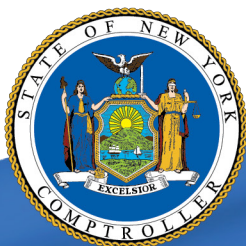


Town of Stafford

Procurement

SEPTEMBER 2018



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

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Report Highlights

Town of Stafford

Audit Objective

Determine whether the Town used a competitive process to procure goods and services.

Key Findings

- The Board has not developed an adequate procurement policy.
- Officials did not always obtain quotes in compliance with the procurement policy.
- The Town may realize cost savings by reducing the thresholds for purchases requiring quotes in the procurement policy.

Key Recommendations

- Review and update the procurement policy annually.
- Ensure compliance with the procurement policy and New York State General Municipal Law (GML).¹
- Review the thresholds for the purchase of goods and services not subject to competitive bidding and consider lowering the amounts to encourage competition.

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

Background

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

The Supervisor serves as the chief fiscal officer and is responsible for preparing the accounting records and financial reports. The Town provides various services to its residents, including highway maintenance, snow removal and general governmental administration.

Quick Facts

Population	2,500
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2018 Appropriations	\$2 million
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2017 Disbursements ^a	\$900,000
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a Subject to the procurement policy	
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Audit Period

January 1, 2016 – May 8, 2018

¹ New York State General Municipal Law, Section 103

Procurement

How Should a Town Procure Goods and Services?

GML² requires a board to adopt written policies and procedures for the procurement of goods and services not subject to competitive bidding requirements, to ensure the prudent and economical use of public money in the town's best interests. A board must ensure that the policies and procedures clearly provide that alternative proposals or quotes be obtained by a request for proposals (RFP), written or verbal quotes.

Policies and procedures should require documentation of actions taken with each procurement method, and identify the individuals responsible for purchasing and their titles. GML³ also requires officials to review and update the written procurement policy annually. A board should ensure that the thresholds established for obtaining quotes and RFPs are reasonable to ensure competition.

In lieu of seeking competition, a town is authorized to make purchases using contracts awarded by the New York State Office of General Services (State contracts) or contracts bid by other governments (i.e., county contracts). 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 purchase date must be considered.

The Board-Adopted Procurement Policy Is Inadequate

The Board did not review and update the procurement policy (policy) annually as required. Town officials were unaware when the policy was last reviewed and updated. However, we reviewed the Board minutes and found that the last time the policy was reviewed and amended was in 2015. The competitive bidding dollar thresholds listed in the policy have not been updated since GML⁴ was amended in 2010, which among other things increased the competitive bidding threshold requirements to more than \$20,000 for purchase contracts and more than \$35,000 for public works contracts. The policy refers to the previously lower required bidding thresholds of more than \$10,000 for purchase contracts and more than \$20,000 for public works contracts.

In addition, the thresholds for required quotes in the policy and the procedures did not agree. The policy states that purchases (supplies and equipment) under \$3,000 and public works contracts under \$5,000 do not require quotes, while the procedures state that all purchases and public works contracts under \$5,000 do not require quotes.

² GML, Section 104-b

³ Ibid.

⁴ GML, Section 103

Further, neither the policy nor the procedures identify the individuals responsible to obtain, review and award procurement selection or the necessary documentation to be maintained. Although, at times, Town officials obtained goods and services by using State and county contracts, the policy does not specifically address this practice.

The dollar thresholds established by the Board requiring quotes for purchases of goods and services, not subject to competitive bidding, appear high for the Town's size. The policy requires officials to obtain quotes for purchases in excess of \$3,000 and public works contracts in excess of \$5,000.

We reviewed the payments from January 1, 2016 through February 28, 2018, for purchases of supplies and equipment exceeding \$1,000 and public works contracts exceeding \$3,000⁵ to determine the number of purchases that would be subject to competitive quotes if the Board lowered its thresholds.

We found that of 119 payments totaling approximately \$1.4 million made from January 1, 2016 through March 31, 2018,⁶ 79 payments (66 percent) totaling \$171,972 (13 percent) were below the policy's current thresholds and as such were acquired without the use of competitive quotes. If the Board lowered the thresholds for obtaining quotes these purchases would have required competition that may have resulted in cost savings.

Officials Did Not Always Competitively Procure Goods and Services

Of these 119 payments, we reviewed 10 payments totaling \$95,286⁷ to determine whether Town officials used a competitive process to acquire goods and services. We found that officials did not obtain bids, quotes or use RFPs, as required, for three payments totaling \$26,683. These included repairs for a highway truck (\$14,695), fuel (\$9,997)⁸ and document scanning services (\$1,991).⁹ Officials used valid State or county contracts for the other seven purchases totaling \$68,603.

Town officials told us that other truck dealers were unwilling to perform the truck repairs. However, they could not provide documentation or evidence to support this. Officials also told us that they did not purchase fuel through a State contract because the contract vendor could not guarantee deliveries during the winter months. However, the Town could not provide documentation or evidence

5 We aggregated similar purchases.

6 Purchases in excess of \$1,000 and public works contracts in excess of \$3,000.

7 Refer to Appendix B for information on our sampling methodology.

8 Fuel purchases in 2017 totaled \$30,940 and were required by GML, Section 103 to be competitively bid.

9 Document scanning services purchases in 2017 totaled \$10,997.

regarding the selection of a fuel vendor. We believe the contract vendor would likely deliver year round since the Town would have recourse with the New York State Office of General Services to help it enforce the terms of the awarded State contract if the vendor did not deliver.

