



City of Cohoes

Purchasing

Report of Examination

Period Covered:

January 1, 2013 — March 31, 2014

2014M-192



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	1
INTRODUCTION	2
Background	2
Objective	2
Scope and Methodology	2
Comments of Local Officials and Corrective Action	2
PURCHASING	4
Competitive Bidding	4
Competitive Quotations	5
Recommendations	6
APPENDIX A Response From Local Officials	7
APPENDIX B Audit Methodology and Standards	10
APPENDIX C How to Obtain Additional Copies of the Report	11
APPENDIX D Local Regional Office Listing	12

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

November 2014

Dear City 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 City Council 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 City of Cohoes, 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 City of Cohoes (City) is located in Albany County and has approximately 16,200 residents. The City is governed by the City Council (Council) which comprises an elected Mayor and six elected councilpersons representing each of the City wards. The Council is responsible for the general management and control of the City's financial affairs. This responsibility includes exercising adequate oversight and establishing appropriate policies to govern the City's financial operations. The City Comptroller, who is appointed by the Council, is the chief fiscal officer and is responsible for maintaining accounting records along with other duties.

The City provides services to its residents including police and fire protection, street maintenance, water and sewer. The City's 2014 fiscal year general fund budget totaled approximately \$18.2 million and was funded primarily by property taxes, sales tax and State aid.

The City is governed by a City Charter (Charter), general laws of the State of New York and local laws and ordinances. The Charter includes a procurement policy which governs the procedures that personnel must follow when procuring goods and services.

Objective

The objective of our audit was to evaluate the City's purchasing process. More specifically, our audit addressed the following question:

- Are City officials purchasing the desired quality and quantity of goods and services at the lowest cost?

Scope and Methodology

We examined the City's purchases for the period January 1, 2013 through March 31, 2014.

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 is included in Appendix B of this report.

Comments of Local Officials and Corrective Action

The results of our audit and recommendations have been discussed with local officials and their comments, which appear in Appendix A, have been considered in preparing this report. Local officials generally agreed with our recommendations and indicated that they planned to take, or have already taken, corrective action.

The Council has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and forwarded to our office within 90 days, pursuant to Section 35 of the New York

State 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 Council to make this plan available for public review in the Clerk's office.

Purchasing

The Common Council is responsible for ensuring that the City purchases the desired quality and quantity of goods and services at the lowest cost. To assess whether the City obtained the most economical cost for goods and services, we used New York State General Municipal Law (GML) bidding requirements, State contract pricing and the Council's purchasing policies and procedures as standards for economical purchasing practices.

Because City officials did not consistently seek appropriate competition for purchases, they cannot assure taxpayers that they are obtaining the best price possible, as well as the desired quality and quantity, for goods and services. We found that City officials made purchases totaling \$145,759 from three vendors without using competitive bidding or State contract pricing, as required by GML. City officials also did not request quotes for 33 purchases totaling \$48,215, as required by City policy. Although the Council adopted policies that require using competitive bidding, written or verbal quotes and requests for proposals to solicit competition, City officials did not ensure that employees complied with these policies.

Competitive Bidding

GML generally requires City officials to advertise for bids for purchases in excess of \$20,000 and public work contracts in excess of \$35,000. In lieu of advertising for sealed bids, City officials can make purchases using New York State contracts awarded by the Office of General Services (OGS) or contracts bid by other governments. Purchases of like items that aggregate to competitive bidding thresholds during a fiscal year also must be publicly bid. This helps to ensure that the City is obtaining the best possible price for goods and services.

During fiscal year 2013, the City made 233 purchases totaling \$2,973,692 from 21 vendors consisting of various goods and services which were greater than the competitive bidding thresholds. We found that 42 purchases from three vendors totaling \$145,759 were not competitively bid or purchased from State contracts. For example:

- The City contracted with an electrician for services totaling \$75,287 in 2013 without the benefit of competitive bidding. City officials told us that they did not bid for electrical services because the electrician was awarded a contract as part of a construction contract in a prior year and then the City continued to contract with the electrician for all electrical work after the initial contracted work was completed. Contracting the services of the electrician based on a prior

construction contract would not exempt the City for seeking bids for electrical services in subsequent years or projects.

- The City purchased tires from a vendor totaling \$28,663 in 2013 without the benefit of competitive bidding. City officials told us that the price they received for the tires was below the State contract price. However, the City did not have comparative prices to support this assertion and would still have been required to obtain bids for the purchase of tires. Furthermore, we compared the prices of the purchased tires to the State contract prices. We determined that the City could have saved a total of \$3,325 if the tires were purchased on State contract.
- The City contracted with a vendor for service and maintenance to the City water treatment plant totaling \$41,809 in 2013 without the benefit of competitive bidding. City officials told us that the City had used the vendor in prior years. However, contracting with the vendor based on the prior years' services of the vendor would not exempt the City from having to seek competition for these services.

