



Woodstock Fire District

Purchasing

Report of Examination

Period Covered:

January 1, 2011 — January 26, 2012

2012M-144



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

October 2012

Dear Fire District Officials:

A top priority of the Office of the State Comptroller is to help fire district officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and fire district governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard fire district assets.

Following is a report of our audit of the Woodstock Fire District, entitled Purchasing. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the General Municipal Law.

This audit's results and recommendations are resources for fire district officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Woodstock Fire District (District) is located in the Town of Woodstock (Town) in Ulster County. The District is a corporation of the State, distinct and separate from the Town and is governed by an elected five-member Board of Fire Commissioners (Board). The District covers approximately 68 square miles and services approximately 5,900 private residents.

The Board is responsible for the District's overall financial management, including establishing internal controls for the purchasing of goods and services. The Board has the power to levy taxes on real property located in the District and to finance the District's activities. The District's 2012 adopted budget totaled approximately \$1.2 million. The Commissioners, Fire Chief, Secretary/Treasurer and the Chief Engineer are responsible for purchasing goods and services.

Objective

The objective of our audit was to review the District's purchasing processes. Our audit addressed the following related question:

- Did District officials use competitive methods to purchase goods and services not required to be bid?

Scope and Methodology

We examined the District's internal controls over financial operations for the period January 1, 2011, to January 26, 2012.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report.

Comments of Fire District Officials and Corrective Action

The results of our audit and recommendations have been discussed with District officials and their comments have been considered in preparing this report. District officials generally agreed with the recommendations and indicated they have initiated or plan to initiate corrective action.

The Board has the responsibility to initiate corrective action. Pursuant to section 181-b of Town Law, a written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and forwarded to our office within 90 days. 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. The Board of Fire Commissioners should make this plan available for public review in the District Secretary's office.

Purchasing

An effective system of internal controls consists of policies, practices and procedures that provide reasonable assurance that the District is using its resources effectively and that it is complying with applicable laws and regulations. It is the Board's responsibility to ensure that a sound internal control structure is in place to safeguard District assets and to ensure that goods and services are purchased in the most prudent and economical manner. The objectives of the purchasing process are to obtain goods and services of the desired quality at the lowest price, in compliance with applicable Board and legal requirements and to ensure that taxpayer dollars are expended in the most efficient manner.

We found that the District did not have a formal process or procedures for obtaining and documenting quotes for goods and services that did not require competitive bids. The District also did not use competition when obtaining professional services, such as requests for proposals (RFPs). As a result, District officials cannot be assured that they are procuring goods and services in the most prudent and economical manner.

Competitive Quotes – The District's procurement policy requires that employees obtain and document quotes for purchases that are not required to be competitively bid.¹ District officials made 12 purchases totaling \$38,810 from nine vendors during our audit period for which quotes should have been obtained. We reviewed the 12 purchases and found the purchases contained no evidence that quotes were secured for the items purchased. The purchases included: \$3,159 for a smoke generator, \$3,464 for eight bailout systems, \$3,677 for aerial ladder maintenance, \$14,946 for equipment purchases,² and \$13,563 for diesel fuel. The policy was not implemented because the District did not develop procedures or a formal process for obtaining and documenting quotes.

The failure to obtain and adequately document quotes can result in the District incurring higher costs than necessary for the goods and services purchased. In addition, the use of fair quote specifications

¹ The District's procurement policy requires written specifications and three written/faxed quotes for purchases from \$3,000 to \$19,999 and public works contracts from \$10,000 to \$34,999. Public works contracts from \$3,000 to \$9,999 require verbal or written specifications and two written/faxed quotes. All purchases and public works contracts from \$1,000 to \$2,999 require verbal specifications and verbal/faxed quotes from two vendors.

² Equipment purchases were from more than one vendor ranging from \$1,050 through \$3,333.

may increase participation in the quote process resulting in potential cost savings to the District.

