



Town of Hanover

Procurement

2025M-58 | September 2025

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Audit Results

Town of Hanover



Audit Objective

Audit Period

Did the Town of Hanover (Town) Town Board (Board) use a competitive process when procuring professional services?

January 1, 2024 – April 1, 2025

Understanding the Audit Area

Professional services generally require specialized skills, training and expertise; the use of professional judgment and/or a high degree of creativity. For example, professional services can include legal, medical, architectural, accounting and auditing services. New York State General Municipal Law (GML) Section 104-b requires the Board to adopt written policies and procedures for procuring goods and services that are not subject to competitive bidding, such as professional services. The Board last updated the Town's procurement policy in 2021.

From January 1, 2024 through December 31, 2024, the Board approved 286 payments to 67 professional service providers totaling approximately \$364,000.

Audit Summary

The Board did not always seek competition when procuring professional services. Of the 67 professional service providers that were paid approximately \$364,000 in 2024, we determined that the Board did not seek competition prior to selecting 54 professional service providers that were paid approximately \$274,000 for various services including legal, engineering, bookkeeping, auditing and water testing services. As a result, Board members may not have known about other professional service providers who could offer similar services at a more favorable rate. This was due in part because the Board adopted a procurement policy which lacked guidance on soliciting competition for professional services prior to selecting professional service providers.

Consequently, there was little assurance that the Board selected professional service providers prudently and economically, in the best interests of taxpayers and without influence from favoritism, extravagance, fraud or corruption. Had the Board used a competitive process when procuring professional services, it might have achieved cost savings as demonstrated in this audit report.

The report includes three recommendations that, if implemented, will improve the Town's procurement of professional services. Town officials disagreed with certain aspects of our findings, but indicated that

they planned to initiate corrective action, and their response is included in Appendix B. Appendix C includes our comments on issues raised in the Town's response.

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the Office of the New York State Comptroller's (OSC) authority as set forth in Article 3 of GML. Our methodology and standards are included in Appendix D.

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 GML. 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 Town Clerk's office.

Procurement of Professional Services: Findings and Recommendations

Towns officials are entrusted with public resources and have a responsibility to procure professional services in a manner that ensures the prudent and economical use of public funds in the taxpayers' best interest. As part of this responsibility, officials must comply with GML Section 104-b which requires a governing board to adopt written policies and procedures for the purchase of goods and services not subject to competitive bidding requirements, such as professional services. Generally, a town's procurement policy should require competition for professional services through a competitive process such as issuing requests for proposals (RFPs), written or verbal quotes or other appropriate competitive methods.

More details on the criteria used in this report, as well as resources/publications we make available to town officials that can help officials improve operations (Figure 2), are included in Appendix A.

Finding 1 – Officials did not seek competition for most professional services.

From January 1, 2024 through December 31, 2024, the Board approved 286 payments totaling approximately \$364,000 to 67 professional service providers. Town officials did not seek competition for 54 of the 67 providers (81 percent), that were paid approximately \$274,000. Examples include:

- Approximately \$43,000 in total paid to four providers for attorney fees,
- Approximately \$28,000 paid to an engineering firm for water and sewer line replacement projects, and
- \$6,000 paid to a certified public accounting firm for annual audit services that the Town has selected for more than 15 years.

The Supervisor told us that he and the Board selected providers based on the limited number of local vendors and the vendor's reputation, and that they would not have sought competition in some instances because they were satisfied with the services some vendors had provided.

Although Town officials may have felt satisfied with the Town's existing providers, they should have sought competition and used an RFP process or written or verbal quotes. An RFP process increases awareness of other professional service providers that could offer similar services at a more favorable rate, could result in existing professional service providers providing more favorable terms, and helps to assure taxpayers that procurements are made in their best interest, guarding against possible favoritism, fraud or waste. For example, we compared the Town's 2024 bookkeeping and annual financial report preparation costs with those of three nearby towns.¹ The Town spent approximately

¹ See Appendix D for further discussion of the methodology used in our analysis

\$38,000 on these services in 2024 (Figure 1). While the Board may not have considered only price, this amount was considerably more than what the other towns paid, and almost more than double what two of the towns paid for similar services.

