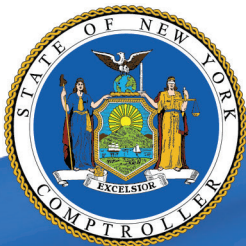


Washington County

Procurement

FEBRUARY 2018



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

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Report Highlights

Washington County

Audit Objective

Determine whether the County procured goods and services in accordance with its procurement policy and statutory requirements.

Key Findings

- The County did not competitively bid six purchase and public works contracts totaling \$272,115.
- County officials did not obtain the required number of quotes or perform competitive bidding for 16 purchases totaling \$154,083.
- The County did not seek competition for nine professional service contracts totaling \$1,055,270.

Key Recommendations

- Ensure the procurement policy and competitive bidding laws are adhered to when purchasing goods or entering public works contracts.
- Ensure County officials and employees adequately document actions taken when soliciting bids and quotes and retain documentation including other local government contracts when used.

Except as specified in Appendix A, County officials generally agreed with our recommendations and indicated they planned to take corrective action. Appendix B includes our comments on issues raised in the County's response letter.

Background

Washington County (County) is located in the eastern part of New York State. The County is governed by a Board of Supervisors (Board) which is comprised of the town supervisors from each of the County's 17 towns, one of whom, serves as the Chairman of the Board. The Board is responsible for the general oversight of the County's financial affairs and for safeguarding its resources. The Chairman is the chief executive officer and the elected County Treasurer is the chief fiscal officer.

The County Administrator is responsible for the general supervision and coordination of the activities of all County departments to efficiently implement the Board's directives. The County also employs a purchasing coordinator¹ who manages the County's day-to-day purchasing.

Quick Facts

Population	62,230
Employees	967
2017 Budgeted Appropriations	\$113.4 million

Audit Period

January 1, 2016 – May, 31, 2017

¹ The purchasing coordinator retired on February 26, 2014 and returned as a part-time employee.

Procurement

How Should a County Procure Goods and Services?

New York State (NYS) General Municipal Law (GML) states that goods and services must be procured in a manner to ensure the prudent and economical use of public funds by facilitating the acquisition of goods and services of maximum quality at the lowest possible cost or best value basis. With certain exceptions,² counties are generally required to advertise for competitive bids when procurements exceed certain dollar thresholds. Counties must adopt their own policies and procedures for goods and services not required by law to be competitively bid. These procurement policies and procedures provide guidance to county officials and employees involved in the purchasing process and help ensure competition is sought in a reasonable and cost effective manner when competitive bidding is not required.

The County Did Not Procure Goods and Services in Accordance with GML

GML generally requires counties to solicit competitive bids for purchase contracts that equal or aggregate to more than \$20,000 and public works contracts that equal or aggregate to more than \$35,000 within a 12-month period. The County's adopted procurement policy requires department heads to identify purchases that will exceed the monetary limits requiring competitive bidding and to initiate the bidding process by contacting the purchasing coordinator. Except for purchases originating in the Public Works Department, the purchasing coordinator is required to prepare the bid contracts and arrange the legal notice in the County's official newspaper. For public works contracts, the Public Works Department handles these tasks. Further, in conjunction with the department heads, the purchasing coordinator is required to establish the dates and time of bid openings. The bids are to be publically opened and read by the purchasing coordinator. The bid awarding is to take place after the department head and the purchasing coordinator have jointly researched the bids to make sure that the bidders have complied with the specification and GML has been adhered to. The bid is then awarded to the lowest responsible bidder.

The Superintendent of Public Works and the Sheriff did not always procure goods and services in accordance with GML. We reviewed 35 purchase and public works contracts totaling nearly \$6 million that the County entered into during

² Purchases made through the NYS Office of General Services, purchases made through certain county and federal contracts, purchases made through the use of certain contracts let by other states or political subdivisions, emergency purchases, professional services and purchases from a legitimate sole source.

our audit period that exceeded the competitive bidding thresholds to determine whether they were procured in accordance with GML. We found six purchase and public works contracts totaling \$272,115 were not competitively bid as required. These procurements consisted of five contracts for the Public Works Department including equipment rental, excavation services, gravel and plow blades and one from the Sheriff's Department for vehicle repairs and modifications. The Superintendent for Public Works told us that he obtained quotes for these purchases and did not realize competitive bidding was required. Further, the County Administrator told us that the bid process became decentralized with less coordination and oversight provided by the purchasing coordinator, resulting in a lack of the required competitive bidding.

