

Town of Greenwich

Purchasing

MARCH 2021



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Town of Greenwich

Audit Objective

Determine whether Town of Greenwich (Town) officials sought competition when purchasing goods and services.

Key Findings

Town officials generally did not seek competition when purchasing goods and services.

- Of 50 purchases reviewed totaling \$154,386 that required competitive quotes, 28 purchases totaling \$81,857 lacked evidence of competition as required by the Town's purchasing policy.
- Diesel fuel aggregate purchases totaling \$35,474 were not competitively bid as required by law.

Key Recommendations

- Clarify the purchasing policy and procedures, including the use of the requisition form.
- Verify the procurement policy and procedures were followed as part of the audit and approval of claims for payment.
- Ensure competitive bidding statutes and policy requirements are followed.
- Ensure all applicable documentation sought for purchases is attached to vouchers and retained.

Town officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

Background

The Town, located in Washington County, is governed by an elected five-member Town Board (Board), composed of four Board members and the Town Supervisor (Supervisor). The Board is responsible for the general oversight of operations and finances.

The Supervisor, as chief fiscal officer, is responsible for the Town's day-to-day management.

The Supervisor, Board and other Town officials are responsible for ensuring purchases comply with competitive bidding requirements and the Town's purchasing policy.

Quick Facts

Total Expenditures During the Audit Period	\$2 million
2020 Appropriations	\$2 million
Population	4,782

Audit Period

January 1, 2019 – February 29, 2020

Purchasing

How Should Goods and Services Be Purchased?

New York State General Municipal Law¹ (GML) generally requires competitive bidding for purchase contracts greater than \$20,000 and public work contracts greater than \$35,000. In lieu of seeking competitive bids, a town can make purchases using contracts awarded by the New York State Office of General Services (State contracts) or contracts bid by other governments. In determining the necessity for competitive bidding, the aggregate amount to be expended for the same commodity or service within the 12-month period beginning on the date of the first purchase must be considered. Using prior year's expenditures can be a good way to estimate whether purchases of a commodity, such as diesel fuel, will exceed the bid limit for the current year.

GML requires a board to adopt and annually review written policies and procedures for the procurement of goods and services not subject to competitive bidding.² These policies and procedures should describe the methods and procedures for promoting competition for purchases not subject to competitive bidding, require documentation of actions taken with each procurement method and identify the name and title of individuals responsible for the process. This should include purchases under the bidding thresholds and the procurement of professional services.

The Town's purchasing policy (Figure 1) is more restrictive than GML because it requires all purchase contracts above \$10,000 and public work contracts above \$20,000 to be formally bid.³

Figure 1: Purchasing Criteria

	Dollar Range	Number and Type of Quotes
Purchase Contracts and Public Works^a	\$1,000 - \$2,000	3 verbal quotes
	\$2,000 - \$10,000	3 written quotes and prior Board approval
Purchase Contracts only	Greater than \$10,000	Competitive Bidding
Public Works only	\$10,000 - \$20,000	3 written quotes and prior Board approval
	Greater than \$20,000	Competitive Bidding

A requisition form is to be completed prior to purchase and attached to the voucher for payment.

^a Prior to November 2019, the policy required three verbal quotes for purchases greater than \$500 and less than \$1,000 and three written quotes for purchases greater than \$1,000 and less than \$10,000.

1 New York State General Municipal Law (GML) Section 103

2 GML Section 104-b

3 Because the Town's limits for competitive bidding are lower than those allowed by GML, we used the Town's limits for testing.

The policy also allows the Town to award purchases based on best value when the Board determines the goods or services will be of the highest quality while being the most cost efficient. The determining factors of quality and cost efficiency are to be objectively quantified, clearly described and documented in writing by the Board either in the meeting minutes or on the requisition form.

Purchases Lacked Evidence of Competition

We reviewed 50 purchases totaling \$154,386 for which officials should have sought competition and found that 28 purchases totaling \$81,857 (53 percent) did not comply with the purchasing policy because they lacked evidence of competition, including quotes and a Board approved requisition form. These purchases included gravel, sand and culvert pipe.

We also reviewed six items that exceeded \$10,000 in aggregate purchases made within a 12-month period, for a total of \$380,951.⁴ We found diesel fuel with aggregate purchases totaling \$35,474 was not competitively bid as required by GML and the Town's policy. Given that the 2019 diesel cost was \$32,490 it should have been easily determined that the cost of this commodity would require competitive bidding.

The Highway Superintendent stated that the Town solicited bids for diesel fuel several years ago and awarded the bid to a vendor that the Town continued to use. We found no evidence that the Town solicited bids or otherwise sought competitive prices for diesel fuel since the Town last awarded the fuel bid. We compared the State contract price of fuel to the price paid by the Town and found that during our scope period the Town paid \$2,491 (7.55 percent) more than it would have if the diesel fuel had been obtained from a State contract vendor. In January 2020, the Town began using the State contract vendor.

