ready for payment. The remaining Board members no longer view these in their list as open claims and consequently no longer have the ability to audit and potentially question the purchases. As a result, the Board as a whole may not perform a thorough examination of the individual claims and supporting documentation. In that case, there is a risk that payments will be made without the entire Board’s full knowledge of the claims.

We found evidence that each of the last seven payments made to the Town’s information technology (IT) vendor only contained a total of two approvals, both of which were made by the Supervisor. Payments were for various IT services and ranged from approximately \$7,500 to \$15,000.¹¹ Allowing only one individual to “approve” a claim is a poor internal control as well as contrary to what we were told was required by the system, which is that every claim should be approved by three different individuals. The Supervisor indicated that this should not have been able to occur.

The electronic purchase records generally did not include enough information for Town officials to determine if purchases adhered to the Town’s procurement policy. There was generally no evidence in the electronic records we reviewed that the Town obtained written quotes, despite there being a specific section in the computerized purchasing system labeled “quotes.”¹² This is a concern as the Town’s procurement policy requires that written quotes be obtained for purchases that fall within certain dollar limits.

Furthermore, not all Board members were provided access to the computerized purchasing system. As purchasing records are only retained in electronic format, access to the system is required for both Board members and the Supervisor. However, one Board member told us that his computer access was removed.¹³ Although he requested his access be restored, he was told there were not enough available licenses.

¹⁰ The Board was responsible for auditing claims during the entire 2013 calendar year and after the Comptroller resigned in May 2014.

¹¹ The Town paid this vendor more than \$161,000 during 2014.

¹² There was not one entry in the quote section of the electronic purchasing system made in 2013 or through December 18, 2014.

¹³ According to a clerk, the Board member’s access was removed in June 2014.

Not providing all Board members access to purchasing records restricts their oversight capability, does not allow them to effectively audit claims and could limit their understanding of the financial activities of the Town. The requirement for the Board as a whole to audit claims allows for each Board member to review and identify potential deficiencies in a claim.¹⁴

Purchases

The primary purpose for obtaining bids, quotes and proposals is to encourage competition in the procurement of supplies, equipment and services that will be paid for with public funds. The use of competition provides taxpayers with the greatest assurance that goods and services are procured in the most prudent and economical manner, at the lowest possible price and that the procurement is not influenced by favoritism, extravagance, fraud and corruption.

We selected a judgmental sample of 65 purchases totaling approximately \$2.7 million that were paid during 2013 or 2014 to determine if they complied with GML and the Town's procurement policy.¹⁵ While officials generally adhered to GML for purchases of goods and services subject to competitive bidding requirements, officials did not always follow the requirements of the Town's procurement policy for purchases requiring quotes. Additionally, the purchasing resolution requiring prior Board approval for purchases of more than \$5,000 was not consistently followed. Nineteen of 55 purchases¹⁶ we tested did not include evidence in the minutes that the Board approved the purchases either before (which is what is required) or after the purchases were made.

Competitive Bidding – We reviewed 30 claims totaling approximately \$2.3 million that were subject to competitive bidding requirements. While there was generally not enough information included with the electronic claims to determine if the purchases adhered to GML, we eventually determined compliance after requesting additional information from the departments that initiated the purchases. In all but one¹⁷ instance, the Town properly followed GML and purchased equipment and commodities using competitive bidding¹⁸ or through State or County contracts. However, not including an explanation, State or County contract number or appropriate documentation with

¹⁴ We requested the Supervisor reevaluate this situation and the Board members' access was restored in December 2014.

¹⁵ For testing purposes, we used the higher thresholds as required by GML for competitive bids and extended the requirements for written quotes up to the minimum bidding thresholds per GML.

¹⁶ We classified 10 purchases as exempt from this requirement.

¹⁷ Officials did not seek competitive bids for a purchase of three plow blades totaling \$22,700 made in 2013.

¹⁸ This includes several purchases made by piggybacking with other municipalities' contracts.

an electronic claim does not permit the Board or Comptroller to easily determine if a purchase was made properly.

