

Village of Unadilla

Procurement

2022M-182 | April 2024

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Report Highlights

Village of Unadilla

Audit Objective

Determine whether Village of Unadilla (Village) officials used a competitive process to procure goods and services.

Key Findings

Village officials did not always use a competitive process when purchasing goods or services, as required by New York State General Municipal Law (GML) Section 103 or the Village's procurement policy.

Of the 20 purchases we reviewed totaling \$469,283, Village officials did not seek competition for 18 purchases totaling \$440,056. By not seeking competition, the Board of Trustees (Board) has less assurance that the Village obtained the most favorable terms and conditions in the best interest of its taxpayers.

Competition was not sought for:

- Any of the five purchases subject to competitive bidding requirements during the audit period totaling \$314,619.
- 10 purchases totaling \$57,898 which were subject to the procurement policy.
- Insurance coverage and professional services totaling \$67,539.

Key Recommendations

- Comply with competitive bidding requirements and the procurement policy.
- Award contracts for insurance coverage and professional services only after soliciting some form of competition and periodically seek competition for these services at reasonable intervals, such as every three to five years.

Village officials generally agreed with our findings and indicated they have begun to initiate corrective action.

Audit Period

June 1, 2020 – July 31, 2022.

We extended our audit period to June 20, 2017 to review Board meeting minutes pertaining to the retention of the Village's attorney.

Release of this report was held in abeyance while the matter was under review by an outside agency.

Background

The Village is located in Otsego County and is governed by the elected Board, which includes the Mayor and four Trustees. The Board is responsible for the general oversight and management of Village finances.

The Mayor is the Village's chief executive officer and is charged with overseeing all Village departments and carrying out all policies enacted by the Board.

The Board appointed a Clerk-Treasurer who serves as the Village's chief financial officer responsible for custody of all Village funds.

Quick Facts

Purchases Reviewed:

Number	20
Dollar Amount	\$469,283

Total Purchases:

Number	1,420
Dollar Amount	\$1,574,247
2022 Appropriations	\$681,011

Procurement

When Should Village Officials Seek Competition for Procurement?

Village officials must comply with GML Section 103 that generally requires villages to advertise for competitive bids for purchase contracts exceeding \$20,000 and public works contracts exceeding \$35,000. However, there are several exceptions to competitive bidding requirements, including, but not limited to, emergency purchases, insurance coverage, professional services and purchases made from a legitimate sole source. To be deemed an emergency, an accident or other unforeseen occurrence affecting public buildings; public property; or the life, health, safety or property of residents requiring immediate action must have occurred.

Villages are required to adopt and annually review written policies and procedures governing the purchase of goods and services not subject to competitive bidding requirements. Village officials must procure goods and services in a manner that ensures the prudent and economical use of public funds in the taxpayers' best interest and to facilitate the acquisition of goods and services of maximum quality at the lowest possible cost or best value basis.

Although not required by law, village officials should award contracts for insurance coverage and professional services only after soliciting competition. Using a request for proposals (RFP) process is an effective way to help ensure a village receives the desired good or service at the best price. Using an RFP process generally requires documenting a detailed type of service to be provided including minimum requirements and, where applicable, the evaluation criteria that will govern the contract award. Generally, there are no set rules regarding the frequency of using an RFP process. However, a village's procurement policy should establish reasonable intervals to using the process, such as every three to five years, to help ensure services are procured at favorable rates. Exceptions to seeking competitions for insurance coverage and professional services should be limited and be set forth only when properly justified in the public interest.¹

Officials Did Not Always Seek Competition When Procuring Goods and Services

We reviewed purchases subject to competitive bidding, purchases under the competitive bidding thresholds and purchases of insurance coverage and professional services and found that Village officials did not always seek competition for these purchases.

¹ Examples may include emergencies when time is a crucial factor, procurements for which there is no possibility of competition and very small procurements for which solicitations of competition would not be cost effective.

Competitive Bidding – We reviewed all five purchases subject to competitive bidding during our audit period, totaling \$314,619, and found that the Board and officials could not support they sought the best price through competition. These purchases included:

- Paving materials, labor and trucking for two projects totaling \$140,000.
- A dump truck totaling \$70,704.
- A pickup truck totaling \$54,309. Although the Board approved this transaction as an emergency purchase, neither the Board nor Village officials documented the circumstances for classifying the purchase as an emergency procurement. By classifying this procurement as an emergency purchase, the Board approved the pickup truck to be purchased without any form of competition.
- Stone material totaling \$49,606.

Purchases Under the Competitive Bidding Thresholds – The Board adopted a procurement policy (policy) for the purchase of goods and services not subject to competitive bidding requirements (Figure 1).

