

Division of Local Government & School Accountability

Village of Springville Procurement Report of Examination **Period Covered:** June 1, 2014 — June 24, 2016 2016M-330

Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

December 2016

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 Springville, 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 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 Village of Springville (Village) is located in Erie County (County) and has a population of approximately 4,300. The Village provides services to its residents, including general government support, fire and police protection, electric utility, water, wastewater treatment, road and sidewalk maintenance and code enforcement. Village appropriations for the 2016-17 fiscal year total approximately \$8.6 million for all funds.

The Village is governed by an elected Board of Trustees (Board) which is composed of four Trustees and a Mayor. The Board is the legislative body responsible for oversight and general management of Village financial operations. The Mayor serves as chief executive officer, responsible for setting policy, presiding at Board meetings and, along with the Board, overseeing the Village Administrator (Administrator). The Administrator manages day-to-day operations and serves as the chief fiscal officer, responsible for maintaining the Village's accounting records, preparing financial reports and supervising and coordinating the procurement process.

Objective

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

• Is the Village procuring goods and services in accordance with the adopted procurement policy?

Scope and Methodology

We examined the Village's purchasing practices for the period June 1, 2014 through June 24, 2016.

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. 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 Village 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 recommendations and indicated they have taken, or plan to take, corrective action. Appendix B includes our comment on an issue raised in the Village'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 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 Administrator's office.

Procurement

General Municipal Law (GML) requires the Board to advertise for bids on contracts for public works involving expenditures of more than \$35,000 and on purchase contracts involving expenditures of more than \$20,000. GML also requires the Board to adopt written policies and procedures for the procurement of goods and services that are not subject to competitive bidding requirements, such as professional services and items that fall under bidding thresholds. These policies and procedures should indicate when Village officials must obtain competition, outline procedures for determining the competitive method that will be used and describe the documentation requirements and responsibilities. Competitive methods can include competitive bidding, sending out a request for proposals (RFP) and obtaining written and verbal quotes.

Although the Board adopted a procurement policy that required obtaining competition for purchases not subject to bidding requirements, Village officials did not always ensure that purchases were made in compliance with the requirements. Furthermore, the policy did not include procedures for procuring professional services.

We selected a sample¹ of purchases from 30 vendors totaling approximately \$1.7 million and found that Village officials did not use competitive methods to procure goods and services from six vendors who were paid a total of \$196,732 for professional services. In addition, Village officials did not competitively bid purchases from four vendors totaling \$148,387, as required.

<u>Professional Service Providers</u> – 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 of creativity. However, GML does require that villages adopt policies and procedures governing the purchase of goods and services when competitive bidding is not required. Prudent business practices provide that contracts for professional services be awarded after soliciting competition. One way to accomplish this is to send out an RFP, which is meant to ensure the Village receives the desired service on the most favorable terms or for the best value.

The Village's procurement policy states that the Board will determine when a purchase is to be considered a professional service. However, the policy does not address procedures for obtaining competitive

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¹ See Appendix C, Audit Methodology and Standards, for sample selection methodology.

pricing on purchases determined to be professional services. Of the 30 vendors selected, purchases from 10 totaling \$606,499 were for professional services.

Although the policy does not include written procedures for obtaining competitive pricing for professional services, Village officials sent out RFPs for three professional services: an engineer (\$234,853), liability insurance (\$101,992) and an architect (\$37,397). The Village provided the RFP documentation submitted by those three vendors and the other proposals that were submitted. Although not required for professional services, the Village generally selected the lowest priced vendors for these services. However, Village officials did not solicit competition through RFPs or obtain quotes for six professional services, totaling \$196,732. These services included a landscape architect (\$109,255), insurance broker (\$21,981), engineer for an electrical project (\$18,882), external auditor (\$17,973), grant writer (\$15,716) and bond counsel (\$12,925). Village officials told us that they did not seek competition for these services because the prior administration had used these vendors for several years and developed a good working relationship.

The remaining vendor, who was paid \$35,525, was initially used by the Village for minimal design work on a capital project costing \$2,500. After the work was completed, issues arose with the capital project that required additional design services. The Board determined that an RFP would not be sent out and contracted with the vendor to do this work as the vendor was familiar with the project.

<u>Competitive Bidding</u> – The Board-approved procurement policy requires competitive bidding for purchase contracts of more than \$20,000 and public works contracts of more than \$35,000. The policy provides for specific exceptions from competitive bidding requirements, including purchasing through a State or County contract.

