

NYS Office of the State Comptroller Report of Audit

Purchasing

Audit Period: January 1, 2019- February 29, 2020

Under Prior Supervisor, Highway Superintendent and Administration

BACKGROUND

- The Supervisor, as Chief Fiscal Officer, is responsible for the Town's day-to-day management.
- The Supervisor, Town Board and other Town officials are responsible for ensuring purchases comply with the competitive bidding requirements and the Town's purchasing policy.

METHODOLOGY

The State Auditor identified approximately 1,100 purchases totaling \$1,161,096 which excluded payments for utilities, payroll and personnel benefit disbursements. 50 purchases were selected totaling \$154,386 to be reviewed for supporting documentation to determine whether Town officials solicited competition for these purchases.

Purchases Lacked Evidence of Competition

- 50 Highway Department purchases totaling \$154,386 were reviewed.
- 28 purchases totaling \$81,857 (51% of one year of vouchers- 2019) did not comply with the purchasing policy.
- 6 aggregate purchases exceeding \$10,000 in a 12-month period were also reviewed.
- The Auditor found that diesel fuel purchases totaling \$35,474 were not competitively bid. Comparison was made to the State Contract price and it was discovered that the Town paid \$2,491 (7.55%) over the State Contract price.
- 5 purchases over the competitive bidding threshold of \$20,000 were found to be bid correctly.

Key Recommendations

1. Town Board should clarify the purchasing policy and procedures, including the use of the requisition form.
2. Town Board should verify the procurement policy and procedures were followed as part of the audit and approval of claims for payment.
3. Town officials should ensure competitive bidding statutes and purchasing policy requirements are followed.
4. Town officials should ensure that all applicable documentation of competition sought for purchases is attached to vouchers and retained.

Corrective Action Plan

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:

- a. 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.
- b. 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.
- c. 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.
- d. 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.

Corrective Action Plan

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.

Corrective Action Plan

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.

Corrective Action Plan

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