



Clarence Fire District Purchasing

Report of Examination

Period Covered:

January 1, 2015 — June 21, 2016

2016M-297



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

November 2016

Dear Fire District 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 Board of Fire Commissioner 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 Clarence Fire District, 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 Clarence Fire District (District) is a district corporation of the State, distinct and separate from the Town of Clarence, in Erie County. The District is governed by a Board of Fire Commissioners (Board). The Board is composed of five elected members and is responsible for the District's overall financial management and safeguarding its resources. The Board appoints a Treasurer and a Secretary. The Treasurer is responsible for the receipt and custody of District funds, disbursing and accounting for those funds and preparing monthly and annual financial reports. The Secretary is responsible for keeping a complete and accurate record of the proceedings of each Board meeting and all Board-adopted rules and regulations. Budgeted appropriations for the District's 2016 fiscal year totaled \$944,965 and were funded primarily by real property taxes.

Objective

The objective of our audit was to examine the District's purchasing practices. Our audit addressed the following related question:

- Does the District seek competition for purchases of goods and services?

Scope and Methodology

We examined the District's purchasing practices for the period January 1, 2015 through June 21, 2016. We expanded the scope back to 2008 to evaluate the procurement of architectural services related to the fire hall building expansion project.

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 are included in Appendix B of this report. 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.

Comments of District Officials and Corrective Action

The results of our audit and recommendations have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report. District officials generally agreed with our findings and indicated they plan to initiate corrective action.

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. The Board should make the CAP available for public review in the Secretary's office.

Purchasing

An effective purchasing process can help the District obtain goods and services of the right quantity and price; help the District spend money efficiently; and guard against favoritism, extravagance and fraud. District officials are also required to adopt a written policy for the procurement of goods and services that are not subject to the bidding requirements.¹

The Board adopted a purchasing policy that outlines the monetary thresholds for purchases and public works contracts that require either verbal or written quotes² and requires adequate documentation of the actions taken with each purchase. The purchasing policy does not require the solicitation of multiple quotations or the issuance of requests for proposals (RFPs) before awarding professional service contracts. Rather, the policy states that "...it may not be in the best interest of the Fire District to solicit quotations" for "Professional services requiring special or technical skill, training or expertise..." However, the solicitation of multiple quotations for professional services would help ensure that the District obtains needed services upon the most favorable terms and conditions. The policy also indicates that, as an alternative to publicly soliciting bids, the District can make purchases from contracts that have been extended to fire districts by the New York State Office of General Services. Use of these contracts constitutes an exception to the competitive bidding requirements.

We judgmentally selected and reviewed 10 purchases of various goods and services totaling \$253,677³ and paid in 2015, to assess if the District obtained multiple quotations or issued RFPs. District officials could not provide evidence that they had obtained quotations or issued RFPs for eight purchases totaling \$224,308. Of the

¹ See General Municipal Law. The District is required to publicly solicit bids for purchases over \$20,000 and public works contracts over \$35,000.

² The policy states that a purchase contract between \$0 and \$1,999.99 requires one quote; between \$2,000 and \$4,999.99 requires two verbal quotes; between \$5,000 and \$9,999.99 requires two written/fax quotes or a request for proposals; and between \$10,000 and \$19,999.99 requires three written/fax quotes or a request for proposals. A public works contract between \$0 and \$2,999.99 requires one quote; between \$3,000 and \$4,999.99 requires two verbal quotes; between \$5,000 and \$6,999.99 requires two written/fax quotes or a request for proposals and between \$7,000 and \$34,999.99 requires three written/fax quotes or a request for proposals.

³ We reviewed five purchases contracts (\$45,890), three public works contracts (\$28,410) and two professional services contracts (\$179,377). Many of these purchases were made multiple times throughout the year and supported by more than one paid claim.

remaining two purchases tested, one was for turnout gear (helmets, gloves, coats and pants costing \$22,669) from a State contract vendor⁴ and the other purchase (20 pagers costing \$6,700) included evidence that District officials obtained two written quotes. The exceptions are as follows:

- Seven purchases totaling \$54,667 did not include any evidence that District officials obtained quotes for the goods and services. For example, the District did not obtain quotes for firefighter physicals (\$9,736). These services appeared to be relatively standardized, routine medical services. We were able to identify another vendor in the area that provides this service to the public. Furthermore, the District paid a vendor to clean and repair turnout gear (\$5,028). The purchasing policy requires two written quotes or issuance of an RFP prior to making the purchase. District officials did not provide evidence that they obtained any quotes or issued an RFP prior to making this purchase.
- District officials did not obtain a proposal from the vendor that provided architectural services for the fire hall expansion project beyond the preliminary phase (\$169,641). In September 2014, the District entered into a contract with an architectural firm, in the amount of \$288,750, for architectural services related to a building construction project. The District paid the firm \$216,562, or 75 percent of contract amount, from October 2014 through February 2016. As of June 15, 2016, construction on the building expansion project has not commenced. In 2008, the Board issued an RFP for “preliminary” architectural services related to the building expansion project. Among the requirements included in the RFP was a provision that responses should also include an additional estimate for “full architectural services.” After opening six proposals, the Board awarded the contract for “preliminary” architectural services for the project to this same architectural firm, but it does not appear that this firm complied with the terms of the RFP. In its proposal, the firm only submitted a bid of \$8,000 for preliminary (and not full) architectural services. The firm indicated that “...we have not included a fee proposal for subsequent phases of work, as the