Of the 30 vendors selected, purchases from 10 vendors totaling \$938,336 were subject to competitive bidding. However, Village officials did not competitively bid purchases from four vendors totaling \$148,387. These purchases included fuel totaling \$34,333 in 2014-15 and \$24,844 in 2015-16, light poles² totaling \$32,210 in 2015-16 and water tank work costing \$57,000 in 2015-16. Although Village officials sent out an RFP to four vendors for the water tank work and received two proposals, the purchase should have been competitively bid.

DIVISION OF LOCAL GOVERNMENT AND SCHOOL ACCOUNTABILITY

² The vendor did not install the light poles.

We reviewed the Village's fuel purchases³ made from June 1, 2014 through April 30, 2016 totaling \$59,177⁴ and found that Village officials made purchases that exceeded statutory bid limits without obtaining competitive bids, as required, or using State or County contracts. Had the Village used State contract-awarded vendors, it could have saved approximately \$8,400, or 14 percent, for these fuel purchases.

<u>Items Under Bidding Thresholds</u> – The Village's purchasing policy requires two verbal quotes for purchases ranging from \$1,000 to \$2,999 and three written quotes for purchasing ranging from \$3,000 to \$19,999. We reviewed purchases from 10 vendors totaling \$160,159 that fell within these thresholds and found minor exceptions which we discussed with Village officials.

When Village officials do not use competition to secure professional service contracts or have procedures in place to document the methodology for the procurement of services or the basis of selection, there is an increased risk that goods and services may not have been obtained for the best value, ensuring the most prudent and economical use of public money.

Recommendations

The Board should:

- 1. Revise its procurement policy to include clear language addressing the procurement of professional services and prescribing methods for soliciting competition for such services.
- 2. Require strict adherence to the requirements of its procurement policy. Any deviations from the policy for unique situations or extenuating circumstances should be approved by the Board and documented in the minutes.

The Administrator should:

- 3. Ensure competitive bids are obtained for purchases exceeding the bid limits as required by statute and the procurement policy where the use of State or County contracts or other exceptions do not apply.
- 4. Consider taking advantage of State or County contracts for purchases when practicable.

³ Unleaded gasoline

⁴ \$34,333 for unleaded gasoline purchased during the 2014-15 fiscal year and \$24,844 for unleaded gasoline purchased during 2015-16

5.	Periodically solicit competition, through RFPs or another competitive process, for professional service contracts.		

APPENDIX A

RESPONSE FROM VILLAGE OFFICIALS

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



Alan L. Chamberlin Robert Moriarty Terry W. Skelton Nils A. Wikman



Incorporated April 11, 1834 5 W. Main St. P.O. Box 17, Springville NY 14141 (716) 592-4936 / Fax (716) 592-7088 / TDD (800) 662-1220 Administrator-Clerk Treasurer Liz C. Melock CEO Mike Kaleta Attorney Paul Weiss

Unit Name:

Village of Springville

Audit Report Title:

Procurement

Audit Report Number:

2016M-330

Response to Audit Report

The Village of Springville Board and Village Administrator have reviewed the audit findings referenced above. The audit covers the period of June 1, 2014 through June 24, 2016. On January 5, 2016 a new Administrator took over. On April 4, 2016 the Board adopted a new procurement policy that addressed many of issues in this report. While we agree with the findings in this report, most of the deficiencies had already been corrected by the time of the audit.

See Note 1 Page 15

Signed:

William J. Krebs

Mayor

12/6/20

Date

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Mayor
William J. Krebs
Trustees
Alan L. Chamberlin
Robert Moriarty

Terry W. Skelton

Nils A. Wikman

VILLAGE OF SPRINGVILLE

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Procurement

Audit Report Number:

2016M-330

Corrective Action Plan

For each recommendation included in the audit report, the following is our corrective action(s) taken or proposed. For recommendations where corrective action has not been taken or proposed, we have included the following explanations.

Audit Recommendation:

The Board should revise its procurement policy to include clear language addressing the procurement of professional services and prescribing methods for soliciting competition for such services.

Implementation Plan of Action(s):

- a. The Administrator will review the Procurement Policy with regards to RFPs and RFQs for professional services and make recommendations to the Board.
- b. The Board will review the recommendations to the Procurement Policy and make any necessary changes so the plan can be adopted at the annual reorganization meeting.

