

Town of Watertown Fire District

Procurement

NOVEMBER 2022



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

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Report Highlights

Town of Watertown Fire District

Audit Objective

Determine whether the Town of Watertown Fire District (District) Board of Fire Commissioners (Board) used a competitive process to procure goods and services not subject to competitive bidding.

Key Findings

We examined purchases totaling \$292,992 and found purchases totaling \$179,903 (61 percent) were not competitively procured as required by the District's procurement policy.

As a result, the Board and District officials do not have assurance that goods and services are acquired at the best price and that purchases are being made in the most prudent and economical manner in the best interest of taxpayers.

District officials did not:

- Use a competitive method to procure professional services and insurance coverage from five vendors totaling \$102,136.
- Obtain written quotes for 21 purchases of goods and services totaling \$77,767.

Key Recommendations

- Update the procurement policy to provide officials with additional guidance for soliciting competition for professional services and insurance coverage.
- Obtain quotes as required by the procurement policy and ensure that all proper documentation is maintained.

District officials agreed with our recommendations and indicated they would take corrective action.

Background

The District is located in the Town of Watertown in Jefferson County. The District is governed by an elected five-member Board responsible for the District's overall financial management and for approving purchases, including professional services.

The Board appointed a Secretary-Treasurer (Treasurer) who acts as the chief fiscal officer. An appointed clerk oversees the daily functions within the District, including the procurement process.

Quick Facts

| | |
|------------------------------------------------|-------------|
| 2022 Budget | \$1 million |
| 2021 Expenditures | \$762,234 |
| January 1, 2021 – June 25, 2022 | |
| Expenditures Subject to the Procurement Policy | \$534,359 |

Audit Period

January 1, 2021 – September 7, 2022

Procurement

How Should Fire District Officials Procure Goods and Services Not Subject to Competitive Bidding?

New York State General Municipal Law (GML) Section 104-b requires a fire district to adopt written policies and procedures for procuring goods and services not subject to competitive bidding requirements. Goods and services not required by law to be competitively bid, such as professional services, must be procured in a manner that ensures the prudent and economic use of public funds in the best interest of the taxpayers.

Officials should use a competitive method, such as a request for proposals (RFP) process or verbal or written quotes, to help ensure that quality goods and services are obtained at a reasonable cost and that avoids the appearance of favoritism or impropriety.¹ In lieu of seeking competition for these goods and services, a fire district is authorized to make purchases using a contract awarded by the New York State Office of General Services (State contract).

Professional services generally require specialized skills, training and expertise; use of professional judgment and/or a high degree of creativity. For example, professional services can include legal, medical, architectural and auditing services. Officials could use an RFP process periodically to identify and evaluate potential professional service options. In addition, up-to-date written agreements should be maintained with professional service providers to provide both parties with a clear understanding of the services to be provided and the time frames and basis for compensation.

District officials should comply with the District's procurement policy that requires officials to solicit alternative methods of competition, such as proposals or quotes, before procuring goods and services that are below the bidding threshold established by GML Section 103 which generally requires fire districts to advertise for competitive bids for purchase contracts exceeding \$20,000 and contracts for public works exceeding \$35,000. The policy requires verbal or written quotes to be obtained for purchases of goods and services within certain dollar thresholds.

In addition, the policy defines any exceptions to seeking competition and sets forth circumstances when, or types of procurements for which the District has determined the solicitation of alternative proposals or quotes will not be in the District's best interests, such as making a purchase of unique goods or services from a sole source provider.

Officials should use a competitive method, such as a request for proposals (RFP) process or verbal or written quotes, to help ensure that quality goods and services are obtained at a reasonable cost and that avoids the appearance of favoritism or impropriety.

¹ Refer to our publication *Seeking Competition in Procurement* available on our website at: www.osc.state.ny.us/files/local-government/publications/pdf/seeking-competition-in-procurement.pdf.

Officials Did Not Always Seek Competition for Professional Services and Insurance Coverage

While the District's procurement policy requires alternative methods of competition for purchases not subject to competitive bidding requirements, it does not provide clear guidance on the process officials must use (e.g., RFPs or quotes) to solicit competition for professional services and insurance coverage at reasonable intervals. We reviewed the procurement of professional services and insurance coverage from six different vendors. The District paid \$129,536 to these vendors from January 1, 2021 through June 25, 2022. We found that while District officials procured annual auditing services totaling \$27,400 by using an RFP process, they did not solicit competition to select five vendors that provided professional services and insurance coverage totaling \$102,136 (Figure 1).

Figure 1: Professional Services and Insurance Coverage Procured Without Competition

| Category | Expenditure |
|---------------------------------------------|------------------|
| Legal Services | \$57,270 |
| Health Insurance Coverage | 23,704 |
| Information Technology (IT) Services | 15,976 |
| Financial Advisement Services | 3,000 |
| Payroll Processing | 2,186 |
| Total | \$102,136 |

...[T]hey did not solicit competition to select five vendors that provided professional services and insurance coverage totaling \$102,136.