Figure 1: Purchase and Public Works Contracts Not Competitively Bid^a

Contracts	Expenditures
Equipment Rental (2)	\$102,120
Excavation services (1)	\$47,900
Gravel (1)	\$47,995
Plow Blades (1)	\$48,590
Vehicle Repairs/Modifications (1)	\$25,510
Total	\$272,115

^aTotal number of service providers in each category shown in parentheses.

When County officials do not adhere to the competitive bidding requirements, they cannot be certain or assured goods and services were obtained at the lowest reasonable price.

The County Did Not Ensure Purchases Were Made in Accordance with Bid Contracts

Department heads and/or their designee did not always ensure copies of purchase and public works contracts were on file or compared these contracts to the vendor invoices to ensure that the purchases are made in accordance with either the County's bid award documentation or when using contracts bid by other governments. For example, of the 35 purchase and public works contracts reviewed, we found three purchases from different vendors who overcharged³ the County a total of \$11,343. For example, the County bid calcium as part of a public

³ Per the vendor invoice

works contract and awarded the contract at a price of 92 cents per gallon. However, the vendor charged the County \$1 per gallon resulting in an overpayment of \$9,946.

Seven of the 35 purchase and public works contracts used by the County were bid by other local governments. However, only four of the contracts were on file at the County. County officials were able to obtain the remaining three contracts from the respective counties. While we could verify the price for purchases made pursuant to two of these three contracts, for the third contract we could not trace the purchase price for two plow truck sander bodies totaling \$174,990 to the contract because the vendor's invoice did not include details of the equipment's base price and the price for added options.

When County officials do not compare vendor invoices to contracts and maintain the appropriate documentation for purchases, they cannot be certain goods and services were obtained at the contract awarded price.

Quotations and Bids Were Not Always Obtained in Accordance with the County's Policy

The County's procurement policy requires County officials and employees to obtain at least three written quotes for purchase contracts costing between \$3,000 and \$9,999 and public works contracts costing between \$3,000 and \$19,999. The policy requires bids to be obtained for purchase contracts of \$10,000 or more and public works contracts of \$20,000 or more. The policy also requires department heads or their designee to attach all written quotes to the purchase requisition and submit it to the purchasing coordinator for approval prior to the department head or designee placing the order.

County officials did not always obtain quotations and bids in accordance with the County's policy. We reviewed 20 purchases totaling \$188,567 subject to the County's policy for written quotations and bids. County officials did not obtain the required number of quotes or competitive bids for 16 purchases totaling \$154,083. Of these 16 purchases, eight purchases totaling \$64,314⁴ had no quotes or bids on file.⁵ For example, the County purchased vehicle tires totaling \$16,517 without seeking competitive bids as required by County policy or by examining tire purchase options available on State contract. We compared the County's tire purchase prices to the State contract prices and found the prices paid were generally similar to the contract. However, without using the State

4 Including two purchases totaling \$31,379, requiring competitive bidding in accordance with County policy but not exceeding the threshold required bidding by GML.

5 The remaining eight had at least one written or oral quote.

contract or other government awarded contracts, County officials cannot determine if they received the best price available for tires without advertising for competitive bids. Other purchases made without obtaining quotes or bids included software, equipment repairs and ammunition.

Although the purchases examined were for appropriate County purposes and some of the purchases contained quotations, the purchasing coordinator did not receive and review quotes and bids to ensure compliance with the County's procurement policy. Although employees told us they would generally obtain written quotes, they did not always retain them and were unaware of the County policies requiring them to attach these quotes to a requisition for the purchasing coordinator's approval. Without adhering to policies and procedures, the County risks acquiring goods and services at higher costs than necessary.

The County Did Not Solicit Competition for Professional Services

The Board approved a revised procurement policy on September 16, 2016 requiring the solicitation of requests for proposals (RFPs) for professional service contracts. Although GML exempts professional service contracts from competitive bidding requirements, the County's revised policy requires RFPs for professional service contracts (e.g. architects, engineers, accountants, lawyers, underwriters, fiscal consultants, etc.) of \$5,000 or more at the Board's discretion. RFPs for professional services of \$5,000 or more are required to be evaluated by the department head and appropriate committee and approved by the Board. RFPs should be sent to professional services providers that include the methods that County officials will use in selecting the service provider. County officials may consider the price, any special knowledge or expertise, quality, staffing and suitability of its needs when evaluating RFP responses.