Purchases Under Bidding Thresholds – The Town’s procurement policy requires three written quotes for purchases greater than \$5,000 but less than \$10,000 and public works contracts greater than \$10,000 but less than \$20,000.¹⁹ Oral quotes are required for purchases less than \$5,000 but greater than \$3,000. We reviewed 24 claims totaling \$270,012 that were for more than \$5,000 but less than GML bidding thresholds. In all instances, the finance department and a Board member or the Supervisor approved the claims despite the fact that none of the purchases included any evidence of written quotes or an explanation of how they complied with the Town’s procurement policy.

We contacted the departments where the purchases originated to request to review the written quotes associated with each of the 24 claims. Officials provided evidence of bidding or use of State contracts in eight of the 24 purchases and evidence they requested quotes for an additional seven purchases. However, in most cases when there was one written quote, it was from the vendor that the purchase was made from and the required three written quotes were provided for only one of the seven purchases. For the remaining nine claims totaling \$97,095, officials were unable to provide any evidence of quotes or that they requested quotes. For example:

- The Town paid a vendor \$13,770 for repairs to traffic signals located at a Town intersection. There was no evidence that quotes were obtained for this service and the vendor’s invoice did not identify an hourly rate or detail how many hours he worked on the repair. The Highway Superintendent indicated that normally Town employees are responsible for repairs to traffic signals. However, in emergency situations,²⁰ this vendor is called. Additionally, a Board member told us that he spoke to a representative from the New York State Department of Transportation (DOT). The DOT representative told him that the Town uses traffic signal equipment for which the DOT has pallets of used parts, and that these used parts may be available for free to anyone who requests them. The DOT representative told the Board member that in the past, the vendor²¹ in question has been provided with used traffic signal

¹⁹ For testing purposes, we extended the requirements for written quotes up to the minimum bidding thresholds per GML.

²⁰ There was no indication anywhere on the claim that this was an emergency situation. In addition, the work was performed during the normal work week over the course of three different days.

²¹ The vendor was a former DOT employee.

parts for free. The Town may have been able to obtain the service at a lower cost had Town officials inquired if the DOT had the required parts available at no cost.

- Three claims from the highway department were for repairs to various highway equipment and machinery costing a total of \$35,427. There was no evidence of quotes for any of the three repair services. The Highway Superintendent stated that, for certain repairs, he only wants to use specific vendors as he considers these specialty repairs. However, there was no documentation included with the claims that explained why these particular repairs could only be done by a certain vendor.

Professional Services – The Town’s procurement policy does not require the solicitation of written proposals or quotations for the acquisition of professional services.²² Nevertheless, it is a good business practice that professional services be awarded after first soliciting competition. We reviewed eight claims totaling \$106,331 from professional service vendors used by the Town. Although officials told us that they use RFPs for professional services, they were unable to provide us with copies of proposals to support this statement or any documentation that RFPs were used, such as a copy of an RFP or a newspaper notification seeking potential vendors. In addition, we identified several concerns related to the professional service claims we reviewed.

- The Town entered into an agreement with a consultant in November 2013 to conduct an economic and fiscal impact analysis for a potential development project. Officials provided us with an unsigned contract that referenced a fixed fee of \$25,000. We were later told that the Board approved increasing this amount to \$39,805; however, we were not provided evidence of this approval.²³ The Town ended up paying the consultant \$44,805 which is at least \$5,000 more than they agreed to. The last three invoices from the consultant showed an inaccurate amount in the “Invoiced to Date” line and made it appear as though there was still a balance left on the contract. This resulted in the Town overpaying the consultant, believing that there was still a balance remaining. A thorough audit of the claims may have identified the incorrect billing prior to the Town making the overpayments. The Supervisor stated that she would investigate this and

²² For professional services that involve specialized training or expertise, such as the services rendered by attorneys, engineers and accountants

²³ Board minutes indicate that the amount paid to this consultant should not exceed \$30,000.

seek a reimbursement if necessary. As of December 2014, the Town had not received the reimbursement.