Because City officials failed to competitively bid all purchases for goods and services in accordance with GML, they failed to ensure that they obtained goods or services at the lowest possible price. Without first obtaining competitive bids when procuring goods and services, City officials cannot assure the taxpayers that they used public moneys in the most economical manner.

Competitive Quotations

GML requires the Council to adopt a procurement policy for goods and services that do not have to be competitively bid and to review and update the policy annually. The City's procurement policy, which was adopted in 2000 and has not been updated to keep it current, requires City employees to obtain verbal quotes for purchases and public works between \$500 and \$2,999 and written or faxed quotes for purchases between \$3,000 and \$19,999. The policy also requires City employees to obtain written or faxed quotes for public works contracts between \$3,000 and \$34,999.

We randomly selected and reviewed 50 claims¹ requiring either written or verbal quotations totaling \$80,254. We found that City employees did not receive competitive quotations for 33 purchases totaling \$48,215, as was required by the City's procurement policy. For example, the City purchased manhole risers at a total cost of

¹ Refer to Appendix B, Audit Methodology and Standards for information on the sample selection process

\$7,252. City employees did not obtain any quotes for this purchase. The City's policy requires the solicitation of written or faxed quotes for purchases of this amount. Furthermore, we compared the prices of the purchased items, from these 33 purchases, to identical items offered by other vendors. We determined that City officials could have realized a net savings of \$804 if the items were purchased from other vendors.

While the savings identified were insignificant, the City employees' failure to obtain quotes in accordance with the City's policy may have resulted in the City incurring higher costs than necessary for the goods and services purchased. Therefore, the Council cannot assure taxpayers that the City is paying the lowest possible price for goods and services.

Recommendations

The Council should:

1. Update the procurement policy annually to keep it current and include guidance about the use of State and county contracts.
2. Ensure that City officials and employees comply with the City's procurement policies and GML when procuring goods and services.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

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

CITY OF COHOES

GEORGE E. PRIMEAU, SR.
MAYOR



OFFICE OF THE MAYOR

Ph.: 518-233-2119

Fax: 518-233-2159

97 Mohawk Street
Cohoes, New York 12047

October 3, 2014

Jeffrey P. Leonard
Chief Examiner
Office of the State Comptroller
One Broad Street Plaza
Glens Falls, New York 12801-4396

Dear Mr. Leonard:

The City of Cohoes has reviewed the preliminary draft report of the City of Cohoes' purchasing process audit performed by your office for the period of January 1, 2013 through March 31, 2014. The City of Cohoes accepts and agrees to your findings. Please allow this correspondence to stand as the City of Cohoes' response letter with the following feedback for your records.

To address the deficiencies in the competitive bidding and competitive quotations process we are either in the process of rectifying or have rectified several issues including the following:

- A policy memo sent to all Department Heads regarding the proper purchasing procedures. All staff is to utilize the purchasing agent, Peter Frangie only.
- The City is readily reviewing and adapting to the changes for State and County contracts.
- City officials and employees are to adhere to the three (3) vendor quotes and hold the appropriate parties accountable for emergency quotes when necessary.
- Meet with Common Council to address the thresholds of the purchasing policy.

Please note that the City of Cohoes is in the process of putting together a Corrective Action Plan (CAP) which will address the previously mentioned items in further detail along with other minor issues. I would like to extend my sincerest appreciation for bringing these deficiencies and recommendations to our attention and for the time



website: www.ci.cohoes.ny.us e-mail: mayor@ci.cohoes.ny.us

exerted by the Office of the State Comptroller for this examination. May you may be assured that the City's purchasing process is more properly managed moving forward.

Sincerely,

George E. Primeau, Sr.
Mayor

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard City assets. To accomplish this, we performed an initial assessment of the 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: financial oversight, cash management, cash receipts and disbursements, purchasing, asset management, payroll and personal services and information technology.

During the initial assessment, we interviewed appropriate City officials, performed limited tests of transactions and reviewed pertinent documents, such as City policies and procedures manuals, Council minutes and financial records and reports. After reviewing the information gathered during our initial assessment, we determined where weaknesses existed and evaluated those weaknesses for the risk of potential fraud, theft, or professional misconduct. We then decided on the reported objective and scope by selecting for audit those areas most at risk. We selected purchasing for further audit testing.