⁴ District officials did not obtain the applicable State contract price lists from the vendor and apply the State contract discount rate to the list price to determine if the vendor charged the correct amount. We obtained the price lists to determine if the cost of 10 helmets totaling \$2,519 was correct. We noted that the vendor added a \$6.15 shipping charge per helmet, a charge that was already factored into the State contract price. The vendor reimbursed the District for the overcharge, after being informed of the error.

scope/magnitude and budget of the total project are yet to be determined.” The purchasing policy does not clearly describe the conditions or circumstances when the solicitation of proposals or quotes for professional services is required. The District’s rationale for entering into the 2014 agreement for the architectural services with this vendor without soliciting any further competition was not documented in the Board minutes.

By not soliciting competition for goods and services, District officials do not have adequate assurance that they are obtaining services with the most favorable prices.

Recommendations

The Board should:

1. Consider amending the purchasing policy to include the use of competitive methods, such as using an RFP process, when procuring professional services.
2. Ensure that all District officials who are involved in the procurement process comply with the purchasing policy requiring the use of verbal and written quotes for purchases not subject to competitive bidding. The quotes should be maintained with the documentation supporting the claim.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

CLARENCE FIRE DISTRICT NO. 1

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October 19, 2016

OSC Audit Report Response and Corrective Action Plan

The Clarence Fire District No. 1 Board of Fire Commissioners would like to thank the Comptroller's Office for its very comprehensive review of the District's records and the subsequent suggestions.

It is of value to learn that vendors have made errors in the quote of State Contract price; the Board in the future will require documentation from its vendors proving the State Contract price quoted.

The Board acknowledges that it is important to provide detailed documentation in the minutes as to why decisions are made and we have strived to do so. However, on the few purchases noted, documentation can be improved. To right this omission the Board will amend its minutes to reflect this additional information for the professional service purchases cited:

Physical exams: Quotes were obtained at our medical program inception. This is documented each year in the District's organizational minutes. The District's medical provider has knowledge of the physical requirements and duties of the firefighters and performs a respiratory fit test for use of the breathing apparatus used, which is not something routinely available from all medical providers. The District now has a long standing professional relationship with this vendor who has always been extremely responsive to our requests and needs. They are highly recognized for service provided to WNY fire companies and fire districts and beyond. They do exams for all the surrounding companies/districts so this gives our **volunteers** many options for getting their exams completed within their personal schedules. The exam provider is responsible for retaining medical records. Constant switching of vendors would result in firefighter records being at multiple vendors, producing issues should the medical history be needed. This vendor also provides some mandated training (OSHA), and also does so for surrounding fire companies. As with exams, this gives the **volunteers** much more flexibility in getting this requirement fulfilled. Periodically the Board will investigate the cost of the exams and solicit other vendors that may be able to provide equivalent service.

Turnout gear cleaning and repair: This is a very specialized service with very few options as to vendors providing the full range of service needed. There were no vendors in the Buffalo area so a source out of the area is used. Longevity of turnout gear is largely based on use at incidents. This vendor not only cleans and repairs, but also provides an inspection as to the safety of the continued use of the gear. They do not sell turnout gear and therefore provide an unbiased third party opinion about the safety of the continued use of older gear thereby saving the District money by extending the gear's lifetime. The Board will continue to search for other vendors from time to time.

Architect: The District's construction project has commenced as of August 2016. This was a project that started and stopped a few times. Much of the preliminary studies and work was the same for the "starts and re-starts". To change firms would have required re-do of much of this preliminary work resulting in duplication of services

AND duplication of additional expenses. The District did interview many candidates prior to the start of the project's feasibility study. By the time the project scope was established a very good working relationship had developed with this firm. The firm also, as we switched gears, did several modifications at no additional expense to the District. It should be noted that this firm also had the most experience working with Firehouse construction and had an excellent reputation for this service. If and when we are in need of architectural services, the District will again solicit professional services.

In closing, there will be increased effort to ensure that the District's meeting minutes reflect the research and rationale for the procurement of professional services and the District will investigate the need of implementing a dollar threshold for the bidding of professional services. This document was approved by resolution of the Board of Fire Commissioners at their meeting on October 18, 2016.

For the Board of Fire Commissioners,

David R. Metzger
Chairman

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed District officials involved in the procurement process.
- We reviewed the District's purchasing policy.
- We reviewed the minutes for Board meetings for discussions regarding purchasing activity.
- We reviewed all disbursements made in 2015. After excluding disbursements related to salaries and fringe benefits, various purchases of insurance coverages and transfers to the capital reserve, we aggregated similar purchases of goods and services costing in excess of \$2,000 and judgmentally selected 10 of these purchases to determine if District officials requested quotes or issued RFPs.
- We reviewed paid claims and purchase orders, which are separately filed from the claims, for evidence of quotes or RFPs.
- We reviewed the RFP for preliminary architectural services and the proposals submitted by vendors.

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.

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