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November 7, 2014

Mr. Walter Eck, Chairman
Members of the Board of Fire Commissioners
Slingerlands Fire District
1520 New Scotland Road
Slingerlands, NY 12159

Report Number: 2014M-250

Dear Chairman Eck and Members of the Board of Fire Commissioners:

The Office of the State Comptroller works to identify areas where local government officials can improve their operations and provide guidance and services that will assist them in making those improvements. Our goals are to develop and promote short-term and long-term strategies to enable and encourage local government officials to reduce costs, improve service delivery and account for and protect their entity's assets.

In accordance with these goals, we conducted an audit of the Slingerlands Fire District (District) which addressed the following question:

- Did District officials ensure that professional services were obtained in accordance with the District's purchasing policy?

We discussed the findings and recommendation with District officials and considered their comments in preparing this report. The District's response is attached to this report in Appendix A. District officials generally agreed with our recommendation and indicated they have initiated corrective action.

Background and Methodology

The District is a district corporation of the State, distinct and separate from the Towns of Bethlehem and New Scotland, and is located in Albany County. The District's general fund budget totaled \$547,525 for the 2014 fiscal year.

The Board of Fire Commissioners (Board) consists of five elected members and is responsible for the District's overall financial management. The Treasurer is an elected official who acts as the District's chief fiscal officer. The Treasurer is responsible for receiving and maintaining custody of District funds, for disbursing and accounting for those funds, for preparing monthly and annual

financial reports and for meeting any other reporting requirements. The Board also oversees and authorizes all significant District purchases¹ by passing resolutions.

We examined the purchasing activities of the District for the period January 1, 2013 through May 31, 2014. We also interviewed appropriate District officials and reviewed financial records and Board minutes. We conducted this performance audit in accordance with 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.

Audit Results

District officials are responsible for establishing a sound internal control structure to safeguard District assets and ensure that the procurement of goods and services is prudent and economical. New York State General Municipal Law (GML) requires local governments to adopt written policies and procedures governing all procurements of goods and services not required by law to be competitively bid,² including the dollar levels at which written and verbal quotes will be required and the documentation of actions taken. The procurement policy should also contain guidelines for exemptions should the Board desire to exclude any particular types of purchases or public work contracts from the requirements of the policy and be reviewed at least annually.

The Board adopted a comprehensive procurement policy in March 1992 and revised the policy in April 2011. The policy provides guidance as to when items must be competitively bid and when written or verbal quotes should be obtained for purchases not required to be bid. Except for professional services, we found the District obtained goods and services in accordance with its policy. For professional services, the external audit services were the only services for which request for proposals (RFPs) were issued by the District.

District officials did not obtain quotes or proposals for most professional services during the audit period. The District made payments to eight professional service vendors totaling \$153,238 for six types of services. In 2013, the cost of these services consisted of \$84,584 for insurance coverage, \$11,086 for legal services, \$10,675 for physician services, \$7,800 for investment management services, \$5,000 for external audit services and \$650 for engineering services. Through May 2014, these services consisted of paying \$27,889 for insurance coverage, \$4,679 for legal services and \$875 for physician services. The District issued RFPs for the external audit services;³ however, proposals, verbal quotes or written quotes were not obtained for any of the other professional services rendered to the District.

The District's practice of not issuing RFPs or seeking competition for most professional services prevents the Board from assuring it is acquiring all professional services at a reasonable cost.

¹ Significant purchases are all purchases greater than \$250. In addition, Chiefs can collectively make \$500 worth of emergency purchases, which are subject to review at the following Board meeting.

² Except for purchases and public work contracts specifically exempted by GML, purchases in excess of \$20,000 and public work contracts in excess of \$35,000 are required to be publicly advertised for competitive bidding. The bidding thresholds as defined in the District's procurement policy are the same as those established in GML.

³ The District mailed written RFPs to local Certified Public Accounting firms requesting auditing services for a five-year term. The District awarded the auditing services contract to the firm that responded with the lowest cost.

Recommendation

1. The District should revise its procurement policy to clearly define the professional services procurement requirements and require written proposals, quotations or price comparisons, depending on the value of the contract, when awarding contracts for professional services.

The Board has the responsibility to initiate corrective action. Pursuant to Section 181-b of the 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.

We thank the officials and staff of the District for the courtesies and cooperation extended to our auditors during this audit.

Sincerely,

Gabriel F. Deyo

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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



SLINGERLANDS FIRE DISTRICT

1520 NEW SCOTLAND ROAD
SLINGERLANDS, NEW YORK 12159

October 29, 2014

[REDACTED]
NYS Office of the State Comptroller
Division of Local Government and School Accountability
1 Broad Street Plaza
Glens Falls, New York 12801

Dear [REDACTED]:

This letter is to confirm that the Board of Fire Commissioners of the Slingerlands Fire District has received your draft audit report. We acknowledge and accept the finding that your office has identified and concur with your recommendation. We appreciate your review of our policies and procedures and your recommendation that will help us to improve our policy and assure that we acquire all professional services at the most reasonable cost.

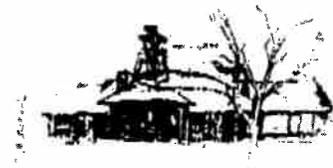
The Board of Fire Commissioners of the Slingerlands Fire District has revised our Procurement Policy and has officially implemented the policy. We have attached the current Procurement Policy to this letter. We ask that your office accepts this letter and attached policy as our written audit response to your draft audit report and as our corrective action plan (CAP) to your final audit report.

The Board of Fire Commissioners, the District Treasurer and the District Secretary wish to thank the OSC personnel involved in the audit process for their professionalism, thoroughness and courtesy displayed during the audit process. It was an educational and informative process that has and will assist us in continuing to provide the best protection at the best value to the citizens of the Slingerlands Fire District.