District officials told us that competition was not sought for various reasons. For example:

- The clerk told us that the Board did not use an RFP process before awarding a contract for its legal services because the law firm selected specialized in laws pertaining to fire districts. However, we were also told that the Board did not attempt to seek proper competition by identifying other qualified firms.
- The District paid for health insurance coverage without seeking any competition because the Board chose to procure health insurance coverage through the payroll service provider when the District outsourced its payroll function in 2003 instead of seeking alternative options or competition and has not sought any competition since then.
- For procuring IT services,² the Treasurer and clerk told us that the Board did not seek competition because it regarded the IT firm as a sole source provider because the Board considered the provider as an exclusive

² Network management, computer repairs, document digitization and storage, and online document retrieval

dealer for a document capturing system. However, officials were unable to demonstrate the District's specific or unique needs relative to the document capturing that only this IT firm could provide or that this vendor was the only one that could address the District's document capturing needs.

- The Treasurer told us he was unaware that competition was necessary when procuring payroll processing and financial advisement services. Because the District did not have a service agreement for the payroll service provider on file, we obtained a copy of the agreement from the provider for review. The service agreement between the District and payroll service provider did not specify the rate or service fees to be paid by the District. As a result, officials were unaware of how much they should have been charged for the service or the accuracy of the charges.

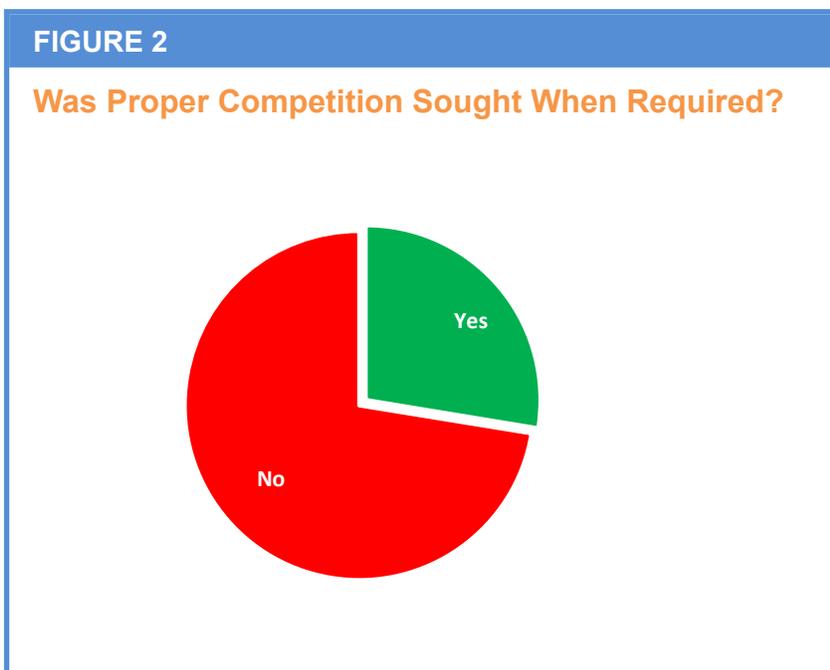
When officials do not seek competition for professional services, they lack assurance that services are procured in the most economical way, in the best interests of taxpayers and without favoritism. Furthermore, because officials did not solicit competition, they have less assurance that the rate charged by the provider is the lowest the District could have obtained.

Officials Did Not Always Comply With the Procurement Policy and Obtain the Required Quotes

The Board and District officials did not properly comply with the procurement policy. The procurement policy requires three to five verbal quotes or catalogues for purchases between \$100 and \$1,000, three written quotes for purchases between \$1,000 and \$5,000, and over three written quotes for purchases between \$5,000 and \$20,000.

We reviewed 29 purchases totaling \$163,456 to determine whether officials obtained written quotes when required by the District's procurement policy. Officials made 21 (72 percent) purchases of goods and services totaling \$77,767 without obtaining the required written quotes (Figure 2). For the

Officials made 21 (72 percent) purchases of goods and services totaling \$77,767 without obtaining the required written quotes.



remaining eight (28 percent) purchases totaling \$85,689, officials appropriately sought competition, used a State contract or maintained documentation showing the purchase was made from a sole source vendor, which exempted officials from needing to obtain quotes.

Of the 21 purchases, District officials made 19 purchases, totaling \$74,435, without seeking any form of competition and the two remaining purchases totaling \$3,332 lacked the required written quotes to support competition was sought. For example, the District paid \$9,950 for steel containers, \$9,567 for fire boots and \$7,342 for frame repairs to fire trucks without any evidence that competition was sought or that a valid exception to the competition requirement was applicable.

In addition to seeking competition prior to making purchases, the District's procurement policy also requires employees and officials to present actual written quotes or applicable exceptions to the required competition to the Board for approval. However, the clerk told us that he does not always follow this process. Instead, he contacts vendors that the District has routinely worked with in the past and places orders without obtaining the required Board approval.

Although all the payments we examined were for appropriate District purposes, without ensuring that competition is obtained in accordance with the procurement policy, the Board and District officials do not have assurance that goods and services are acquired at the best price and that purchases are being made in the most prudent and economical manner in the best interest of taxpayers.