Implementation Date:

April 3, 2017

Person Responsible for Implementation:

Village Administrator and Village Board

Signed:		
	12/6/	2016
William J. Krebs	Date	

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Mayor
William J. Krebs
Trustees
Alan L. Chamberlin

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2016M-330

Corrective Action Plan

For each recommendation included in the audit report, the following is our corrective action(s) taken or proposed. For recommendations where corrective action has not been taken or proposed, we have included the following explanations.

Audit Recommendation:

The Board should require strict adherence to the requirements of its procurement policy. Any deviations from the policy for unique situations or extenuating circumstances should be approve by the Board and documented in the minutes.

Implementation Plan of Action(s):

- a. Department heads have notified the Board during meetings of unique or extenuating circumstances in the past. These discussions are notated in the minutes.
- b. In the future the Board will approve the action by resolution instead of just documenting the discussion.

Implementation Date:

January 1, 2017

Person Responsible for Implementation:

Village Board & Department Heads

Signed:	12/6/2016	
William J. Krebs	Date	
Mayor		

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Mayor William J. Krebs Trustees

Alan L. Chamberlin Robert Moriarty Terry W. Skelton Nils A. Wikman



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2016M-330

Corrective Action Plan

For each recommendation included in the audit report, the following is our corrective action(s) taken or proposed. For recommendations where corrective action has not been taken or proposed, we have included the following explanations.

Audit Recommendation:

The Administrator should ensure competitive bids are obtained for purchases exceeding the bid limits as required by the statute and the procurement policy where the use of State or County contracts or other exceptions do not apply.

<u>Implementation Plan of Action(s)</u>:

- a. There was a change in Administrators in January 2016. Competitive bids have been obtained since then.
- b. Decorative Street lights used in the Downtown Business District will be bid out this January when we do our annual bid notices. If the bid process does not produce any bids the Board will then adopt a standardized light pole resolution.
- c. Currently the Village Administrator and DPW Superintendent have been negotiating with the Springville Griffith Institute to purchase gasoline and diesel from the school off the state and/or county contract. An agreement is in the SGI attorney's office for review.

Implementation Date:

January 2017- February 2017

Person Responsible for Implementation:

Village Administrator

Signed:

12/6/2014

William J. Krebs

Date

Mayor

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Mayor

William J. Krebs

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Corrective Action Plan

For each recommendation included in the audit report, the following is our corrective action(s) taken or proposed. For recommendations where corrective action has not been taken or proposed, we have included the following explanations.

Audit Recommendation:

The Administrator should consider taking advantage of State or County contracts for purchases when practicable.

Implementation Plan of Action(s):

- a. Fuel and diesel tanks at DPW will be supplied by the current vendor off State or County bid.
- b. Electric Dept will be reviewing contracts for wire, wooden telephone poles and transformers.

Implementation Date:

January 2017- February 2017

Person Responsible for Implementation:

DPW Superintendent & Village Administrator

Signed:

U

William J. Krebs

Mayor

Date

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Mayor William J. Krebs Trustees

Alan L. Chamberlin Robert Moriarty Terry W. Skelton Nils A. Wikman



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Corrective Action Plan

For each recommendation included in the audit report, the following is our corrective action(s) taken or proposed. For recommendations where corrective action has not been taken or proposed, we have included the following explanations.

Audit Recommendation:

The Administrator should periodically solicit completion, through RFPs or another competitive process, for professional service contracts.

Implementation Plan of Action(s):

- a. Auditor and bond counsel will have RFPs sent out.
- b. Engineers have been hired through RFPs for the past six months.

Implementation Date:

February 2017

Person Responsible for Implementation:

Village Administrator

Signed:

| 12/6/2016
| William J. Krebs | Date

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APPENDIX B

OSC COMMENT ON THE VILLAGE'S RESPONSE

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The procurement policy adopted on April 4, 2016 was reviewed during our audit and did not include procedures for procuring professional services.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed Village officials to gain an understanding of the procurement process.
- We reviewed the Village's procurement policy to determine if it adequately addressed the procurement of goods and services.
- We selected a biased, judgmental sample of 30 vendors which were paid approximately \$1.7 million in our audit period. Our sample was selected based on the total amounts the Village paid the vendors during out audit period and information obtained during our risk assessment process. We selected 10 vendors who provided goods, equipment or public works for more than the competitive bidding dollar thresholds, 10 vendors who provided more than \$5,000 in goods or equipment for quotation requirements and 10 vendors who provided professional services for more than \$10,000.
- We reviewed bids, proposals, quotes and supporting documentation to assess if the purchases were made using competitive methods and/or were in compliance with the Village's procurement policy and GML.
- We calculated the cost of purchasing fuel off State contract.

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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