Figure 1: Procurement Policy Criteria

Contract Type	Dollar Range	Number of Quotes and Types of Competition Required
Purchase Contracts	\$1,000 - \$9,999	2 Written Quotes
	\$10,000 - \$20,000	3 Written Quotes or RFPs
Public Works Contracts	\$1,000 - \$9,999	2 Written Quotes
	\$10,000 - \$35,000	3 Written Quotes or RFPs

We reviewed 12 purchases, totaling \$87,125, (out of 276 totaling approximately \$900,000) that were subject to the Village’s policy. Village officials did not have documentation that they sought competition for 10 of these purchases, totaling \$57,898. These purchases included paving materials and labor, stone products, fire gear and dryer, playground equipment and materials, a sand shed, a snow blower, catch basins and sidewalk replacements. For the remaining two purchases, Village officials provided evidence that they appropriately obtained three quotes for the purchase of an LED display sign, totaling \$16,578, and three quotes for the purchase of a zero-turn lawnmower, totaling \$12,649.

Because the Village’s policy generally indicates that all actions taken in connection with each procurement must be documented, any required quotes obtained by Village officials should have been retained. Alternatively, any rationale or reasons for not obtaining competition should also have been documented and retained.

Insurance Coverage and Professional Services – Although the policy addresses professional services requiring special or technical skill, training or expertise and lists the types of professional services to be included, it did not provide guidance as to the procedure to be followed or specify what documentation should be maintained to support decisions pertaining to the procurement of these professional services or insurance coverage.

We reviewed contracts for all professional services, including both contracts for insurance coverage and the contract with the Village’s attorney, totaling \$67,539, and found that Village officials did not seek competition for these services during our audit period (Figure 2).

Figure 2: Insurance Coverage and Professional Services Obtained Without Seeking Competition

Description	Expenditures During Audit Period
Insurance	\$53,387
Attorney	14,152
Total	\$67,539

Based on discussions with officials and a review of Board meeting minutes, the Village has used the same attorney and insurance provider for more than five years without seeking competition. The Clerk-Treasurer told us that Village officials have developed long-standing relationships with both service providers and were unaware of the benefit of seeking competition for these services.

According to the longest-tenured Board member, he was unaware of the competitive bidding requirements, and the Board has not reviewed or amended the Village’s policy since it was adopted in June 2018.

When officials do not use a competitive process to procure goods and services, there is an increased risk that goods and services may not be procured in the most cost-effective manner to ensure the most prudent and economical use of public money. By not seeking competition, the Board cannot ensure that the Village obtained the most favorable terms and conditions in the best interest of its taxpayers.

What Do We Recommend?

The Board and Village officials should:

1. Seek competition in accordance with GML Section 103 and the Village procurement policy.

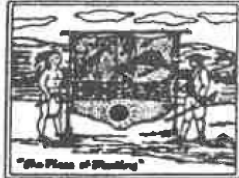
The Board should:

2. Award contracts for insurance coverage and professional services only after soliciting some form of competition and to periodically seek competition for these services at reasonable intervals, such as every three to five years.

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3. Update the procurement policy to require officials to award contracts for insurance coverage and professional services only after soliciting some form of competition and to periodically seek competition for these services at reasonable intervals, such as every three to five years.
 4. Annually review the procurement policy and update it as deemed necessary.

Appendix A: Response From Village Officials

"The Village Beautiful"
Home of Troop 1, B. S. A.



VILLAGE OF UNADILLA

193 Main Street P.O. Box 386
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02/28/2023

Ann C. Singer, Chief of Municipal Audits,

The following is the Village of Unadilla's response/corrective action plan for the recently performed Procurement/Purchasing Policy audit for the Village of Unadilla we would like for you to know that the current administration is actively correcting the process and seeking out competition with getting the appropriate number of quotes needed based on the services we are requesting. We are also getting familiar with the State bidding website and process.

We did not seek competition for insurance coverage or professional services, we do have a good longstanding relationship with our insurance representatives seeing as one is a village resident. We will review this in the future though.

We have reviewed and updated our policy to show consistency and adopted those changes as of January 2023. Which will from now on be reviewed yearly.

Respectfully Submitted

Jake Cotten

Mayor Village of Unadilla

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. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed Village officials and reviewed Village policies and procedures and Board meeting minutes and resolutions to gain an understanding of and evaluate the adequacy of the procurement policy and procedures.
- We reviewed all Village bank statements and vendor history reports for the audit period to identify vendors subject to competitive bidding and to identify insurance and professional service providers. We identified all five purchase and public works contract purchases from four vendors during the audit period, totaling \$314,619, subject to competitive bidding and all payments made to two insurance coverage providers and one professional service provider (the Village's attorney), totaling \$67,539. We then reviewed available documentation and interviewed Village officials to determine whether Village officials solicited competitive bids for each identified purchase and public works contract or used an RFP process when selecting insurance coverage and hiring the Village's attorney.
- We used our professional judgment to select a sample of 12 purchases, out of 276 totaling approximately \$900,000, that would have required quotes in accordance with the Village's policy, totaling \$87,125. We reviewed claims, invoices and supporting documentation to determine whether the appropriate number of quotes were obtained in compliance with the policy.

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-Treasurer's office.

Appendix C: Resources and Services

Regional Office Directory

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

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/fiscal-monitoring

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/resources/planning-resources

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

www.osc.ny.gov/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.ny.gov/local-government/required-reporting

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

www.osc.ny.gov/local-government/publications

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

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