- The Town hired an engineering firm to provide general engineering services to the Town at a cost not to exceed \$120,000. In addition to providing general engineering services, the Town also separately contracts with this engineering firm for other miscellaneous engineering projects.²⁴ Town officials indicated that they did not solicit proposals from any other engineering firms for a \$1.9 million project that began in 2013. By not requiring proposals from competing engineering firms, the Town may not have gotten the best price or the most favorable terms and conditions for the project. There is also a risk that the Town's engineering firm may have been given an unfair advantage on this project.

When Town officials and employees do not adhere to the provisions of the procurement policy or properly approve claims prior to payment, they cannot provide reasonable assurance that the lowest price is obtained for the product or service to be acquired.

Recommendations

The Board should:

1. Annually review the procurement policy and periodically update it, as necessary, to ensure it is consistent with any statutory requirements and meets the needs of the Town.
2. Adhere to the purchasing resolution which requires Board approval prior to committing for a purchase that is more than \$5,000.
3. Audit and approve claims prior to payment.
4. Require Town officials to attach the appropriate documentation to each electronic claim so the Board or Comptroller can conduct a thorough audit and ensure that officials are following the Town's procurement policy.
5. Require Town officials and employees to obtain written and oral quotes as required by the procurement policy.
6. Consider issuing RFPs for professional services in order to obtain the desired service with the most favorable terms.
7. Review the invoices from the personal services consultant and seek reimbursement for any payments that were above the agreed contract amount.

²⁴ In 2014, the Town paid this engineering firm more than \$1.4 million.

APPENDIX A

RESPONSE FROM TOWN OFFICIALS

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

TOWN OF WEST SENECA



SHEILA M. MEEGAN
TOWN SUPERVISOR

July 2, 2015

Town of West Seneca
Audit Report Title: Purchasing
Audit Report Number: 2015M-11

To: Jeffrey D. Mazula, Chief Examiner
295 Main Street, Suite 1032
Buffalo, New York 14203-2510

We would like to take the opportunity to thank the Office of the State Comptroller for their review of the Town's processes surrounding purchasing. This letter serves as the official response from the Town of West Seneca, New York (the "Town") to the Office of the State Comptroller's Draft Audit Report, which covered the period of January 1, 2013 to December 18, 2014.

The Town appreciates the Office of the State Comptroller's findings and takes all of the recommendations seriously. Please find our responses to excerpts from the Draft Audit Report below:

Draft Audit Report Excerpt: "In accordance with the GML, the Board adopted a procurement policy for goods and services that are not subject to competitive bidding requirements. An annual review of this policy by the Board is required by the GML. However, there was no indication in the minutes that this review was done recently, and the policy still references statutory dollar thresholds that were increased more than four years ago."

See
Note 1
Page 17

Response: The Town Board revisits its Procurement and Purchasing Policy annually during its reorganization meeting. Further, the Town Board is in process of updating the Town's Procurement and Purchasing Policy, including specific consideration as to dollar thresholds. The revised Procurement and Purchasing Policy has been drafted and is anticipated to be approved by the Board at an upcoming Town Board Meeting. This policy will also continue to be reviewed and approved annually at the Reorganization Meeting.

Draft Audit Report Excerpt: "We found, however, that the claims auditing process was not consistent with the Town Law as the Board, as a whole, did not audit claims."

See
Note 2
Page 17

Response: Prior to each Board Meeting, each Board Member is provided with "Town Board Warrants" containing all pending payments with supporting details including voucher number, vendor, line item, etc. Further, all supporting documentation is accessible through [REDACTED]. Prior to the Board Meeting, each Board Member reviews and audits these pending payments. It is anticipated that the revised Procurement and Purchasing Policy will require the Board to include a wording in a resolution verifying and documenting that each Board Member has audited the Town Board Warrants and questioned/rejected any voucher as deemed necessary.

Draft Audit Report Excerpt: “We found evidence that each of the last seven payments made to the Town’s information technology (IT) vendor only contained a total of two approvals, both of which were made by the Supervisor.”

