



Town of Berne Procurement

Report of Examination

Period Covered:

January 1, 2013 — February 28, 2014

2014M-147



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

July 2014

Dear Town 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 Town Board 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 Town of Berne, entitled Procurement. 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 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 Town of Berne (Town) is located in Albany County (County) and has a population of approximately 2,800. The Town provides various services to its residents, including road maintenance, snow removal, fire protection, street lighting and general government services. For the 2014 fiscal year, the Town's budgeted appropriations were \$2.2 million for the general and highway funds, which were funded primarily by real property taxes, sales tax and State aid.

The Town is governed by an elected Town Board (Board) comprising a Town Supervisor (Supervisor) and four Board members. The Board is responsible for overseeing the Town's operations, finances and overall management. The Supervisor serves as both the chief financial officer and the chief executive officer and is assisted in these duties by a senior account clerk who maintains the accounting records.

The Town does not have a centralized purchasing function, so each department head is responsible for administering the purchasing activities for his or her respective department. The Board is responsible for ensuring that the department heads comply with the Board's adopted procurement policy.

Objective

The objective of our audit was to evaluate internal controls over the Town's purchasing practices. Our audit addressed the following related question:

- Are internal controls over the procurement process adequately designed and operating effectively?

Scope and Methodology

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard Town 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: control environment, financial condition, budgeting, accounting records and reports, cash receipts and disbursements, purchasing, claims processing, payroll, justice court and information technology. Based on the evaluation, we determined that controls appeared to be adequate and limited risk existed in most of the financial areas we reviewed. We did determine that risk existed in the procurement process and, therefore, we examined internal controls over the Town's procurement process for the period January 1, 2013 through February 28, 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**

The results of our audit have been discussed with Town officials and their comments, which appear in Appendix A, have been considered in preparing this report.

Procurement

A good system of internal controls over purchasing includes policies and procedures to help ensure that an organization is using its resources effectively and complying with applicable laws and regulations. Town officials are responsible for establishing a sound internal control structure to safeguard Town assets and ensure that the procurement of goods and services is prudent and economical. It is important that Town policies are current, describe the procurement methods to be used and when to use each method and require adequate documentation to support and verify procurement decisions.

General Municipal Law (GML) requires that purchase and public work contracts in excess of \$20,000 and \$35,000,¹ respectively, during a fiscal year be publicly advertised for bids and awarded to the lowest responsible bidder. In lieu of advertising for bids, local governments may use certain contracts awarded by the State and County, when available. The law also requires local governments to adopt written policies and procedures governing all procurements of goods and services not required by law to be competitively bid, 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 purchasing exceptions, including emergency purchases and purchases from preferred or sole sources, and should be reviewed at least annually.

The Board has adopted comprehensive procurement policies and procedures that provide 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. Town officials review and update these policies annually to ensure that they provide guidance for officials and employees to follow when bidding is not required by law.

We examined 31 purchases totaling \$728,152 that were subject to either statutory bidding requirements or requirements established in the Town's procurement policy. We also reviewed supporting documents to verify that purchases were for proper Town purposes and were supported by contracts or Board resolutions when applicable. Nine purchases totaling \$676,298 were in excess of the competitive bidding thresholds. These purchases were either properly bid or

¹ The Town's procurement policy requires advertising for bids on purchases that equal or aggregate to more than \$10,000 and public works contracts that equal or aggregate to more than \$20,000.

allowable exemptions from bidding.² The remaining 22 purchases totaling \$51,854 were made in compliance with the requirements of the Town's procurement policy. Our tests did not disclose any significant deficiencies or irregularities.

Town officials made the purchases based on the need for compliance with the statutory requirements or after obtaining the appropriate number of proposals, written quotes or verbal quotes as designated in the purchasing policy. Therefore, we determined that internal controls over the Town's procurement process were properly designed and operating effectively.

We commend Town officials on designing and implementing an appropriate system of controls over the procurement process.

² Three purchases that were allowable exemptions from bidding: a State contract purchase, a professional service and an emergency purchase.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

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



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July 9, 2014



NYS Office of the State Comptroller
Division of Local Government and School Accountability
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Glens Falls, NY 12801

RE: Town of Berne – Response to Preliminary Draft Report

Dear 

We are in receipt of the Preliminary Draft Report for the Town of Berne. We have had the opportunity to review the report and your findings. We are pleased that our procurement policies and practices were found to be proper. The Town Board will continue to focus on the proper procedures for procurement moving forward.

Very Truly Yours, 

Kevin Crosier

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy the Town's internal controls. 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. During the initial assessment we interviewed Town officials, performed limited tests of transactions and reviewed pertinent documents such as Town policies and procedures, Board 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 and professional misconduct. Based on that evaluation, we determined that controls appeared to be adequate and limited risk existed in most of the financial areas we reviewed. We then decided on the reported objective and scope by selecting for audit the area most at risk. We selected procurement for further testing for the period January 1, 2013 through February 28, 2014.

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

- We interviewed Town officials and employees to obtain an understanding of internal controls over the procurement process.
- We selected a test sample by sorting the Town's vendor history to exclude all purchases under \$1,000, utility payments and payroll, to which the Town's purchasing policy does not apply. We sorted the entire population by dollar amount to test adherence to the purchasing policy and GML requirements. We selected 25 percent of purchases between \$1,000 and \$2,999, 50 percent of purchases between \$3,000 and \$9,999 and 100 percent of purchases over \$10,000.
- We tested the sample of purchases between \$1,000 and \$2,999 for adherence to the procurement policy and to determine whether Town officials verbally requested quotes for goods or services.
- We tested the sample of purchases between \$3,000 and \$9,999 for adherence to the procurement policy and to determine whether there were:
 - o Written requests for proposal issued and written quotes obtained from at least three vendors for purchases and
 - o A written request for proposal issued and proposals obtained from two contractors for public works.
- We tested the sample of purchases over \$10,000 and contracts over \$20,000 for public works to determine whether:

- o The purchases were subject to competitive bidding requirements, per the Town's policy, and were bid and, if not bid, whether they were purchased under a valid State or County contract or were for a professional service or an emergency situation,
- o The bids were properly published, and
- o The purchases were awarded to the lowest responsible bidder or, otherwise, whether an explanation was provided of why the lowest bid was not selected.

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

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