What Do We Recommend?

The Board should:

1. Update the procurement policy to provide additional guidance to officials on the requirements for soliciting competition for professional services and insurance coverage, such as using an RFP process or obtaining quotes at reasonable intervals.
2. Ensure the written agreement with the payroll service provider is current and provides both parties with a clear understanding of the rates or fees to be paid by the District and the services to be provided.

District officials should:

3. Solicit competition, such as using an RFP or quote process when procuring professional services and insurance coverage, as required by the District's procurement policy.
4. Obtain quotes as required by the District's procurement policy.

-
5. Maintain adequate records to demonstrate competitive purchasing or valid exceptions to the competition requirement.
 6. Present written quotes or exceptions to the competition requirement to the Board for approval prior to making purchases, in accordance with the procurement policy.

Appendix A: Response From District Officials



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Board of Fire Commissioners Chairman
Arthur D. Cooley

October 26, 2022

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Town of Watertown Fire District Report of Examination 2022M-155

Audit Response with Corrective Action Plan

The Town of Watertown Fire District Board of Fire Commissioners has reviewed the key findings and recommendations of the Office of the NYS Comptroller audit report. The Board agrees with the findings reported and is taking immediate steps to improve our procurement processes. This Audit response also includes Corrective Actions for each recommendation together which makes up our overall Corrective Action Plan (CAP).

Audit Recommendation #1: Update the District's Procurement Policy to provide additional guidance to District officials on the requirements for soliciting competition professional services and insurance coverage.

Plan of Action: The District's Procurement Policy will be updated to ensure clear guidance for obtaining appropriate requests for proposals (RFPs) or quotes for professional services and Insurance within reasonable intervals.

Implementation Date: Not later than 31 January 2023

Person(s) Responsible: Board members, Secretary-Treasurer

Audit Recommendation #2: Ensure the written agreement with the payroll service provider is current and provides both parties with a clear understanding of the rates/fees and services to be provided.

Plan of Acton: The District plans on terminating the services with the current payroll services provider and implementing payroll services in-house using ██████████ On-line.

Implementation Date: Not later than 31 December 2022

Person(s) Responsible: District Manager, Secretary-Treasurer

Audit Recommendation #3: Solicit competition in accordance with the District's procurement policy for professional services and insurance coverage.

Plan of Acton: The District shall implement the updated procurement policy to ensure appropriate competition for professional services and insurance coverages.

Implementation Date: 30 March 2023

Person(s) Responsible: District Manager, Secretary-Treasurer

Audit Recommendation #4: Obtain quotes as required by the District's Procurement Policy

Plan of Acton: Quotes are being obtained for all purchases over \$100 per the District's Procurement Policy.

Implementation Date: 1 October 2022

Person(s) Responsible: District Manager

Audit Recommendation #5: Maintain adequate records to demonstrate competitive purchasing or document valid exceptions to the competition requirement.

Plan of Acton: Quotes and other competition records, or appropriate exception documentation are being attached to the purchase documentation in ██████████ for appropriate transactions.

Implementation Date: 1 October 2022

Person(s) Responsible: District Manager

Audit Recommendation #6: Present written quotes or exceptions to the competition requirement to the Board of Fire Commissioners prior to making purchases in accordance with the District's Procurement Policy.

Plan of Acton: All purchases over \$100 are properly competed and quotes or exceptions approved prior to purchases.

Implementation Date: 1 October 2022

Person(s) Responsible: District Manager

Respectfully submitted, 

Arthur D. Cooley, Chairman
Town of Watertown Board of Fire Commissioners

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 District officials and reviewed relevant laws and the District's procurement policy and procedures to gain an understanding of the District's procurement process.
- We reviewed electronic cash disbursement data for the period from January 1, 2021 through June 25, 2022 and sorted data to select the population of purchases that required officials to get quotes or use an RFP process pursuant to the District's procurement policy.
- To test the procurement of professional services and insurance coverage, we reviewed the cash disbursement data to identify vendors that provided professional services and insurance coverage. We identified five professional service providers who were collectively paid \$105,832 and one health insurance provider who was paid \$23,704 and reviewed these purchases to determine whether District officials sought competition in compliance with District policy. We also reviewed all written agreements between the District and each professional service provider to determine whether the agreements were current.
- We used our professional judgment to select 29 purchases totaling \$163,456 and reviewed the related claims and supporting documentation to determine whether officials obtained quotes as required by District policy. To select our sample from the cash disbursement data, we excluded purchases that exceeded competitive bidding thresholds. We also excluded payments made for utilities, payroll, debt service, to other municipalities and annual payments to vendors that did not meet the policy's \$1,000 threshold for obtaining written quotes. We identified 114 claims totaling \$404,822 during the audit period and selected our sample of 29 purchases with no expectations of more or fewer exceptions.

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. Pursuant to Section 181-b of New York State Town Law, a written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and forwarded to our office within 90 days. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. 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.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf

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

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

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

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/files/local-government/publications/pdf/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

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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