Response: Upon notification of this exception, the process was immediately updated to ensure that all contractual expenditures are approved and signed-off by the Town Attorney, Director of Finance and Supervisor/Board Member, then subsequently reviewed/audited by remaining Board Members. This is also included in the updated proposed Procurement and Purchasing Policy.

Draft Audit Report Excerpt: “There was generally no evidence in the electronic records we reviewed that the Town obtained written quotes, despite there being a specific section in the computerized purchasing system labeled “quotes.”

Response: Each department head is responsible to solicit quotes as per the Town’s policy. As the Town continues to transition to a full paperless system, certain documents have not been included within [REDACTED]. As a response to this observation, the Town has established a standardized form that summarizes the quotes obtained. Each Department Head will be required to complete this form and it will be included as supporting documentation within [REDACTED].

Draft Audit Report Excerpt: “Furthermore, not all Board members were provided access to the computerized purchasing system.”

Response: It is the Town’s understanding that all Board Members have had access, and continue to have, access to the computerized purchasing system.

Draft Audit Report Excerpt: “The Town’s procurement policy requires three written quotes for purchases greater than \$5,000 but less than \$10,000 and public works contracts greater than \$10,000 but less than \$20,000. Oral quotes are required for purchases less than \$5,000 but greater than \$3,000. We reviewed 24 claims totaling \$270,012 that were more than \$5,000 but less than GML bidding thresholds. In all instances, the finance department and a Board member or the Supervisor approved the claim despite the fact that none of the purchases included any evidence of written quotes or an explanation of how it complied with the Town’s procurement policy.”

Response: All the aforementioned purchases were within GML thresholds. The Town’s tentative Procurement and Purchasing Policy has been updated with consideration to thresholds and a new standardized quote form has been established. Adherence to the new policy will ensure all purchases include the necessary supporting documentation for each threshold as detailed in the updated Procurement and Purchasing Policy.

Draft Audit Report Excerpt: “The Town paid a vendor \$13,770 for repairs to traffic signals located at a Town intersection. There was no evidence that quotes were obtained for this service and the vendor’s invoice did not identify an hourly rate or detail how many hours he worked on the repair. The Highway Superintendent indicated that normally Town employees are responsible for repairs to traffic signals. However, in emergency situations, this vendor is called. Additionally, a Board member told us that he spoke to a representative from the Department of Transportation (DOT). The DOT representative told him that the Town uses traffic signal equipment for which the DOT has pallets of used parts, and that

these used parts may be available for free to anyone who requests them. The DOT representative told the Board member that in the past, the vendor in question has been provided with used traffic signal parts for free. The Town may have been able to obtain the service at a lower cost had Town officials inquired if the DOT had the required parts available at no cost. “

Response: During the performance of a capital project for road improvements it was determined that traffic signals servicing the reconstructed roads were in need of immediate repair. At that time our staff was not sufficiently trained in repair and maintenance of traffic control devices and it was determined that a specialty contractor was required. Quotes were solicited and only one quote was received from a qualified contractor who was hired to repair the signals. The Highway Superintendent and his staff at that time were not aware that free parts were available to repair the traffic control devices in question. In any event, the Highway Superintendent and his staff cannot be expected to have knowledge of the contractor’s source of parts used to repair traffic control devices. In the future, the town highway department will document all quotes solicited in conformance with the proposed updated Purchasing Policy and will require the successful contractor to disclose his source of repair parts, new or used.

Draft Audit Report Excerpt: “Three claims from the highway department were for repairs to various highway equipment and machinery costing a total of \$35,427. There was no evidence of quotes for any of the three repair services. The Highway Superintendent stated that for certain repairs, he only wants to use specific vendors as he considers these specialty repairs. However, there was no documentation included with the claim that explained why these particular repairs could only be done by a certain vendor. “

Response: Quotes were obtained for the repairs as deemed applicable. Due to specialized equipment and machinery, for certain repairs referenced there are only specific vendors that are capable of doing the repair. For instance, the voucher for the repair of the [REDACTED] Garbage Truck had to be done at [REDACTED] since other vendors do not have the expertise to repair the specialized nature of the truck. Going forward, the Town’s tentative Procurement and Purchasing Policy has been updated and a new standardized quote form has been established to ensure the evidence of reasoning for the quotes or lack thereof is properly documented. Adherence to the new policy will ensure all purchases include the necessary supporting documentation for each threshold as detailed in the policy.

