

Plattekill Public Library

Procurement and Investment of Funds

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OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Plattekill Public Library

Audit Objective

Determine whether the Plattekill Public Library (Library) Board of Trustees (Board) made purchases in compliance with its procurement policy and invested in accordance with statutory requirements and its adopted investment policy.

Key Findings

The Board did not always comply with its procurement and investment policies, or with statutory requirements relating to investments.

The Board did not:

- Ensure required quotes were obtained for the purchase of security cameras.
- Adopt a procurement policy that included professional services. As a result, officials did not seek competition for six professional service providers receiving payments totaling \$24,009.
- Adhere to its investment policy by limiting the investment decisions to the Library's Committee and by ensuring funds were properly invested.

Key Recommendations

- Ensure purchases are made in accordance with the procurement policy.
- Update the procurement policy to address the procurement of professional services and ensure competition is obtained for such services.
- Ensure future investments are made in accordance with statutory requirements and the Library's policy.

Library officials generally agreed with our recommendations and have initiated, or indicated they planned to initiate corrective action.

Background

The Library is located in the Town of Plattekill (Town) in Ulster County and is part of the Mid-Hudson Library System. The Library is primarily funded by real property taxes.

The Library is governed by an elected seven-member Board, which is responsible for the general oversight of the Library's financial affairs, adoption of the annual budget and safeguarding Library resources.

The Board appointed a Library Director to be responsible for overseeing the Library's day-to-day administration including procurement of goods and services. The Budget and Finance Committee (Committee) is responsible for making the Library's investment decisions.

Quick Facts

Number of Card Holders	2,745
Employees	10
2020 Budgeted Expenditures	\$ 459,260

Audit Period

January 1, 2019 – June 30, 2020

Procurement and Investment of Funds

How Should the Board Procure Goods and Services Not Subject To Competitive Bidding?

Local governments must adopt a written procurement policy for the procurement of goods and services that are not subject to competitive bidding requirements. For procurements not subject to competitive bidding, a local government must ensure that the procurement policy provides that alternative proposals or quotations be obtained using a written request for proposals, written quotations, verbal quotations or other such methods. However, the procurement policy may set forth instances where, at the board's sole discretion, the solicitation of alternative proposals or quotations will not be in the library's best interest. These exceptions should be limited and be set forth only when properly justified in the public interest. The procurement policy should also include a process to help ensure professional services are procured with the most favorable terms and conditions.

The Library adopted a purchasing policy (policy), which indicates that Library materials intended for patron use are generally procured from vendors offering volume discounts or from New York State contract. In addition, the policy requires at least three documented telephone quotes approved by the Director for procurements between \$1,001 and \$2,999 and three written quotes approved by the Board for procurements between \$3,000 and \$4,999. The policy also requires a formal bid process approved by the Board for purchases over \$5,000. The policy does not address the award of professional services.

Officials Did Not Always Comply With the Library's Purchasing Policy

We reviewed payments, totaling approximately \$526,000, made to all 42 vendors who each received total payments exceeding \$1,000 from the Library to determine whether officials complied with the Library's policy.¹ We found officials paid \$1,588 for the purchase and installation of security cameras without obtaining three documented telephone quotes, as required by the policy.

We also found that officials did not always take advantage of certain pricing available to the Library. For example, although lower State contract pricing was available to the Library for the purchase of heating fuel, officials did not use the State contract. Instead, officials purchased heating fuel in the amount of \$4,429 from a local vendor with no cost comparisons performed. If officials had used the State contract, they could have saved \$848 on these purchases. Library officials indicated they were not aware that State contract pricing was available.

We also found that officials did not always take advantage of certain pricing available to the Library.

¹ We also reviewed 12 individual purchases totaling \$32,146. All exceptions identified with these purchases were also included in the vendor testing.

In addition, we found the policy did not address the procurement of professional services. As a result, officials made payments to six providers, totaling \$24,009, without documenting that some form of competition was sought. These payments included payments of \$8,456 to one legal service provider and payments totaling \$6,515 to two other legal firms. The other professional service payments were \$4,672 for payroll services, \$2,500 for a land survey and \$1,866 for insurance.

The Board President told us that he obtained two quotes for the surveyor and compared different attorney fees during the acquisition of the Library's building. However, he could not provide documentation of any price comparisons. The Library Director stated he is in the process of reviewing and modifying purchasing procedures with Board members to ensure the policy will be followed.

When officials do not seek competition or address the procurement of all goods and services, there is an increased risk that goods and services may not be obtained for the best value to ensure the most prudent and economical use of public money without favoritism, extravagance, fraud or corruption.

How Should the Board Invest Library Funds?

A library's board can temporarily invest moneys not required for immediate expenditure in special time deposit accounts in, or certificates of deposit (CDs) issued by, a bank or trust company located and authorized to do business in this State. A library must also invest funds in a manner consistent with its investment policy.

Although multiple officers can have the authority to invest, we strongly encourage governing boards to delegate this responsibility to one officer, preferably the chief fiscal officer. Consolidation of the investment function in one office will enhance accountability and investment results.

The investment policy adopted by the Library delegates the Library's investment program responsibility to the Committee. In addition, the policy states the signatories to the bank accounts shall be responsible for the implementation of the investment program and the establishment of investment procedures consistent with the policy. Furthermore, the policy provides that all investments must conform to all applicable laws and regulations governing the investment of public funds.