Professional Services – General Municipal Law requires the Board to adopt written policies and procedures for the procurement of goods and services, such as professional services, that are not subject to statutory competitive bidding requirements. An effective procurement policy requires District officials to obtain competition whenever professional services are procured. The RFP process is one method District officials can use to help ensure that the District receives the desired services for the best price.

The District adopted a procurement policy. However, the policy needs to be improved because it does not require the use of competition when acquiring professional services. Instead, it stipulates that RFPs are required only when directed by the Board. We found the Board does not require RFPs for all professional services. The District paid \$120,310 to 10 professional service vendors during our audit period. Two of the 10 vendors were obtained using an RFP process. Payments totaling approximately \$66,000, made to the remaining seven vendors who were selected without the benefit of competition. Services provided and payments made to the seven vendors included: \$40,373 for medical insurance and a broker, \$7,985 for engineering services, \$7,382 for investment services, \$3,953 for legal services, \$4,105 for medical services and \$3,735 for website services. District officials did not provide an explanation as to why RFPs or other competitive methods were not used when obtaining these vendors. Instead, the officials stated that they selected vendors that had been previously used because of the quality of the service provided. Without soliciting competition, taxpayers have less assurance that the District is obtaining these services as economically as possible.

Recommendations

1. District officials should develop written procedures and forms to ensure that District personnel obtain and document verbal and written quotes.
2. The Board should consider amending its procurement policy to require the use of RFPs or other forms of competition when procuring professional services.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

The District officials' response to this audit can be found on the following pages.

Woodstock Fire District

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September 25, 2012

Christopher J. Ellis, Chief Examiner
Office of the State Comptroller
Division of Local Government and School Accountability
33 Airport Center Dr., Suite 103
New Windsor, NY 12553-4725

Re: Woodstock Fire District
Purchasing Report of Examination
Report No.: 2012M-144

Dear Mr. Ellis:

The Board of Fire Commissioners of the Woodstock Fire District is in receipt of the preliminary draft report prepared by your office relating to the internal controls over purchasing of goods and professional services for the period of January 1, 2011 through January 21, 2012. We have had the opportunity to review the report and to have an exit interview with your local representatives on September 10, 2012.

The Board is confident that purchases of equipment and professional services are obtained in a prudent and economical manner to provide the quality, knowledge and skill needed at a fair price to the taxpayers. The Board does agree, however, it has been remiss in properly documenting competitive prices and attaching this supporting documentation to the vouchers. The Board also agrees written procedures and forms for documenting this information would be helpful and that the procurement policy be amended to include the requirement for RFPs when seeking professional services.

For each recommendation included in the audit report, the following is our corrective action(s) taken or proposed.

Audit Recommendations:

1. District officials should develop written procedures and forms to ensure that District personnel obtain and document verbal and written quotes.

The District's Procurement Policies & Procedures require verbal and/or written quotes for purchases. The Board is in the process of amending the policies to include written procedures on obtaining and documenting such quotes. The Board will also be more assertive in its audit of monthly vouchers to make certain that the comparative quotes are attached.

2. The Board should consider amending its procurement policy to require the use of RFPs or other forms of competition when procuring professional services.

The Board will immediately update its procurement policy to require RFPs when seeking professional services. The Board has recently advertised and accepted bids for auditing services for the upcoming year and will be seeking quotes for insurance, snow plowing services and legal services in the near future.

The Board appreciates the time and professional guidance provided by the OSC staff during the audit process and welcomes the suggestions made by your office to assist us in improving our internal controls.

Sincerely,

James Brunner
Chairman

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to evaluate the District's internal controls. To accomplish this, we performed an initial assessment of internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: cash receipts and disbursements, payroll and personal services, and purchasing.

After reviewing the information gathered during our initial assessment, we determined where weaknesses existed, and evaluated those weaknesses for the risk of potential fraud. We then decided on the reported objective and scope by selecting for audit the area most at risk. We selected purchasing for further audit testing.

To accomplish the objective of the audit and obtain valid audit evidence, we interviewed appropriate District officials, tested selected purchasing records and other pertinent documents for the period January 1, 2011, to January 26, 2012.

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.

APPENDIX C

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