Draft Audit Report Excerpt: “The Town entered into an agreement with a consultant in November 2013 to conduct an economic and fiscal impact analysis for a potential development project. Officials provided us with an unsigned contract that referenced a fixed fee of \$25,000. We were later told that the Board approved increasing this amount to \$39,805; however, we were not provided evidence of this approval. The Town ended up paying the consultant \$44,805 which is at least \$5,000 more than they agreed to. The last three invoices from the consultant showed an inaccurate amount in the “Invoiced to Date” line and made it appear as though there was still a balance left on the contract. This resulted in the Town overpaying the consultant believing that there was still a balance remaining. A thorough audit of the claims may have identified the incorrect billing prior to the Town making the overpayments. The Supervisor stated that she would investigate this and seek a reimbursement if necessary. As of December 2014, the Town had not received the reimbursement. “

Response: A clerical error caused an overpayment to the vendor. Upon notification of the error, a Board Member did an analysis of the payments to vendor and contacted the consultant and requested

they return the overpayment. On January 9, 2015, the Town received a check for \$5,000 refunding the overpayment in full.

Draft Audit Report Excerpt: “The Town hired an engineering firm to provide general engineering services to the Town at a cost not to exceed \$120,000. In addition to providing general engineering services, the Town also separately contracts with this engineering firm for other miscellaneous engineering projects. Town officials indicated that they did not solicit RFP’s from any other engineering firms for a \$1.9 million project that began in 2013. By not requiring RFP’s from competing engineering firms, the Town may not have gotten the best price or the most favorable terms and conditions for the project. There is also a risk that the Town’s engineering firm may have been given an unfair advantage on this project.”

Response: The engineering services provided were considered to be professional services and, therefore, no solicitation of bids was required under GML. Further, the Town practiced due diligence while selecting the firm to assist with the referenced project. After carefully evaluating the factors surrounding the project, it was determined to be in the Town’s best interest and value to utilize the services of the engineering firm whom provides general engineering services. The Town intends to include written documentation of reasons justifying why they did not solicit RFP’s or will include RFP’s depending on the services being provided. Further all exclusions will be properly documented as required within the revised tentative Procurement and Purchasing policy of the Town.

By adhering to the above recommendations and by adopting the revised Purchasing and Procurement policy, the Town Board will work to improve the purchasing procedures of the Town.

Sincerely,

Sheila M. Meegan, Supervisor
Town of West Seneca

APPENDIX B

OSC COMMENTS ON THE TOWN'S RESPONSE

Note 1

We revised this sentence based on information obtained at the exit discussion.

Note 2

As indicated in the report, the Board is responsible for auditing each claim, not the abstract of audited claims (i.e., “Town Board Warrants”).

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

The objective of our audit was to evaluate the Town's purchasing practices for the period January 1, 2013 through December 18, 2014. To achieve our audit objective and obtain valid audit evidence, we performed the following audit procedures:

- We interviewed Town officials and reviewed financial records and reports, policies and Board minutes.
- We selected a judgmental sample of 65 purchases totaling approximately \$2.7 million that were paid during 2013 or 2014. The distribution of the purchases selected is as follows: 30 purchases totaling approximately \$2.3 million that were above GML bidding thresholds; 24 purchases totaling \$270,012 that were under GML bidding thresholds, but above the Town's procurement policy requirements for written quotes (purchases or public works greater than \$5,000); eight payments for professional services totaling \$106,331; and three payments for credit card purchases totaling \$8,687.
- We selected claims from the 2013 and 2014 vendor history reports, based on the general criteria that payments were at least \$5,000 and that at least one purchase was selected for each vendor tested. We did not include payments for utilities, insurance or employee benefits.
- We requested evidence of quotes, competitive bidding and State or County contract documents from the applicable Town departments.
- We searched the New York State Office of General Services website for State contracts and the Erie County Department of Purchasing website for County contracts to verify and research certain purchases.
- We searched Board minutes for evidence of Board approval prior to or after purchases that were greater than \$5,000.