County officials did not always solicit competition for professional services. We reviewed the County's procurement of services from 10 professional service providers who were each paid in excess of \$5,000 for a total of \$1.5 million to determine whether their services were procured using RFPs. The County did not use RFPs to procure the services provided from nine of the professional service providers who were paid \$1.05 million during our audit period, including \$651,452 paid for insurance coverage in 2017 which was after the County's purchasing policy was revised in 2016.

Figure 2: Professional Services Procured Without an RFP

Professional Services ^a	Expenditures
Insurance (1)	\$651,452
Speech Therapy (2)	\$117,355
Physician Services (1)	\$107,228
Delinquent Tax Searches (1)	\$71,300
Auditing (1)	\$63,730
Physical Therapy (2)	\$31,360
Occupational Therapy (1)	\$12,845
Total	\$1,055,270

^a Total number of service providers in each category shown in parentheses.

Although we found the services procured were for legitimate and appropriate County purposes, without obtaining RFPs, County officials and the Board are not assured that professional services are being procured in the most economical way and in the best interests of residents. County officials told us that they do not routinely solicit proposals and quotations for professional services. However, due to the recent revision in the County’s procurement policy, they will seek RFPs in the future.

What Do We Recommend?

The Board, County Administrator and purchasing coordinator should ensure that:

1. The procurement policy and competitive bid laws are adhered to when purchasing goods or entering public works contracts in excess of the threshold established by policy or GML.
2. County officials and employees adequately document actions taken when soliciting bids and quotes, and retain documentation including other government contracts when used.
3. County officials and employees comply with the County’s procurement policy when procuring goods and professional services.
4. Legal counsel is consulted to determine the steps to take to recover the \$11,343 in overcharges identified in this report.

Department heads should:

5. Ensure all employees involved in the procurement process are aware of the County policies.

Appendix A: Response From County Officials



WASHINGTON COUNTY BOARD OF SUPERVISORS

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Email - Supervisors@co.washington.ny.us

January 12, 2018

Chief Examiner
Office of the State Comptroller
Division of Local Government
And School Accountability
110 State Street
Albany, NY 12236-0001

RE: Draft Audit Report 2017M-224

Dear Sir or Madame,

Washington County has received and reviewed the draft audit report titled, Washington County Procurement January 1, 2016 – May 31, 2017. The County Administrator and County Treasurer met with representatives from the Office of the State Comptroller on December 21, 2017 at 9:00am to discuss the content of the draft audit with the audit team. The County appreciates the thoroughness and professionalism of the auditors and agrees with many of the findings contained herein.

One finding of the auditors the County does not agree with is that the County's auditing services were procured in violation of the County's updated procurement policy. As stated, in the audit document, the County amended its Purchasing Policy in July of 2016 and again in September of 2016. These amendments dealt specifically with the procurement of Professional Services. Prior to these amendments, Professional Services were categorically exempted from bidding and RFP requirements. The July 2016 amendment required RFPs for all Professional Services, and the subsequent September 2016 amendment provided the ability of the Oversight Committee to grant exemptions from this new RFP requirement. In October of 2016, the County Administrator took a proposed contract extension for Comprehensive Auditing Services to the Government Operations Committee and obtained such an exemption for the procurement of auditing services for 2017. Therefore, the County respectfully disagrees with the audit finding that the audit services procured in 2017 were procured in violation of the County's Purchasing Policy.

See
Note 1
Page 10

The County does agree with the other findings of the audit and has already taken significant steps to address these issues. The major step taken to directly address the majority of issues identified in this audit has been the complete redrafting of the County's Purchasing and Procurement Policy and procedures. The Government Operations Committee created a working subgroup to undertake this redrafting effort. The working subgroup met several times and had discussions with County management as well as several key stakeholders in the Purchasing arena of County operations. The newly drafted Purchasing and Procurement Policy is attached to this response letter and is planned to go before the Government Operations Committee on January 22, 2018 for their review and hopeful recommendation for adoption by the Board of Supervisors at their February 16, 2018 Full Board meeting.

See
Note 2
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A Key element of the newly created Purchasing Policy is the centralization of all purchasing activities within the Purchasing Department. No longer will Departments be expected to draft, release, receive, and evaluate their own Bids and RFPs. The Purchasing Department will be integrally involved in a far greater number of purchases than under the current paradigm. This will include having the Purchasing Department retain all required documentation of quotes, bids and RFPs for purchases requiring such.