Very truly yours,

Walter W. Eck, Jr., Chairman
Board of Fire Commissioners
Slingerlands Fire District

SINCE 1928



**SLINGERLANDS FIRE DISTRICT
PROCUREMENT POLICY**

At a meeting of the Board of Fire Commissioners of the Slingerlands Fire District held at Station #1, located at 1520 New Scotland Road, Slingerlands, New York, on the 14th day of October, 2014.

WHEREAS, Section 104-b of the General Municipal Law requires the governing body of every municipality to adopt a procurement policy for all goods and services which are not required by law to be publicly bid, and

WHEREAS, comments have been solicited from all officers in the Slingerlands Fire District involved in the procurement process, now, therefore, be it

RESOLVED, that the Slingerlands Fire District does hereby adopt the following procurement policy which is intended to apply to all goods and services which are not required by law to be publicly bid.

PROCUREMENT POLICY FOR THE SLINGERLANDS FIRE DISTRICT

1. Every purchase to be made must be initially reviewed to determine whether it is a purchase contract or a public works contract. Once that determination is made, a good faith effort will be made to determine whether it is known or can reasonably be expected that the aggregate amount to be spent on the item of supply or service is not subject to competitive bidding, taking into account past purchases and the aggregate amount to be spent in a year. The following items are not subject to competitive bidding pursuant to Section 103 of the General Municipal Law: purchase contracts under \$20,000.00 and public works contracts under \$35,000.00; emergency purchases; certain municipal hospital purchases; goods purchased from agencies for the blind or severely handicapped; goods purchased from correctional institutions; purchases under State and County contracts; and surplus and second hand purchases from another governmental entity.

The decision that a purchase is not subject to competitive bidding will be documented in writing by the individual making the purchase. This documentation may include written or verbal quotes from vendors, a memo from the purchaser indicating how the decision was arrived at, a copy of the contract indicating the source which makes the item or service exempt, a memo from the purchaser detailing the circumstances which led to an emergency purchase, or any other written documentation that is appropriate.

2. All goods and services will be secured by use of written requests for proposals, written quotations, verbal quotations, or any other method that assures that goods will be purchased at the lowest price and that favoritism will be avoided, except in the following circumstances: purchase contracts over \$20,000.00 and public works contracts over \$35,000.00; goods purchased from agencies for the blind or severely handicapped pursuant to Section 175-b of the State Finance Law; goods purchased from correctional institutions pursuant to Section 186 of the Correction Law; purchases under State contracts pursuant to Section 104 of the General Municipal Law; purchases under contracts let by another municipal entity or political subdivision of the State of New York or any other State of the United States pursuant to Section 103(16) of the General Municipal Law; purchases under county contracts pursuant to Section 103(3) of the General Municipal Law; or purchases pursuant to Subdivision 6 of this policy.
3. The following method of purchase will be used when required by this policy in order to achieve the highest savings:

<u>Estimated Amount of Purchase Contract</u>	<u>Method</u>
\$ 0.00 - \$1,999.00	1 quote
\$ 2,000.00 - \$4,999.00	2 verbal quotes
\$ 5,000.00 - \$9,999.00	2 written/fax quotes or requests for proposals
\$ 10,000.00 - \$19,999.00	3 written/fax quotes or requests for proposals

<u>Estimated Amount of Public Works Contract</u>	<u>Method</u>
\$ 0.00 - \$2,999.00	1 quote
\$ 3,000.00 - \$4,999.00	2 verbal quotes
\$ 5,000.00 - \$6,999.00	2 written/fax quotes or requests for proposals
\$ 7,000.00 - \$34,999.00	3 written/fax quotes or requests for proposals

A good faith effort shall be made to obtain the required number of proposals or quotations. If the purchaser is unable to obtain the required number of proposals or quotations, the purchaser will document the attempt made at obtaining the proposals. In no event shall the failure to obtain the proposals be a bar to the procurement.

4. Documentation is required of each action taken in connection with each procurement.
5. Documentation and an explanation is required whenever a contract is awarded to other than the lowest responsible bidder. This documentation will include an explanation of how the award will achieve savings or how the bidder was not responsible. A determination that the bidder is not responsible shall be made by the purchaser and may not be challenged under any circumstances.
6. Pursuant to General Municipal Law Section 104-b(2)(f), the procurement policy may contain circumstances when, or types of procurements for which, in the sole discretion of the governing body, the solicitation of alternative proposals or quotations will not be in the best interest of the municipality. In the following circumstances it may not be in the best interests of the Fire District to solicit quotations or document the basis for not accepting the lowest bids:
 - A. Emergency purchases pursuant to Section 103(4) of the General Municipal Law. Due to the nature of this exception, these goods or services must be purchased immediately and a delay in order to seek alternate proposals may threaten the life, health, safety or welfare of the residents. This section does not preclude alternate proposals if time permits.
 - B. Purchases of surplus and second-hand goods, only if from another municipal entity or political subdivision. If alternate proposals were required, the Fire District may be precluded from purchasing surplus and second-hand goods at auctions or through specific advertised sources where the best prices are usually obtained. It is also difficult to try to compare prices of used goods and a lower price may indicate an older product.
 - C. Purchases under contracts let by another municipal entity or political subdivision of the State of New York or any other State of the United States pursuant to Section 103(16) of the General Municipal Law.

- D. Goods or services under \$250.00. The time and documentation required to purchase through this policy may be more costly than the item itself and would therefore not be in the best interest of the taxpayer. In addition, it is not likely that such de minimis contracts would be awarded based on favoritism.
7. This policy was revised October 21st, 2014 and will be reviewed annually.