Figure 1: 2024 Bookkeeping and Annual Financial Report Preparation Expenditures

Town	Hanover	B	C	D
Bookkeeping	\$33,600	\$20,100	\$17,700	\$13,000
Annual Financial Report Preparation ^a	4,000		1,250	4,500
Totals	\$37,600	\$20,100	\$18,950	\$17,500

a) Annual financial report preparation expenditures were included in the bookkeeping fees for one of the three towns.

Because the Board did not always seek competition for professional services, it could not assure taxpayers that services were procured economically and without favoritism. Had the Board used a competitive process, such as issuing RFPs or written or verbal quotes, it may have achieved significant cost savings on bookkeeping, annual financial report preparation and other professional services.

Recommendation

1. The Board and department heads should solicit competition through RFPs, or another competitive process, when procuring professional services.

Finding 2 – The Town’s procurement policy was inadequate.

The Town’s procurement policy was adopted in May 1993 and was last updated in August 2021. The policy was inadequate because it did not include requirements or procedures for procuring professional services in a manner that would help ensure professional services were obtained at the best possible terms and conditions or without favoritism. The policy stated that “no solicitation of written proposals or quotations...” was required when selecting professional service providers.

All five Board members told us that they did not know the Town’s procurement policy should have contained guidance and procedures governing the procurement of professional services. The Board members had not sought training specific to their procurement responsibilities, nor had they reviewed publications available from OSC that would have helped them understand their responsibilities, including what a procurement policy should include. During our audit, we provided guidance to Board members on how to access these publications (Figure 2).

Because the Board did not adopt an adequate procurement policy that contained specific procedures for department heads to follow when professional services were needed, department heads typically did not seek competition. The Board also had little assurance that service providers were selected

prudently and economically, in a manner that served the best interests of taxpayers and without influence from favoritism, extravagance, fraud or corruption.

Recommendations

2. The Board should review and revise its procurement policy to better address the procurement of professional services and prescribing procedures for soliciting competition for such services using RFPs, written or verbal quotes or another competitive process, and monitor for compliance.
3. Board members should seek training specific to their procurement responsibilities and review the publications available from OSC. This will help to ensure they have a complete understanding of what an adequate procurement policy should include, the potential benefits of a competitive procurement approach and when competitive procurement methods should be used.

Appendix A: Profile, Criteria and Resources

Profile

The Town, located in Chautauqua County, is governed by the elected five-member Board composed of the Supervisor and four Board members. The Board is responsible for the general management and oversight of Town operations and financial affairs, including verifying compliance with GML when procuring professional services. The Supervisor serves as the chief executive officer and fiscal officer and is responsible for overseeing day-to-day financial activities.

The Town has approximately 7,000 residents and covers approximately 49 square miles. The adopted 2025 budget totals approximately \$6.6 million. The Town provides services including street maintenance, water, sewer and general government support.

Criteria – Professional Services

Town officials are entrusted with public resources and have a responsibility to procure professional services in a manner that ensures the prudent and economical use of public funds in the taxpayers' best interest. As part of this responsibility, officials must comply with GML Section 104-b. GML Section 104-b requires a board to adopt written policies and procedures for procuring goods and services not subject to competitive bidding, including professional services. Such policies and procedures help ensure the prudent and economical use of public money, as well as help guard against favoritism, improvidence, extravagance, fraud and abuse. Written procurement policies and procedures also provide guidance to employees involved in the procurement process and help ensure that competition is sought in a reasonable and cost-effective manner. The board should monitor compliance with these policies and ensure officials seek competition when procuring goods and services.