Also, we reviewed five payments over \$20,000 and identified three purchases subject to competitive bidding. We found one purchase was through a State contract vendor and the Board sought competitive bids for the other two purchases as required by the policy.

When Town officials do not procure goods and services in accordance with the Board-approved purchasing policy, they are not ensuring that quality goods and services are being obtained at the lowest cost to the taxpayers.

... [T]he Town paid \$2,491 (7.55 percent) more than it would have if the diesel fuel had been obtained from a State contract vendor.

⁴ The total includes a diesel fuel purchase for \$2,970 made in January 2020.

What Do We Recommend?

The Board should:

1. Clarify the purchasing policy and procedures, including the use of the requisition form.
2. Verify the procurement policy and procedures were followed as part of the audit and approval of claims for payment.

Town officials should:

3. Ensure competitive bidding statutes and purchasing policy requirements are followed.
4. Ensure all applicable documentation of competition sought for purchases is attached to vouchers and retained.

Appendix A: Response From Town Officials



**TOWN OF
GREENWICH** 2 Academy Street Greenwich, NY 12834

February 3, 2021

Town of Greenwich
2 Academy Street
Greenwich, NY 12834

NYS Office of the Comptroller
110 State Street
Albany, NY 12236

To Whom it May Concern,

The Town of Greenwich respectfully submits its response to the purchasing audit conducted by the NYS Office of the Comptroller for the audit period of January 1, 2019 – February 29, 2020. On the following pages, the Town has responded to each recommendation in the report as well as providing a plan on how the Town will move forward and address these recommendations. The Town of Greenwich concurs with the findings of the auditor concerning the deficiency of the Town Highway Department to adhere to the procurement policy by failing to provide adequate documentation and believes that the recommendations given by the auditor will be beneficial to the Town in moving to a more business-like approach.

The Town of Greenwich would like to express our thanks to the NYS OSC staff that was assigned to our Town with regard to the professionalism and courtesy that we received throughout the process. Several of our officials were new in their positions during the audit and were treated with respect and patience when documentation was requested throughout the audit.

The Auditor reviewed the Town Clerk's office, payroll practices, office supply purchases as well as tracking of cash and checks and suggested minor corrections to these procedures which were implemented during the process. There were several other recommendations that were given throughout the audit process that were not included in this report that the Town would also like to address. The implementation of a Discretionary Funding Policy was a particularly important recommendation for the Town. Since this recommendation from the auditor, the Town has implemented a policy that requires that any entity requesting funding from the Town must submit their tax documentation and budget as well as a clear and concise layout of how the funding will be spent and how it will benefit the taxpayers of the Town. The issue of inventory was also discussed during the audit and it was suggested that the Town implement a new policy regarding inventory and how the inventory

is tracked. The Town is working towards a plan to track the inventory, specifically fungible items, monthly in order to establish a better framework of how much is allocated each year.

The Town Board and officials believe that this audit was beneficial for the Town as a whole. There were several issues that were addressed throughout the audit that were consistently being overlooked in previous years. The procurement and purchasing policies of the Town were implemented to protect and ensure the responsible disbursement of taxpayer dollars for quality goods and services. The Town Board and Officials are dedicated to ensuring that these policies are followed as required in the future and would again like to express thanks to the NYS OSC for calling attention to and assisting the Town to remedy the issues identified in the Comptroller's Report.

Sincerely,

Donald B. Ward
Town Supervisor

Town of Greenwich
Corrective Action Plan

Unit Name: Town of Greenwich

Audit Report Title: Purchasing

Audit Report Number: 2020M-135

1. Town Board will clarify the purchasing policy and procedures, including the use of the requisition form.

The Town plans to review and clarify all aspects of the purchasing policy and procedures with the Town Board and all applicable Town officials. The Town Board will review and discuss the requisition form including how it should be used, when it should be used and the process for submitting the form.

The process will be provided as follows:

1. Town Officials that are planning to purchase large items will review the dollar amount of the purchase and what type of requisition is needed whether it is verbal quotes, written quotes with Board approval or competitive bidding pursuant to the Town Procurement Policy.
2. Verbal quotes will be received and documented on the requisition form with the date, company, company representative and amount. Written quotes will be received and attached to the requisition form including the date, company, amount and specifications of the product. The need for competitive bidding will be discussed with the Town Board to approve the bid process. Once bids are received and reviewed by the Board, they will be attached to the requisition form for approval. Every requisition form will also include the pricing of the State Contract for additional comparison to other received quotes.
3. Once the requisition form and quotes are completed, they will be submitted to the Budget Officer for review. The Budget Officer should ensure that all essential information is included and accurate.
4. The requisition form will be submitted to the Board for prior approval if required by the policy. The Board will review the quotes and take into consideration both the value of the product as well as the quality or travel time needed for the purchase.