By involving the Purchasing Department in the letting of bids and RFPs the new Purchasing Policy aims to change the way in which policy compliance is ensured. In the current County system, compliance is the responsibility of the Audit Committee. One problem arising from this model is that the Audit Committee sees purchases after the transaction is completed and the invoice for that good or service is payable and due. By shifting the responsibility for compliance to the beginning of the purchasing process through the Purchasing Department deviations from the Purchasing Policy requirements will hopefully be identified before the good or services is purchased and improper purchases will be avoided to the greatest extent practicable.

The Audit report identified several large Professional Services contracts the County had procured without RFP which is a violation of the County's updated Purchasing Policy. To address this issue, the County has conducted RFPs for Health Insurance Brokerage Services, Property and Casualty Liability Insurance, and is in the process of releasing an RFP for 2018 Auditing Services in the next few weeks. The County feels strongly that this is a best practice and will be continued in the future.

There were several Public Health related Professional Services contracts that the Audit report identified as having been procured in violation of the County's Purchasing Policy. In discussions with the County's Director of Public Health, the lack of service providers for these necessary services, such as Physical Therapy, Speech Therapy, and Occupational Therapy, there is little to no value in conducting RFPs. In fact, due to the geographic constraints and rural nature of Washington County, Public Health often struggles to find service providers willing to serve the more rural areas of the County. In order to ensure these contracts are in complete compliance with the County's updated procurement policy moving forward, the County Administrator and Public Health Director have pledged to ensure that these contracts are brought up and discussed with the Health and Human Services Committee and an RFP waiver will be received for each contract.

Washington County is appreciative of the efforts and findings of the Office of the State Comptroller's audit team. There is, however, one request made by several Supervisors that the County would like to pass along. There were several Supervisors who felt that it would have been beneficial for the audit team to interview the Board members, and specifically the members of the Audit Committee as Procurement was the focus of the audit team. The Supervisors that expressed this opinion felt they were not provided an opportunity to provide their perspective and input on the audit and requested that they be interviewed in future examinations done by your office.

See
Note 3
Page 10

As outlined in this response, the County has already taken significant steps to address the issues identified by the audit team, and is continuing to make improvements in the way goods and services are procured by County's Departments. It is the goal of the Board of Supervisors and all County Departments to ensure the residents and businesses receive the greatest possible value for all tax dollars expended on the purchase of goods and services. This overarching goal that will continue in the future, and the Board and management of the County will continue to strive to ensure ethics and greatest value in procurement.

Sincerely,

Honorable Robert A. Henke, Chairman
Washington County Board of Supervisors

Appendix B: OSC Comments to the County's Response

Note 1

We did not comment on the audit services procured in 2017 and only addressed the insurance coverage procured after the County revised its purchasing policy.

Note 2

In response to our draft report, the County provided us with a newly drafted procurement and purchasing policy, however the draft policy was still pending Board approval at the time their audit response was submitted to us, therefore we did not include it with the County's response.

Note 3

At the onset of all our audits, we offer an invitation to all officials to meet with us to discuss any questions or concerns they may have regarding our audit. During the audit, we met with two Board members who held the positions of Board Chairman and Budget Officer and received no additional requests from other Board members to meet. Since we had no specific concerns with the audit of claims and it was not a focus of our audit, we did not schedule a meeting with the Board's Audit Committee.

Appendix C: 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 NYS GML. To achieve the audit objective and obtain valid audit evidence, we performed the following audit procedures:

- We interviewed County officials and employees and reviewed and evaluated the County's procurement policy and procedures.
- We reviewed a judgmental sample of 35 purchase and public works contracts that the County entered into during our audit period that exceeded the competitive bidding thresholds to determine whether they were procured in accordance with GML. We selected our sample based on vendor name and dollar amount.
- We reviewed a judgmental sample of 20 purchases that were made by the County during our audit period that did not exceed the GML competitive bidding thresholds to determine whether they were procured in accordance with the County's purchasing policy. We selected our sample based on purchases that were \$3,000 or more and were made throughout our audit period.
- We reviewed a judgmental sample of 10 professional service providers who were paid by the County during our audit period to determine whether their services were procured in accordance with County's purchasing policy. We selected our sample based on professional service providers who were paid in excess of \$5,000 during our audit period and the professional service provider's name.

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 size of the relevant population 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 Clerk of the Board's office.

Appendix D: 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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