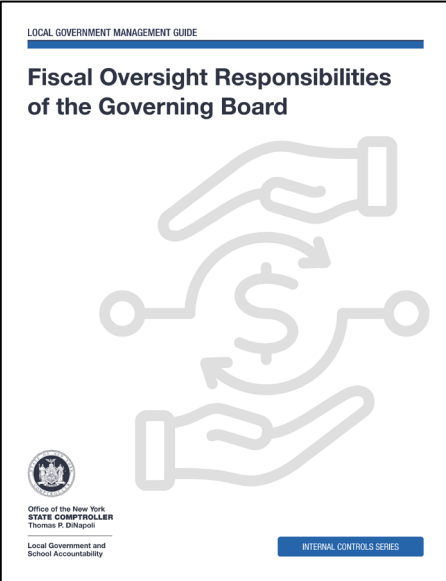

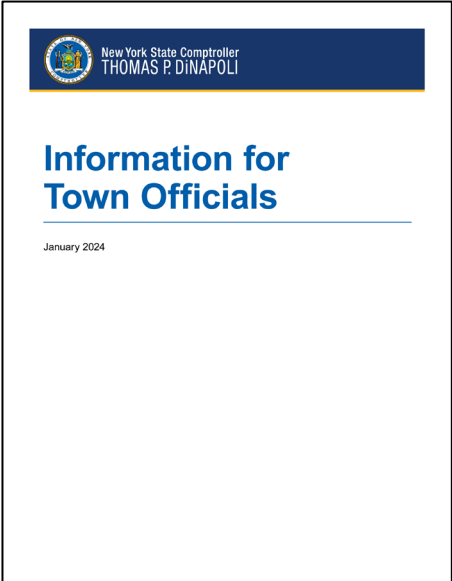
An adequate procurement policy should indicate when officials must obtain competition, outline procedures for determining the competitive method that will be used and describe the documentation requirements and responsibilities. Generally, a town's procurement policy should require competition for professional services through written RFPs, written or verbal quotes or other appropriate competitive methods. Using RFPs or obtaining quotes helps ensure professional services are obtained at the best possible terms and conditions without favoritism.

The procurement policy, however, may set forth circumstances when, or types of procurements, in the sole discretion of the town, that solicitation of alternative proposals or quotes will not be in the Town's best interest. Procuring professional services through a competitive process such as issuing RFPs helps town officials obtain needed services at, and with, the most advantageous terms and conditions. It also helps officials avoid the appearance of favoritism in awarding contracts.

Additional Procurement Resources

Figure 2: OSC Publications

OSC *Local Government Management Guides* and other informational resources are available on our website to help officials understand and perform their responsibilities and implement effective internal controls.

<i>Fiscal Oversight Responsibilities of the Governing Board</i>	<i>Seeking Competition in Procurement</i>	<i>Information for Town Officials</i>
 <p>https://www.osc.ny.gov/files/local-government/publications/pdf/fiscal-oversight-responsibilities-of-the-governing-board.pdf</p>	 <p>https://www.osc.ny.gov/files/local-government/publications/pdf/seeking-competition-in-procurement.pdf</p>	 <p>https://www.osc.ny.gov/files/local-government/publications/2020/pdf/information-for-town-officials.pdf</p>

In addition, our website can be used to search for audits, resources, publications and training for officials: <https://www.osc.ny.gov/local-government>.

Appendix B: Response From Town Officials

(716) 934-2273

TDD 711

TOWN OF HANOVER

68 Hanover Street
Silver Creek, New York 14136

Louis Pelletter, Supervisor

Bernard Feldman, Deputy Supervisor
James Feldmann, Councilperson

Aimee Rogers., Councilperson
Edward Schintzius, Councilperson

August 21, 2025

TO WHOM IT MAY CONCERN:

I have read the preliminary draft findings audit report for The Town of Hanover. Here are some of my thoughts and concerns about the findings in this report.

Since we have taken charge of the business of running the Town of Hanover January 1, 2024 we have been in the process of rewriting and updating our policies and procedures. We have also added some new policies and procedures that we didn't have in the past.

I believe that the Town Board has always chosen the best financial interests of the Town of Hanover regardless if there was a written policy or not. In smaller rural areas sometimes it is difficult to find qualified contractors, especially in the Professional services area. I personally believe that our current Town Board has more experience in hiring professional services due to the fact that most board members are retired law enforcement or members of other government or business entities.

In your report it states that we didn't seek competitive bids for most professional services. I believe the town board has done interviews, sought bids, quotes and RFPs on most expenditures including professional services. I do understand that some department heads may use certain professional services because of the type of equipment being serviced, or because it is in an emergency situation. When we start investigating our new professional service policy we will discuss how that will be handled in the future. In your report you spoke about some of our long term professional service employees. As I mentioned to the auditor I have no intention of seeking new professional personnel when we already have competent personnel that have work with us for years.

