



Village of Gowanda

Procurement

Report of Examination

Period Covered:

June 1, 2011 — April 26, 2013

2013M-175



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

September 2013

Dear Village 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 Village 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 Village of Gowanda, 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 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 Village of Gowanda (Village) is located in Cattaraugus and Erie Counties and has a population of approximately 2,700 residents. The Village is governed by an elected five-member Board of Trustees (Board) consisting of the Mayor and four Trustees. The Board provides guidance through the enactment of policies and procedures, the approval of contracts, and the adoption of the annual budget. The Village's adopted budget for the 2012-13 fiscal year included appropriations of \$1.6 million for the general fund, \$695,327 for the sewer fund and \$445,993 for the water fund.

Objective

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

- Is the Village properly procuring goods and services in accordance with the Board-adopted procurement policy?

Scope and Methodology

During this audit, we examined the Village's purchasing practices for the period June 1, 2011, through April 26, 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 and Corrective Action

The results of our audit and recommendations have been discussed with Village officials and their comments, which appear in Appendix A, have been considered in preparing this report. Village officials generally agreed with our findings and 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 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 Clerk-Treasurer's office.

Procurement

The Board adopted a procurement policy as required by General Municipal Law. According to this policy, Village officials must advertise for bids for purchase contracts that equal or aggregate to more than \$10,000, and public works contracts that equal or aggregate to more than \$20,000. Furthermore, two written quotes are required for purchases between \$3,000 and \$9,999; three documented telephone quotes are required for public works contracts between \$5,001 and \$9,999; and formal written proposals are required from at least two vendors for public works contracts costing between \$10,000 and \$19,999. The policy also describes the documentation that should be prepared and retained. Furthermore, the policy provides that Village officials do not need to obtain written or verbal quotes when purchasing from vendors who hold valid State or County contracts. The policy requires that documentation of the actions taken be attached to the claim and reviewed by the Board prior to audit and approval for payment by the Clerk-Treasurer. After publicly soliciting sealed bids, the Board should formally award the contract to the lowest responsible bidder.

We tested 16 purchases totaling \$408,028 made in the 2011-12 and 2012-13 fiscal years.¹ These purchases required bids or quotes, or were purchased from State and County contracts. As indicated below, we found that purchases were not formally bid or awarded by the Board, quotes were not always obtained, and Village officials did not determine if they received the correct State or County contract pricing.

Competitive Bidding – Three purchases totaling \$138,163 were subject to competitive bidding requirements. In two cases, Village officials did not publicly solicit competitive bids; in the third case, the Board did not formally award the contract. Specifically, there was no evidence that the Village obtained bids for sludge removal during the 2011-12 fiscal year totaling \$30,828. Furthermore, the Village purchased a new police vehicle, costing \$21,575, without publicly soliciting bids. The Board did not require Village officials to publicly seek competitive bids for the police vehicle because it was considered an “emergency.” Instead, the Village obtained three proposals and awarded the contract to the vendor with the lowest cost. According to the Board minutes, two police vehicles had over 120,000 miles and were in need of repair. We question whether the need to replace a

¹ See Appendix B, Audit Methodology and Standards, for details on our sample selection.

police vehicle was unforeseen by Village officials to the extent that it precluded them from formally soliciting bids for the purchase.

Finally, the Village received two bids for the purchase of chemicals² for the sewer plant. The price of the product as submitted by one vendor was significantly higher than the other bidder. The Village purchased chemicals costing \$48,947 in 2011-12 and \$36,813 in 2012-13 from the vendor that submitted the bid with the higher price. Village officials informed us that the Public Works Superintendent deemed the less expensive product inferior. However, Village officials could not provide documentation to support this claim. Further, the Board minutes mention that the Public Works Superintendent was testing products from both vendors, but there was no indication that the Board ever awarded the bid to a particular vendor.

State and County Contracts – Six purchases, totaling \$210,095, were made from vendors who were awarded State or County contracts. For four of the six purchases, totaling \$173,535, there was no evidence to indicate that Village officials verified the State or County contract price. These purchases included asphalt (\$63,296), diesel fuel (\$51,334), unleaded gasoline (\$48,070), and police car radios and chargers (\$10,835). Because Village officials did not verify the pricing for the police car radios and chargers, they were charged \$2,439 more than the State contract price.