The Board Did Not Properly Invest Library Funds

The Board President and a trustee invested funds through a brokerage and insurance agency that is affiliated with a commercial bank and without the knowledge of all Board members.

...we found the policy did not address the procurement of professional services.

Consolidation of the investment function in one office will enhance accountability and investment results.

On March 7, 2019, \$300,000 was withdrawn by the Board President and a trustee from the capital and general savings accounts. These moneys were then used to purchase two CDs through a brokerage and insurance agency, rather than a bank or trust company located and authorized to do business in this State: one CD was for \$200,000 and was issued by an Ohio bank; and the second CD was for \$100,000 and was issued by a bank located in this State. Neither the full Committee nor the Board was aware of or approved the withdrawal and investment of these moneys. At the next Board meeting on March 19, 2019, a trustee expressed concern that the transfer did not follow the Library's investment policy. After Board discussion and consultation with a legal firm, it was determined that the investments made by the Board President and Trustee were not proper as they did not comply with the General Municipal Law or the Library's investment policy. The \$100,000 CD was liquidated at maturity with \$100,000 plus interest being returned to the general savings account on July 1, 2019. The \$200,000 CD was liquidated prior to maturity with \$200,000 plus interest being returned to the general savings account on July 19, 2019 and subsequently transferred to the capital fund account on July 31, 2019.

The Board President stated at a Board meeting he believed the policy allowed him to invest Library funds without the rest of the Board's knowledge. Once he understood he did not have the authority, he had the CDs liquidated and returned the funds to the capital and general saving accounts with the earned interest of \$2,377.

Although this issue was resolved by the Board, unauthorized investments or investment decisions by multiple officials could lead to lack of accountability or poor investment results. In addition, failing to comply with the statutory requirement that investments be made by or through a bank or trust company located and authorized to do business in this State could put the moneys at risk. In this case, it led to one of the CDs being liquidated prior to maturity, which could have resulted in the Library taking a loss on the investment.

What Do We Recommend?

The Board should:

1. Ensure that purchases are made in accordance with the Library's procurement policy.
2. Update the purchasing policy to address the procurement of professional services.
3. Ensure competition is obtained for professional services.
4. Ensure future investments are made in accordance with statutory requirements and the Library's investment policy.

"... unauthorized investments or investment decisions by multiple officials could lead to lack of accountability or poor investment results."

Appendix A: Response From Library Officials

Plattekill Public Library



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March 9, 2021

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Re: Response to OSC Preliminary Draft Findings

Dear Sir/Madam

After reviewing the OSC Preliminary Draft Findings which you had forwarded to us, here is our response.

The Board Did Not Properly Invest Library Funds:

Regarding your findings as to how the Board invested funds, discussed their legality and then took the proper action to remedy the situation, it is accurate and agreeable as stated.

To add to the facts regarding the actual investments, it should be noted that both CDs were fully FDIC insured thereby eliminating the possibility of loss of Library funds. It was also recommended by the Library's Attorney that if by liquidating the \$200,000 CD, prior to maturity, thereby causing a possible loss, that the Board instead let the CD mature so as to receive full benefit.

Regarding your recommendations on how to proceed with future investments for the Library funds, they are agreeable as stated and the Board has already taken steps to implement them. Our goal being to bring our Investment Policy and our Procedures up to date with current New York State statutory requirements.

Plattekill Public Library is a non-profit organization (501c3) and your donation is tax-deductible.

Procurement of Goods and Services:

Regarding your Findings on how the Board procured goods and services, via the Library's Procurement Policy, it is accurate and agreeable as stated.

Regarding your recommendations for future procurement of goods and services by the Library, they are agreeable as stated. The Board has already taken the initiative to revamp the Purchase Policy, changed our procedures for the bidding process and invested money for legal consultation to make sure all aspects of how we procure goods and services for the Library meet all NYS standards.

I would like to say thank you for the time and effort your auditors put in to make this report fair and accurate. We look forward to this process being completed and moving forward with our Library.

Very truly yours,

William J. Farrell
President of the Board of Trustees

Plattekill Public Library is a non-profit organization (501c3) and your donation is tax-deductible.

Appendix B: Audit Methodology and Standards

We conducted this audit 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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed Library Board members and officials, and we reviewed Board minutes to gain an understanding of the investment and purchasing practices.
- We reviewed the purchasing policy to determine if it was comprehensive and addressed the procurement of all goods and services. We also determined if officials developed procedures for the procurement of all goods and services.
- We reviewed a randomly selected sample of 12 of 61 total purchases over \$1,001 made during the audit period to determine if Library officials complied with the Library purchasing policy.
- We reviewed payments, totaling approximately \$526,000, made to all 42 vendors who received total payments exceeding \$1,000 from the Library during the audit period to determine whether officials complied with the Library's purchasing policy.
- We reviewed the Board-adopted investment policy to determine if it was comprehensive, adequately addressed the investment of Library funds and delegated the responsibility of investment to certain officials. We also determined if officials developed procedures consistent with the investment policy.
- We obtained and reviewed documentation for investments made during the audit period to determine if investments followed Library policy, were made by a person(s) duly authorized by the Board and monthly investment information was provided to Board members.

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.

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 size of the relevant population and the sample selected for examination.

The Board 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 provided to our office within 90 days, pursuant to Section 35 of 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 Board to make the CAP available for public review in the Director's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263196&issued=All

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263206&issued=All

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2020-05/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263211&issued=All

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/local-government/academy

Contact

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