Due to the high dollar threshold established by the policy for requiring quotes and RFPs, we reviewed 16 payments totaling \$35,370 that the policy does not require seeking competition to determine whether officials could have achieved cost savings by competitively purchasing the items.¹⁰ While we were unable to find comparable prices for some purchases due to market price changes,¹¹ for three purchases, comparable prices in total were nearly \$600 lower than the amount paid by the Town. For example, the Town purchased a used mower for \$1,500, while prices for a new similar mower ranged from \$1,140 to \$1,282, for a potential savings of \$360. Instead of a used mower, the Town could have obtained a new mower at a lower cost.

When the Board does not ensure officials comply with the policy and statute and require using competition to obtain goods and services, it cannot be certain that goods and services are procured in the most economical way and in the best interests of taxpayers.¹²

What Do We Recommend?

The Board should:

1. Review and update the procurement policy annually and:
 - Include the current GML bidding requirements.
 - Require documentation of actions taken for each method of procurement.
 - Identify the individuals responsible for purchasing and their titles.
 - Address the use of State and county contracts.
2. Ensure compliance with the policy and GML.
3. Review the thresholds for the purchase of goods and services not subject to competitive bidding and consider lowering the amounts to encourage competition.

¹⁰ We reviewed purchases between \$1,000 and \$3,000 and public works contracts between \$3,000 and \$5,000.

¹¹ For example, the Town purchased a security camera system for \$2,295 in November 2016 and prices of similar technology would have changed.

¹² Refer to the Office of the State Comptroller's Local Government Management Guide, Seeking Competition in Procurement, which is available at www.osc.state.ny.us/localgov/pubs/lmg/seekingcompetition.pdf

Appendix A: Response From Town Officials

TOWN OF STAFFORD

Est. March 24, 1820

P.O. BOX 52

8903 ROUTE 237

STAFFORD, NEW YORK 14143

Phone: [585] 344-1554

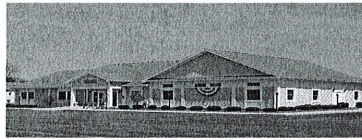
Fax: [585] 345-0592

ROBERT S. CLEMENT
Supervisor

ROBERT PACER
Deputy Supervisor

JULIE SCHEUERLEIN
Town Clerk

ROBERT MATTICE
DONALD MULLEN
RONALD PANEK
Councilmen



WWW.TOWNOFSTAFFORD.COM

STEVEN BOLDT
Highway Superintendent

BRENDA MANCUSO
ROBERT PENEPENT
Town Justice

ANNE SAPIENZA
Assessor

GENE SINCLAIR
GERALD WOOD
Code Enforcement Officer
Zoning Enforcement Officer

September 6, 2018

Mr. Jeffrey Mazula, Chief Examiner
Office of the State Comptroller
Buffalo Regional Office
295 Main Street, Room 1032
Buffalo, New York 14203-2510

RE: Town of Stafford
Response to Preliminary Draft Findings

Dear Mr. Jeffrey Mazula:

First, we would like to thank you and your office for a thorough audit of our operations. We have taken pride in providing the best service at the most affordable cost to our constituents as a local subdivision of the State.

We concur with the findings of the draft "Report of Examination 2018M-134" which are:

- a) The Board has not developed an adequate procurement policy
- b) Officials did not always obtain quotes in compliance with the procurement policy
- c) The Town may realize costs savings by reducing the thresholds for purchases requiring quotes in the procurement policy

Again, we thank you so much for the work your office does to help us identify opportunities for improving operations and governance. We look forward to the final report and for the opportunity to modify our procurement policies as necessary in our Corrective Action Plan.

Very truly yours,

Robert S. Clement
Town Supervisor

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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 purchasing practices.
- We reviewed the Town's purchasing policy and procedures to determine whether they were adequate and up-to date.
- We reviewed the Board minutes and related documents for the Board's practices and processes in reviewing and approving purchases.
- We reviewed and summarized payments made during the audit period for purchases (supplies and equipment) over \$1,000 and public works contracts over \$3,000 to establish purchases not subject to competition.
- We reviewed the supporting documentation, such as invoices, bids and quotes, to determine whether Town officials solicited competition for purchases and public works contracts. From the 119 payments for goods and services made from January 1, 2016 through March 31, 2018, we judgmentally selected 10 payments that required quotes or RFPs, and included purchases near the dollar thresholds requiring quotes and bids. We also selected 16 payments that were not subject to competitive pricing and included payments with higher dollar amounts.
- For purchases not subject to competition, we compared prices Town officials paid for certain items to prices available on the Internet to determine whether they could have obtained a better price from other vendors.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). 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 relevant population size and the sample selected for examination.

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 Town Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

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

www.osc.state.ny.us/localgov/costsavings/index.htm

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

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

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

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lgmg

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

www.osc.state.ny.us/localgov/planbudget/index.htm

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

www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.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/localgov/finreporting/index.htm

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

www.osc.state.ny.us/localgov/researchpubs/index.htm

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

www.osc.state.ny.us/localgov/academy/index.htm

Contact

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