Quotes – Seven purchases totaling \$59,771 required written quotes. Village officials did not properly obtain written quotes for five of the seven purchases, totaling \$44,499. Purchases that did not include the required quotes included a gas detection system (\$14,540), tree and stump removal (\$14,085), water main repairs (\$5,495), air tanks (\$4,275), and water treatment chemicals (\$3,064 in 2011-12 and \$3,040 in 2012-13).

The Board's failure to ensure that Village officials obtained bids and quotes in accordance with the Village's procurement policy, and to verify that they were receiving the correct State and County contract pricing, resulted in the Village incurring higher costs than necessary for goods and services purchased.

Recommendations

1. The Board should ensure that Village officials comply with the adopted procurement policy and approve contracts awarded through the competitive bidding process, as required.

² The Village purchased ferric chloride, which is a chemical used in the waste water treatment plant.

2. Village officials should attach the obtained quotes to the vendors' claims so that the Board can audit and approve these claims for payment.
3. Village officials should determine that they are receiving the appropriate State and County contract pricing. This pricing information should be attached to the vendors' claims for audit and approval by the Board prior to payment.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

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



VILLAGE OF GOWANDA

"Gateway to the Southern Tier"

27 E. Main Street • Gowanda, NY 14070

(716) 532-3353 • Fax (716) 532-2938

September 3, 2013

Office of the State Comptroller
Buffalo Regional Office
Att: Robert Meller, Chief Examiner
295 Main Street Suite 1032
Buffalo NY 14203

To Whom It May Concern:

This letter is to serve as written response to the findings of your audit of the Village of Gowanda, for the period of June 1, 2011 through April 26, 2013.

Firstly we would like to say that the village takes its responsibility to adhering to state guidelines very seriously. Although we make every effort to comply we acknowledge that there may be times when we fail to do so however unintended. We appreciate your review of our work and see your findings as a helpful reminder of areas that need more attention.

The following is our response to the findings in your report:

- 1.) Competitive Bidding:
 - a.) Sludge Removal – although this work was not competitively bid, it was due to the fact that it was emergency work done in our 2009 Flood disaster.
 - b.) Police Vehicle – we agree with this finding and acknowledge that we should have recognized the need for the vehicle to be replaced prior to it becoming an emergency.
 - c.) Chemicals – As mentioned in the findings, our Public Works Superintendent felt that the vendor with the lower bid was offering a product that did not meet the specifications for the use intended. We agree with this finding and realize that documentation of his concerns should have been put in writing and noted in the board minutes.
- 2.) State and County contracts:
 - a.) Asphalt, Diesel fuel, Unleaded Gasoline and Police Car radios – We agree with this finding and realize that we should have been aware of our ability to check the contract pricing for these items online which we are now doing.

Mayor: Heather McKeever • *Trustees:* Carol Sheibley • John Certis • Dale DeCarlo • Paul Zimmerman
Village Clerk: Kathleen Mohawk • *Treasurer:* Cindy Schilling • *Attorney for the Village:* Deborah Chadsey
Building Inspector/Code Enforcement: Gary Brecker • *Assessor:* George Stark • *Officer In Charge:* Joseph Alessi
Highway Spvsr.: Gary Denea • *Water Spvsr.:* Carl Sternisha • *Sewer Spvsr.:* Andrew Carriero

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3.) Quotes:

- a.) Gas detection system, tree and stump removal, water main repair, air tanks and water treatment chemicals - We agree with this finding but would like to mention that the water main repair work was done in an emergency situation on a weekend.

Once again, the village sees these findings as a very helpful tool in our effort to be sure we stay in compliance with state law. We appreciate the opportunity to respond to these findings and will file a Corrective Action Report very soon.

Sincerely,

Heather McKeever,
Mayor

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To accomplish our objective, we interviewed appropriate Village officials and employees, tested selected records, and examined pertinent documents for the period June 1, 2011, through April 26, 2013. Our procedures included the following:

- We identified 40 vendors with purchases aggregating approximately \$1.1 million that were subject to the Village's procurement policy. We selected a judgmental sample of 16 purchases totaling \$408,028 to determine whether Village officials obtained the appropriate quotes, bids, and the correct State and County contract pricing, as required.
- We interviewed Village officials to obtain an understanding of the purchasing process, and when bids and quotes are required.
- We reviewed vouchers and the supporting documentation, such as quotes, bids, and State and County contract documents, when available.
- We reviewed the minutes of Board meetings to obtain an understanding of the Board's oversight of purchasing activity.

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 C

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Andrew A. SanFilippo, Executive Deputy Comptroller
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