



# Village of Lewiston

## Purchasing

### Report of Examination

Period Covered:

June 1, 2011 — January 31, 2013

2013M-45



Thomas P. DiNapoli

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# State of New York Office of the State Comptroller

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## **Division of Local Government and School Accountability**

May 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 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 Village of Lewiston, 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 Village of Lewiston (Village) is located in the Town of Lewiston in Niagara County and has a population of approximately 2,700 residents. The Village is governed by a five-member elected Board of Trustees (Board) which comprises a Mayor and four Trustees. The Board is responsible for the general management and control of the Village's financial affairs. The Village, which has an area of approximately one square mile, provides various services to its residents, including street maintenance, water, sewer, police protection, fire protection and general government support. For the 2012-13 fiscal year, budgeted appropriations total approximately \$2.4 million in the general fund and \$.9 million for the water and sewer funds combined. Expenditures are funded primarily by real property taxes, sales tax, State aid and user fees.

## Objective

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

- Did Village Officials ensure that purchases were made in accordance with statutory requirements and their procurement policy?

## Scope and Methodology

We examined the internal controls over purchasing of the Village for the period June 1, 2011, to January 31, 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 that they have taken or planned 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 Clerk-Treasurer's office.

## Purchasing

General Municipal Law (GML) requires bidding when an item or commodity group exceeds established dollar limits. Current dollar thresholds require local governments to advertise for bids 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. Purchases made through State or County contracts need not be competitively bid. GML also requires the Board to adopt a written procurement policy governing the purchase of goods and services that are not subject to competitive bidding. This policy should indicate when Village officials must obtain quotations or request for proposals, describe the procedures for determining which method will be used, and provide for adequate documentation of the actions taken. The adoption and required annual review of this policy should ensure that local governments purchase goods and services of desired quality at the lowest possible cost under the given circumstances.

The Board did not regularly review its procurement policy for accuracy or appropriateness. The Village's procurement policy was initially adopted in 1993 and includes a checklist that is required to be attached to all purchases greater than \$1,000. The current policy is essentially identical to the 1993 version except for a few minor handwritten modifications to reflect changes in GML for competitive bidding requirements. However, the handwritten modifications on the policy and the checklist relating to the bidding thresholds were inaccurate.<sup>1</sup> Officials stated they intend to rewrite the policy to bring it up-to-date and accurately depict the current purchasing standards of the Village.

We tested 36 claims<sup>2</sup> totaling \$214,207 made from June 1, 2011, to December 31, 2012, for compliance with GML and the Village's procurement policy. The policy-required checklist was not attached to any of these 36 claims. The use of the checklist will increase the likelihood that the individual making the purchase will adhere to GML or the procurement policy. Furthermore, 21 of the 36 claims did not comply with GML or the quote requirement of the Village's procurement policy.

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<sup>1</sup> The threshold limit for public works contracts was incorrectly modified to \$50,000 rather than \$35,000.

<sup>2</sup> Two claims totaling \$76,287 met the thresholds for competitive bidding, while the remaining 34 claims totaling \$137,920 were subject to the Board-adopted procurement policy. All purchases we selected were greater than \$1,000 and were subject to GML or the Village's procurement policy.

Competitive Bidding – Of the two purchases that were subject to competitive bidding, one purchase was properly made through a vendor who was awarded a County contract. However, the second purchase, made in June 2011, for aluminum docks totaling \$21,687 was not competitively bid. Officials stated that they contacted at least one other vendor in an attempt to get quotes. However, this vendor was unable to meet the Village’s requirements. As such, there is no evidence to demonstrate that this purchase was made in the most prudent and economical manner and complied with the statutory requirements for competitive bidding.

Procurement Policy – The Village’s procurement policy requires quotes<sup>3</sup> for any purchase greater than \$1,000. Of the 34 claims totaling \$137,920, 14 claims totaling \$81,822 had quotes that were properly obtained because either State or County contracts were used or the claims included evidence of at least two quotes. However, the remaining 20 claims totaling \$56,098 did not meet the requirements because there was no evidence that officials obtained alternative quotes. For example:

- In June 2011, the Village contracted for brick and masonry work costing \$8,950 for repairs to the Village municipal building. Officials acknowledged that they did not seek quotes for this service.
- During the 2011-12 fiscal year, over \$16,000 of unleaded fuel was purchased from one vendor. Officials were under the impression that this vendor was an approved State contract vendor. However, we contacted a representative from the Office of General Services (OGS)<sup>4</sup> who confirmed that this vendor was not an authorized State vendor. Therefore, the Village did not comply with its procurement policy requiring quotes from multiple vendors.
- In February 2012, the Village purchased a customized sign for \$7,750. Officials stated that they did not seek quotes for this purchase because they wanted to use the same vendor that had installed other signs in the Village. However, by not seeking quotes from multiple vendors, officials had no assurance that they received a competitive price and neglected to determine if another vendor could provide a comparable sign at a lower cost.

