

West Seneca Fire District #4

Procurement

JUNE 2020



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

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Report Highlights

West Seneca Fire District #4

Audit Objective

Determine if District officials are obtaining competitive pricing in compliance with the District's procurement policy and General Municipal Law (GML).

Key Findings

- The procurement policy could be improved.
- District officials were unable to provide written quotes for 42 purchases totaling \$149,854 to demonstrate competitive pricing.

Key Recommendations

- Update the procurement policy to provide guidance for purchases in which alternative proposals or quotations may not be in the best interest of the District, purchases not required to be bid and professional services.
- Ensure written quotes are obtained and adequate records are maintained to demonstrate competitive purchasing.

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

Background

West Seneca Fire District #4 (District) is a district corporation of the State, distinct and separate from the Town of West Seneca in Erie County. The District is governed by an elected five-member Board of Fire Commissioners (Board). The Board is responsible for general management and control of financial operations.

An elected Treasurer acts as the chief fiscal officer and is responsible for receiving, disbursing and accounting for District funds and reporting financial activity to the Board. The Board appointed a Director of Purchasing (Purchaser) in January 2018 who is responsible for making purchases and ensuring compliance with the District's procurement policy and GML.

Quick Facts

| | |
|--|-----------|
| 2019 Budget | \$605,400 |
| 2019 Expenditures Subject to the Procurement Policy | \$573,800 |

Audit Period

January 1, 2018 – January 27, 2020

Procurement

How Should District Officials Obtain Competitive Pricing?

GML¹ requires a board to adopt a written procurement policy for the procurement of goods and services that are not subject to competitive bidding requirements.² For procurements not subject to competitive bidding, a board 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. The policy should also include a process to help ensure professional services are procured with the most favorable terms and conditions. The policy may set forth instances where, in the sole discretion of the board, the solicitation of alternative proposals or quotations will not be in the best interest of the fire district. These exceptions should be limited and be set forth only when properly justified in the public interest.³ Competitive bidding is not required when a fire district purchases from a vendor awarded a New York State Office of General Services (State) contract or county contract or when surplus or second-hand supplies or equipment is purchased from certain other governments.

The District's procurement policy, which was most recently adopted on January 1, 2020,⁴ requires that the purchasing procedures comply with all applicable laws and regulations of the State. The policy also requires that for purchases between \$1,000 and \$19,999 at least two written quotes are obtained, and purchases over \$20,000 require competitive bidding.

The Purchaser's job description states that the Purchaser shall procure all materials, supplies, equipment or services as needed at the best possible price in compliance with the procurement policy and GML. The Purchaser is also responsible for preparing a list of all purchases made for the Board to discuss and approve at monthly meetings, filing and organizing all supporting documentation and preparing and maintaining a list of active service contracts or agreements to be reviewed at least annually.

The District's Procurement Policy Could Be Improved

The District's procurement policy addresses many of the requirements outlined in GML. However, the policy does not address how District officials should handle purchases where it is deemed that alternative proposals or quotations may not be in the best interest of the District. District officials stated that it is difficult to obtain

1 GML Section 104-b

2 GML Section 103 generally requires purchase contracts in excess of \$20,000 and contracts for public works in excess of \$35,000 to be competitively bid.

3 Examples may include emergencies when time is a crucial factor, procurements for which there is no possibility of competition and very small procurements for which solicitations of competition would not be cost effective.

4 The policy is adopted annually at the reorganizational meeting. There were no significant changes to the policy during our audit period.

quotes for every purchase exceeding \$1,000 due to the specific nature of the items or service needed and the difficulty of finding vendors. For example, officials told us that vehicle maintenance and repairs are usually time sensitive and not many vendors in the area can do repairs on the fire trucks. However, the policy does not include how to address these circumstances. The District's policy also does not provide a process for obtaining competition for professional services. Without proper procedures, the District may not always be getting the best value or most favorable terms available for these services.

District Officials Did Not Always Comply With the Procurement Policy

The Board and District officials did not properly comply with the procurement policy. We identified 63 purchases over the \$1,000 threshold. Of these 63 purchases, six were purchased using State contract, two were purchased from another local government and one was part of a grant that required a specific vendor. The remaining 54 purchases totaling \$183,249 required at least two written quotes; however, officials were unable to provide written quotes for 42 of these purchases totaling \$149,854. Some of the purchases included vehicle repairs (\$40,180), software licenses (\$26,850), various building maintenance and repair services (\$20,618), uniforms (\$5,010) and an inflatable watercraft (\$4,500).

In one example, the fire company that the District is associated with initiated the purchase of an electronic sign for the fire hall and the District agreed to pay for a portion of the cost (\$14,750). The total cost of the sign was \$30,450, which required competitive bidding.⁵ District officials told us that the fire company was responsible for selecting the vendor and, therefore, should have obtained the required bids. However, District officials did not verify that the fire company obtained bids. Moreover, two commissioners indicated that it was their understanding it was not bid.

In another example, the District bought seven pairs of boots for a total cost of \$2,261. The boots were included as part of five purchases totaling \$21,265 from one vendor for protective outerwear. One invoice included a State contract number; however, none of the documentation included evidence that the State contract price was obtained. Two commissioners told us that all items purchased from this vendor were under the State contract number listed on the invoice, excluding the purchase of certain pairs of gloves. We found the gloves were, in fact, included in the State contract but that the boots were not. The other items purchased from this vendor (\$19,004) were included in the State contract. Although we found no price discrepancies, two commissioners told us they did not verify they were receiving the correct pricing because they assumed each item purchased from this vendor was under State contract.

