



Pearl River Fire District Purchasing

Report of Examination

Period Covered:

January 1, 2015 — September 26, 2016

2016M-407



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

February 2017

Dear Fire District Officials:

A top priority of the Office of the State Comptroller is to help local government 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 Board of Fire Commissioner governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of the Pearl River 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 New York State General Municipal Law.

This audit's results and recommendations are resources for local government 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 Pearl River Fire District (District) is a district corporation of the State, distinct and separate from the Town of Orangetown in Rockland County. The District is governed by a Board of Fire Commissioners (Board), which is composed of five elected members. The Board is responsible for the District's overall financial management and safeguarding its resources.

The Board appointed a purchasing agent who is responsible for purchasing all necessary items and services for the District after Board approval. The District's budgeted appropriations for 2016 totaled approximately \$1.6 million and were funded primarily by real property taxes.

Objective

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

- Did the Board ensure that District personnel used competitive methods when procuring goods and services?

Scope and Methodology

We examined the District's purchasing practices for the period January 1, 2015 through September 26, 2016.

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. 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.

Comments of District Officials and Corrective Action

The results of our audit and recommendations have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report. District officials agreed with our recommendations and indicated that they planned to initiate corrective action.

The Board has the responsibility to initiate corrective action. Pursuant to Section 181-b of New York State 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. To the extent practicable, implementation of the CAP must begin

by the end of the next fiscal year. 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 should make the CAP available for public review in the Secretary's office.

Purchasing

General Municipal Law (GML) generally requires the Board to advertise for bids on contracts for public works involving expenditures of more than \$35,000 and on purchase contracts involving expenditures of more than \$20,000. GML further stipulates that goods and services that are not required by law to be bid, such as professional services, must be procured in the best interest of District residents. The District's acquisition of goods and services should be of maximum quality at the lowest possible cost, and District officials should guard against favoritism, improvidence, extravagance, fraud and abuse. Exceptions from competitive bidding requirements include purchasing through a New York State Office of General Services (OGS) contract or from sole source vendors¹ when soliciting competition is not possible.

The Board needs to improve its purchasing process to ensure that District personnel use competitive methods when procuring goods and services. The Board-adopted purchasing policy outlines the monetary thresholds for purchases and public works contracts that require written quotes (two written quotes for purchase contracts costing between \$1,501 and \$5,000 and four written quotes for purchase contracts costing between \$5,001 and \$19,999). The policy requires that adequate documentation be maintained of all actions taken for each purchase but does not require solicitation of multiple quotes or the issuance of requests for proposals (RFPs) before awarding professional service contracts. The policy also states that it may not be in the District's best interest to solicit quotes for professional services requiring special or technical skill, training or expertise.

We reviewed 27 purchases totaling \$77,314 that required two written quotes to determine if District personnel obtained the required quotes. District officials were unable to provide evidence that they obtained quotes for eight of these 27 purchases totaling \$19,700. In three instances for purchases totaling \$5,207, the purchase order was dated after the invoice date and there was no evidence that any quotes were obtained. These three purchases included signs for \$2,085, trophies for \$1,565 and mechanic services for \$1,557.

We also reviewed 12 purchase contracts totaling \$115,334 that required four written quotes. We found that all these purchases were properly documented and were purchased from vendors with OGS contracts or from sole source providers.

¹ A vendor is considered a sole source vendor when only one person or company can provide the particular goods or services needed.

In addition, we reviewed all purchases from 11 professional service providers who were paid a total of \$707,652 to determine if RFPs or other methods of competition were used to obtain these services. District personnel did not solicit competition for seven of these 11 providers who were paid a total of \$127,705. For example, professional services for firefighter physicals costing \$26,945 were not supported by documentation showing that proposals were obtained from similar providers. These services appeared to be for routine medical services. Furthermore, District officials were unable to provide us with documentation to show that they sought alternate proposals for the annual dinner costing \$21,900 or equipment cleaning services costing \$22,060.

Because District officials did not implement procedures to ensure that goods and services were acquired through a competitive process, they do not have adequate assurance that the District is receiving the best price for the goods and services purchased.

Recommendations

The Board should:

1. Ensure that all District officials involved in the procurement process comply with its purchasing policy by obtaining the required written quotes for purchases not subject to competitive bidding. The quotes should be maintained with the documentation supporting each claim.
2. Consider revising its purchasing policy to:
 - Require District personnel to use competitive methods when procuring professional services and
 - Provide guidance as to how competition should be solicited for professional services, including the appropriate use of RFPs and written or verbal quotes.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

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January 25, 2017

[REDACTED]
Office of the New York State Comptroller
Newburgh Regional Office
33 Airport Center Drive, Suite 103
New Windsor, New York 12553

Dear [REDACTED]

The Board of Fire Commissioners of the Pearl River Fire District acknowledge receipt of the Draft Audit Report. Based on our review of the report and the exit conference we are in agreement with the findings.

Our Corrective Action Plan is in process of being completed and we have already implemented some of the recommendations.

Very truly yours,

Cory Clarkston
Commissioner &
Chairman of the Board

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We reviewed Board minutes and interviewed District officials and the purchasing agent to gain an understanding of the procurement process.
- We reviewed the District's purchasing policy.
- We reviewed the vendor summary payment files for our audit period and identified all vendors that were paid between \$1,501 and \$5,000 and those paid between \$5,001 and \$19,999. We judgmentally selected the highest payment made to each vendor in each threshold category. We reviewed these purchases to determine if the required written quotes were obtained and adequate supporting documentation was maintained.
- We reviewed a list of vendors paid during the audit period and judgmentally selected those we believed to be professional service providers. We determined if District officials used an RFP or quote system for any of the professional services obtained, and we examined any supporting documentation maintained for the services provided.

We conducted this performance audit in accordance with 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(s). 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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