To accomplish the objective of this audit and obtain valid audit evidence, our procedures included the following:

- We interviewed City officials and employees to gain an understanding of the City's purchasing processes.
- We reviewed all purchases in fiscal year 2013 where the competitive bidding requirements applied. For each purchase, we reviewed the claims packet, OGS State contracts, bidding notices and meeting minutes, Common Council minutes and/or Board of Managers minutes to determine if the City competitively bid or purchased from OGS State contracts.
- We used a random number generator to select 50 claims that required written, faxed or verbal quotes. We reviewed claims packets and State contracts and interviewed City officials and employees to determine if the City used competitive quotations when necessary.

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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

APPENDIX C

HOW TO OBTAIN ADDITIONAL COPIES OF THE REPORT

To obtain copies of this report, write or visit our web page:

Office of the State Comptroller
Public Information Office
110 State Street, 15th Floor
Albany, New York 12236
(518) 474-4015
<http://www.osc.state.ny.us/localgov/>

APPENDIX D
OFFICE OF THE STATE COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY

Andrew A. SanFilippo, Executive Deputy Comptroller
Gabriel F. Deyo, Deputy Comptroller
Nathalie N. Carey, Assistant Comptroller

LOCAL REGIONAL OFFICE LISTING

BINGHAMTON REGIONAL OFFICE

H. Todd Eames, Chief Examiner
Office of the State Comptroller
State Office Building - Suite 1702
44 Hawley Street
Binghamton, New York 13901-4417
(607) 721-8306 Fax (607) 721-8313
Email: Muni-Binghamton@osc.state.ny.us

Serving: Broome, Chenango, Cortland, Delaware,
Otsego, Schoharie, Sullivan, Tioga, Tompkins Counties

BUFFALO REGIONAL OFFICE

Jeffrey D. Mazula, Chief Examiner
Office of the State Comptroller
295 Main Street, Suite 1032
Buffalo, New York 14203-2510
(716) 847-3647 Fax (716) 847-3643
Email: Muni-Bufferalo@osc.state.ny.us

Serving: Allegany, Cattaraugus, Chautauqua, Erie,
Genesee, Niagara, Orleans, Wyoming Counties

GLENS FALLS REGIONAL OFFICE

Jeffrey P. Leonard, Chief Examiner
Office of the State Comptroller
One Broad Street Plaza
Glens Falls, New York 12801-4396
(518) 793-0057 Fax (518) 793-5797
Email: Muni-GlensFalls@osc.state.ny.us

Serving: Albany, Clinton, Essex, Franklin,
Fulton, Hamilton, Montgomery, Rensselaer,
Saratoga, Schenectady, Warren, Washington Counties

HAUPPAUGE REGIONAL OFFICE

Ira McCracken, Chief Examiner
Office of the State Comptroller
NYS Office Building, Room 3A10
250 Veterans Memorial Highway
Hauppauge, New York 11788-5533
(631) 952-6534 Fax (631) 952-6530
Email: Muni-Hauppauge@osc.state.ny.us

Serving: Nassau and Suffolk Counties

NEWBURGH REGIONAL OFFICE

Tenneh Blamah, Chief Examiner
Office of the State Comptroller
33 Airport Center Drive, Suite 103
New Windsor, New York 12553-4725
(845) 567-0858 Fax (845) 567-0080
Email: Muni-Newburgh@osc.state.ny.us

Serving: Columbia, Dutchess, Greene, Orange,
Putnam, Rockland, Ulster, Westchester Counties

ROCHESTER REGIONAL OFFICE

Edward V. Grant, Jr., Chief Examiner
Office of the State Comptroller
The Powers Building
16 West Main Street – Suite 522
Rochester, New York 14614-1608
(585) 454-2460 Fax (585) 454-3545
Email: Muni-Rochester@osc.state.ny.us

Serving: Cayuga, Chemung, Livingston, Monroe,
Ontario, Schuyler, Seneca, Steuben, Wayne, Yates Counties

SYRACUSE REGIONAL OFFICE

Rebecca Wilcox, Chief Examiner
Office of the State Comptroller
State Office Building, Room 409
333 E. Washington Street
Syracuse, New York 13202-1428
(315) 428-4192 Fax (315) 426-2119
Email: Muni-Syracuse@osc.state.ny.us

Serving: Herkimer, Jefferson, Lewis, Madison,
Oneida, Onondaga, Oswego, St. Lawrence Counties

STATEWIDE AUDITS

Ann C. Singer, Chief Examiner
State Office Building - Suite 1702
44 Hawley Street
Binghamton, New York 13901-4417
(607) 721-8306 Fax (607) 721-8313