The Town Board will review any questions or concerns about the process with Town Officials to ensure that the policies and procedures are understood and accepted.

For large aggregate purchases equating to \$10,000 or more per year, the Clerk to the Supervisor will review these purchases and discuss with the Board and Town Officials the schedule that they wish to follow when collecting quotes for these purchases each year. Once this schedule is established, the Clerk to the Supervisor and any other pertinent Town Officials will receive quotes on a yearly basis and review them following the same procedure as stated above.

Specifically in regard to sand and gravel purchases, the Town Board and Highway Superintendent will conduct a comprehensive review of the actual cost of the purchases. Currently, the Town purchases their sand from a vendor at a reduced price because the Highway Department mines, grades and loads the sand themselves. This process will be reviewed to decide if the current price of sand is actually higher when the man hours, travel time and other factors of mining are included to compare with requested bids.

For all bids and quotes, the best value will be determined by price, quality and other factors such as man hours, travel time and wear on equipment. If the Town Board comes to the decision that the best value quote is higher than the lowest priced quote, documentation of this decision will be attached to each voucher.

2. Town Board will verify the procurement policy and procedures were followed as part of the audit and approval of claims for payment.

During the audit and approval of claims for payment process at the monthly Town Board meetings, the Town Board will review each voucher's dollar amount. If the dollar amount is that of which a requisition form and quotes are needed, the Town Board will ensure that the proper documentation is included with the voucher for payment and review the quotes given. This process will be reviewed with the Town Board and each Board member will review the procurement policy to ensure that they are aware of the Procurement criteria for each type of quote required.

3. Town officials should ensure competitive bidding statutes and purchasing policy requirements are followed.

Each Town Official will be included in the review and clarification of the policy and procedures. After the review, the Town Officials will be given the opportunity to ask any questions or clarify any issue with the Board. Following the meeting, each Town Official will be responsible for ensuring that these purchasing policy requirements are followed. The Town Board will again be reviewing each voucher during the monthly Board meetings and if the policy is not followed by any Town Official, the policy will again be reviewed with them to ensure that they understand the procedure and importance of the policy. At least once per year, department heads will be required to meet with the Town Supervisor or Budget Officer to review the procurement policy.

4. Town officials should ensure that all applicable documentation of competition sought for purchases is attached to vouchers and retained.

The Clerk to the Supervisor will be keeping a file in the office consisting of copies of all the completed and approved quotes or bids. While processing the monthly vouchers, the Clerk to the Supervisor will also be reviewing each voucher to ensure that the correct purchasing procedures are being followed and that each voucher included the proper documentation as required by the purchasing policy. The Budget Officer, Town Supervisor and Town Board will also be reviewing each voucher to ensure that the correct and complete documentation is included with the vouchers and retained in the Town files.

The above stated action plan will be implemented after the February Board Meeting on February 9, 2021.

Donald B. Ward
Town Supervisor

Date: Feb 10 2021

Appendix B: Audit Methodology and Standards

We conducted this audit 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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed Town officials and employees to gain an understanding of the Town's procurement processes.
- We reviewed and evaluated the Town's purchasing policy and procedures to determine whether they were adequate.
- We reviewed Board meeting minutes and interviewed Town officials to determine whether the purchasing policy was reviewed on an annual basis.
- We reviewed Board meeting minutes to identify purchases made using bids or best value and to verify Board approval of purchases.
- We identified a population for our scope period of approximately 1,100 payments totaling \$1,161,096, which excluded payments for utilities, payroll and personnel benefit disbursements. We used our professional judgment to select 50 payments under the bidding thresholds totaling approximately \$154,386 and reviewed supporting documentation to determine whether Town officials solicited competition for these purchases.
- We selected payments to five vendors that when aggregated, exceeded the competitive bidding thresholds of the Town's policy. We reviewed the related vouchers and identified six items purchased through these vendors that were similar in nature and applied the required purchasing standard based on the Town's policy.
- We used our professional judgment to select five payments over \$20,000 and identified three purchases subject to competitive bidding. We reviewed purchasing documents to determine whether purchases were competitively bid and the lowest responsible bidder was selected. If the Town did not solicit competitive bids, we determined whether purchases were made using another acceptable method.

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.

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.

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 provided 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 the CAP available for public review in the Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263196&issued=All

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263206&issued=All

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2020-05/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263211&issued=All

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/local-government/academy

Contact

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