5 GML Section 103

In addition, each month, the Purchaser provides a report listing the purchases made since the prior meeting to the Board, as required in the job description. The Board reviews the report and motions to approve or disapprove it at the Board meeting. Of the 59 purchases⁶ totaling \$252,642 we reviewed that should have been included in the Purchaser's reports, we found that 54 purchases totaling \$239,817 were not included. Also, there was no evidence of written quotes included in the Purchaser's records, and no available report of active service contracts or agreements entered into by the Board. Officials told us that when purchases are made they ensure that competitive pricing and quotes are obtained; however, they were unable to locate many of the quotes. The Purchaser was not completely fulfilling her job duties that included helping the Board ensure the procurement policy was fully complied with. District officials stated that although they have a job description they are still developing the Purchaser's roles and responsibilities, as this is a new position.

Without ensuring that competition is obtained in accordance with the procurement policy and statute, the Board and District officials do not have assurance that the acquisition of goods and services is done at the best price and that purchases are made guarding against favoritism, improvidence, extravagance, fraud and abuse.

What Do We Recommend?

The Board should:

1. Update the procurement policy to provide guidance for purchases in which alternative proposals or quotations may not be in the best interest of the District, purchases not required to be bid and professional services.
2. Ensure written quotes are obtained when required and adequate records are maintained to demonstrate competitive purchasing.
3. Verify State contract pricing is obtained from a qualified vendor when purchases are made through this method.
4. Ensure the Purchaser is following the duties and responsibilities outlined in the job description.

⁶ Four purchases were made prior to the implementation of the Purchaser's report.

Appendix A: Response From District Officials



WEST SENECA FIRE DISTRICT #4

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June 3, 2020

Via Email Muni-Buffalo@osc.state.ny.us and U.S. Mail
Mr. Jeffrey D. Mazula, Chief Examiner
State of New York
Office of the State Comptroller
295 Main Street, Suite 1032
Buffalo, New York 14203

Re: West Seneca Fire District No. 4
Financial Audit January 1, 2018 – January 27, 2020

Dear Mr. Mazula:

I am preparing this letter in response to the draft report of examination received on May 7, 2020 and the exit discussion held on May 14, 2020. The entire Board of Fire Commissioners and Fire District Attorney have reviewed the Draft Report of Examination for the period from January 1, 2018 to January 27, 2020. The Board of Fire Commissioners does not contest the Auditor's findings contained in the Draft Report of Examination.

Each member of the Board of Fire Commissioners of West Seneca Fire District #4 takes very seriously their fiduciary responsibility to the residents of the fire district. Based on your auditor's findings, the Board of Fire Commissioners has already put in place a system ensuring each purchase is made only after proper documentation is provided to the Purchaser. This change assures that the required written quotes are attached. The new process will also help provide information showing the best value or most favorable terms available for goods and services. The Purchaser is also preparing a report of all purchases that have been made each month for Board approval at each monthly meeting.

The Board of Fire Commissioners is currently revising the Procurement Policy to meet the requirements outlined in New York General Municipal Law (GML). The revised Procurement Policy will also address the deficiencies noted in the draft Report of Examination. The Board of Fire Commissioners expects to adopt the revised Procurement Policy by September, 2020. The policy will then be reviewed as needed and at least annually to assure the requirements of GML are satisfied.

Meetings are the 2ND Tuesday of every month starting at 7:00 pm



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The Board of Fire Commissioners is currently refining the job description of the Purchaser. The job description of the Purchaser will be updated to make sure that the job duties of this position are completely fulfilled, allowing the Board ensure that the Procurement Policy is complied with.

Finally, based on your recommendations to the fire commissioners, all purchases made pursuant to State Contract Price will be verified. The above mentioned system will require that verification of the State Contract Price documentation is maintained by the fire district. This will ensure that fire district paid the proper State Contract Price. The fire district will not solely rely on the statement of a vendor.

The Board of Fire Commissioners acknowledges that it must initiate a Corrective Action Plan to address the findings and recommendations pursuant to New York General Municipal Law §35(2)(a). To that end, West Seneca Fire District #4 has taken the following corrective steps.

Implemented a new system ensuring each purchase is made only after proper documentation is provided to the Purchaser. This change assures that the required written quotes are attached. The new process will also help provide information showing the best value or most favorable terms available for goods and services.

The Board of Fire Commissioners has begun to revise the fire district's Procurement Policy and Purchaser's job description. The revised items are expected to be adopted at the September meeting of the Board of Fire Commissioners.

West Seneca Fire District #4 will also take additional action(s) needed to further address the findings and recommendations of this audit. The District will review all policies and procedures and update as necessary. The Board of Fire Commissioners will also address the recommendations of the fire district's independent auditors and implement additional financial controls as necessary.

Sincerely,

Kevin Schieber
Chairman, Board of Fire Commissioners
West Seneca Fire District # 4

Meetings are the 2ND Tuesday of every month starting at 7:00 pm

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 District officials, reviewed the District's procurement policy and the Purchaser's job duties to gain an understanding of the District's procurement practices and assess whether purchases were made in compliance with applicable statutes.
- We selected our sample by reviewing all 242 transactions, totaling \$312,702 and included all individual transactions and aggregate purchases that exceeded \$1,000, excluding professional services, utilities and fuel. Our sample consisted of 63 purchases from 37 vendors with 133 transactions totaling \$259,399. We determined that 54 purchases equaling \$183,249 required at least two written quotes. The remaining nine did not require competitive bids or quotes. We reviewed vouchers, invoices, Board minutes, written quotes and other supporting documentation to assess whether the Board and District officials complied with the procurement policy.
- We reviewed purchases that District officials told us were made under State contract pricing to determine whether they had support to show they verified receiving the State contract price.
- We reviewed the Purchaser's records and reports to assess whether the Purchaser complied with all job duties and responsibilities for reporting all purchases to the Board.

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. 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. We encourage the Board to make the CAP available for public review.

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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