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<sup>3</sup> The policy does not state the number of quotes required; however, at least two quotes would be necessary to provide a reasonable price comparison.

<sup>4</sup> State contracts are awarded by OGS.

- During the 2011-12 fiscal year, over \$13,000 was paid to one vendor for tree removal services. A Village official stated that in the past, this vendor has always offered the lowest price; therefore, they did not seek quotes from other vendors.
- In July 2012, the Village purchased a fence costing \$2,240. An official stated that he obtained multiple quotes for this purchase but neglected to retain them.

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

## **Recommendations**

1. The Board should update the 1993 procurement policy to reflect the Village's current requirements.
2. The Board should review and update the procurement policy on an annual basis to ensure that it continues to meet the needs of the Village and adheres to current statutory requirements.
3. The Board should require strict adherence to the requirements set forth in the procurement policy and regularly monitor for compliance during its audit of claims.

## **APPENDIX A**

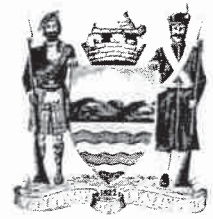
### **RESPONSE FROM LOCAL OFFICIALS**

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



# Village of LEWISTON

145 North Fourth Street • PO Box 325  
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716-754-8271 • FAX 716-754-2703



**Terry C. Collesano**  
Mayor

March 27, 2013

NYS Office of the Comptroller  
Division of Local Government  
Robert Meller, Chief Examiner  
Buffalo Regional Office  
295 Main Street - Suite 1032  
Buffalo, New York 14203-2510

Dear Mr. Meller,

This letter is in response to the New York State audit of the Village of Lewiston and also serves as the corrective action plan. During the audit, following issues were brought to our attention and we have made the necessary adjustments:

## **Procurement Policy**

This policy had not been updated since 1993 so a new policy was written and approved and adopted by the Village Board on February 19, 2013. The Board will review the policy annually.

## **NYS Employee's Retirement System work day requirements**

The Village Board adopted a resolution on February 4, 2013 establishing work days for employees and elected and appointed officials and will report the days worked to the NYS Employees Retirement based on the time keeping system or record keeping of activities maintained and submitted by the members to the clerk.

## **Purchasing/Claims**

During the audit it was noted that the Procurement Policy checklists were not being used for purchases and new checklists have been made and are now being used for purchases.

## **Bids**

During the audit it was noted that two claims (1. Docks and 2. Sign) should have gone to bid and we explained that items were purchased to match the existing docks and sign and that other

vendors could not match the items. The Auditor explained that in the future if this is the case we need to document it.

We appreciate your review and evaluation and will make sure the Village of Lewiston continues to maintain a high standard. If you have any questions, please contact me.

Very truly yours,

~~Terry C. Collesano~~  
Mayor

## **APPENDIX B**

### **AUDIT METHODOLOGY AND STANDARDS**

Our overall goal was to determine whether the Village was purchasing goods and services at the lowest possible price. To accomplish the objective of the audit and obtain valid audit evidence, we interviewed officials, tested selected claims and examined pertinent documents for the period June 1, 2011, to January 31, 2013. Our procedures included the following steps:

- We reviewed policies, Board minutes, and State and County bidding contracts.
- We selected all purchases over \$1,000 made from June 1, 2011 to December 31, 2012 listed in the Village's vendor history report. From these purchases, one claim was selected per vendor to test for compliance with GML and the Village's procurement policy.
- We tallied purchases made from the same vendor to determine the aggregate amount purchased for the same product.
- We reviewed purchasing records and examined pertinent documents to determine whether purchases complied with GML and the Village's procurement policy. When necessary, we requested additional documentation to ascertain compliance.
- We contacted a representative from OGS to determine if a vendor was included in the State bidding contract for unleaded fuel.

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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**DIVISION OF LOCAL GOVERNMENT**  
**AND SCHOOL ACCOUNTABILITY**

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

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