See
Note 1
Page 10

See
Note 1
Page 10

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TDD (1-800-662-1220).

TOWN OF HANOVER

68 Hanover Street
Silver Creek, New York 14136

Louis Pelletter, Supervisor

Bernard Feldman, Deputy Supervisor
James Feldmann, Councilperson

Aimee Rogers., Councilperson
Edward Schintzius, Councilperson

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August 21, 2025

In your report you found that we do not have a professional service procedure in our procurement policy. As I stated earlier, we are in the process of rewriting and reviewing all our policies. I have asked a member of the Town Board to research a professional service procedure that would satisfy the law without causing us to hire someone not in the best interest of the town. When we have our new professional service policy in place I intend to have all department heads review and follow the policy.

Lastly, while I acknowledge that there is always room for improvement, I was hoping that in your report you would have mentioned some of the new and updated policies that we have completed and how we have changed procedures that have increased security of our accounts and cash.

See Note 2 Page 10

Sincerely,

Louis F. Pelletter
Town of Hanover
Supervisor

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TDD (1-800-662-1220).

Appendix C: OSC's Comments on the Town's Response

Note 1

Town officials were unable to support they sought competition for the 54 professional service providers detailed in this report. Town officials should seek competition to increase awareness of other competent professional service providers that may be able to offer services at a more favorable rate; it could also result in existing professional service providers providing more favorable terms. When Town officials seek competition, it helps assure taxpayers that procurements are made in their best interest, guarding against possible favoritism, fraud or waste.

Note 2

The audit objective focused on determining whether the Town Board used a competitive process when procuring professional services; therefore, the audit focused on the Town's policies and practices that were significant to procuring professional services.

Appendix D: Audit Methodology and Standards

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 Town officials and employees and reviewed the Town's written policies and procedures to gain an understanding of the Town's procurement process for professional services.
- We reviewed electronic cash disbursement data for the period January 1, 2024 through December 31, 2024, and using our professional judgment based on the vendor's name and type of service described, we identified all 67 professional service providers who were paid approximately \$364,000 in total for rendering various services. For all 67 professional service providers, we reviewed available procurement documentation including service contracts, invoices and quotes and interviewed officials to determine whether the Town issued RFPs or used another competitive process to procure these services.
- We obtained relevant information from the 2024 bookkeeping and annual financial report preparation contracts from three nearby towns. We chose these three towns using our professional judgment and discussions with officials to determine whether the towns and their contracts were reasonably comparable to the Town. We compared the contractual service price from these other Towns' contracts to the amount the Town paid in 2024 for similar services.

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.

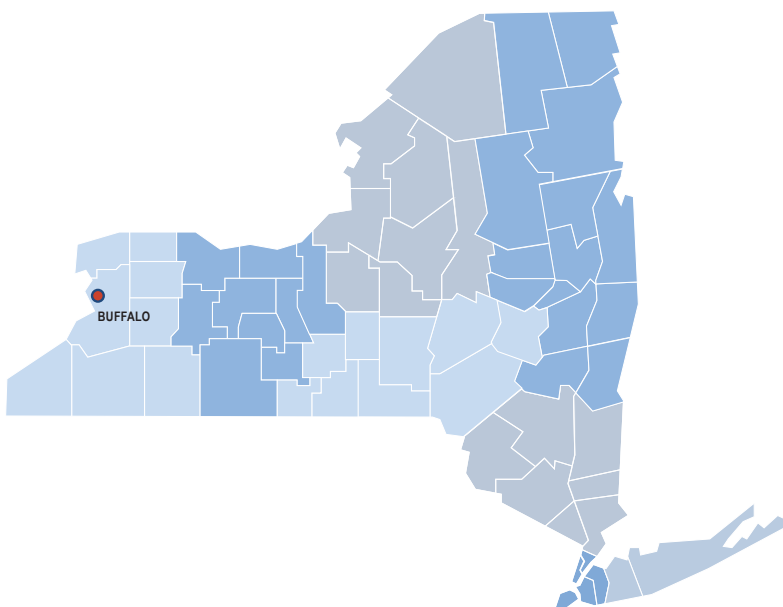
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