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 D

HOW TO OBTAIN ADDITIONAL COPIES OF THE REPORT

To obtain copies of this report, write or visit our web page:

Office of the State Comptroller
Public Information Office
110 State Street, 15th Floor
Albany, New York 12236
(518) 474-4015
<http://www.osc.state.ny.us/localgov/>

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

Andrew A. SanFilippo, Executive Deputy Comptroller
Gabriel F. Deyo, Deputy Comptroller
Nathaalie N. Carey, Assistant Comptroller

LOCAL REGIONAL OFFICE LISTING

BINGHAMTON REGIONAL OFFICE

H. Todd Eames, Chief Examiner
Office of the State Comptroller
State Office Building, Suite 1702
44 Hawley Street
Binghamton, New York 13901-4417
(607) 721-8306 Fax (607) 721-8313
Email: Muni-Binghamton@osc.state.ny.us

Serving: Broome, Chenango, Cortland, Delaware,
Otsego, Schoharie, Sullivan, Tioga, Tompkins Counties

BUFFALO REGIONAL OFFICE

Jeffrey D. Mazula, Chief Examiner
Office of the State Comptroller
295 Main Street, Suite 1032
Buffalo, New York 14203-2510
(716) 847-3647 Fax (716) 847-3643
Email: Muni-Buffalo@osc.state.ny.us

Serving: Allegany, Cattaraugus, Chautauqua, Erie,
Genesee, Niagara, Orleans, Wyoming Counties

GLENS FALLS REGIONAL OFFICE

Jeffrey P. Leonard, Chief Examiner
Office of the State Comptroller
One Broad Street Plaza
Glens Falls, New York 12801-4396
(518) 793-0057 Fax (518) 793-5797
Email: Muni-GlensFalls@osc.state.ny.us

Serving: Albany, Clinton, Essex, Franklin,
Fulton, Hamilton, Montgomery, Rensselaer,
Saratoga, Schenectady, Warren, Washington Counties

HAUPPAUGE REGIONAL OFFICE

Ira McCracken, Chief Examiner
Office of the State Comptroller
NYS Office Building, Room 3A10
250 Veterans Memorial Highway
Hauppauge, New York 11788-5533
(631) 952-6534 Fax (631) 952-6530
Email: Muni-Hauppauge@osc.state.ny.us

Serving: Nassau and Suffolk Counties

NEWBURGH REGIONAL OFFICE

Tenneh Blamah, Chief Examiner
Office of the State Comptroller
33 Airport Center Drive, Suite 103
New Windsor, New York 12553-4725
(845) 567-0858 Fax (845) 567-0080
Email: Muni-Newburgh@osc.state.ny.us

Serving: Columbia, Dutchess, Greene, Orange,
Putnam, Rockland, Ulster, Westchester Counties

ROCHESTER REGIONAL OFFICE

Edward V. Grant, Jr., Chief Examiner
Office of the State Comptroller
The Powers Building
16 West Main Street, Suite 522
Rochester, New York 14614-1608
(585) 454-2460 Fax (585) 454-3545
Email: Muni-Rochester@osc.state.ny.us

Serving: Cayuga, Chemung, Livingston, Monroe,
Ontario, Schuyler, Seneca, Steuben, Wayne, Yates Counties

SYRACUSE REGIONAL OFFICE

Rebecca Wilcox, Chief Examiner
Office of the State Comptroller
State Office Building, Room 409
333 E. Washington Street
Syracuse, New York 13202-1428
(315) 428-4192 Fax (315) 426-2119
Email: Muni-Syracuse@osc.state.ny.us

Serving: Herkimer, Jefferson, Lewis, Madison,
Oneida, Onondaga, Oswego, St. Lawrence Counties

STATEWIDE AUDITS

Ann C. Singer, Chief Examiner
State Office Building, Suite 1702
44 Hawley Street
Binghamton, New York 13901-4417
(607) 721-8306 Fax (607) 721-8313