

I. EXECUTIVE SUMMARY

In this review, we examined the adequacy of internal control procedures present in the Bureau of Purchasing bid process, and compliance with City Code, related policies and New York State General Municipal Law. We noted the following finding during this review:

- ◆ We noted one bid solicitation in which the Bureau of Purchasing awarded a contract to a vendor who was not the lowest qualified bidder. This appears to have resulted due to a clerical error.

II. BACKGROUND, OBJECTIVES AND SCOPE

A. Assignment

The Office of Public Integrity (OPI) routinely examines systems, internal controls, and compliance with laws, ordinances and City policies. The Mayor's Office requested this review.

B. Background

The Bureau of Purchasing purchases or leases all material, supplies, equipment, and contract services necessary for the City to perform its tasks. The Bureau writes specifications for items, obtains quotes from vendors, solicits, analyzes and awards bids and issues contracts and purchase orders.

When a City department needs goods or services that are on City, County or State contract, Purchasing issues a call number or purchase order to that department. When a department requires something that is not on contract, the procurement procedure that Purchasing uses to obtain it depends on its projected cost of the item. If the cost of the item is less than \$300, the originating department obtains three price quotes and the Bureau issues the department a call number. For purchases of commodities and services with a projected annual aggregate over \$300 and less than \$10,000 (\$20,000 for public works projects), Purchasing solicits and obtains written price quotations. For purchases of commodities and services with a projected annual aggregate in excess of \$10,000 (\$20,000 for public works projects) the City is subject to the competitive bidding requirements of New York State General Municipal Law. In all cases, the Bureau selects the lowest quote or qualified bidder that meets the required contract specifications.

C. Objective and Scope

The objectives of this review were to evaluate the adequacy of internal controls, determine that Purchasing is obtaining goods and services in a cost effective manner by awarding contracts to the lowest qualified bidder, and to determine that Purchasing is adhering to City Code, policies and New York State law. Using a 95% confidence level, we examined a random sample of 134 of the total number of 208 advertised bids for goods and services during the period July 1, 2007 to April 7, 2008. We also examined a random sample of 109 of the total number of 2,970 purchase orders over \$300 issued during the period July 1, 2007 to May 9, 2008.

Management is responsible for establishing and maintaining a system of internal accounting and administrative control. Fulfilling this responsibility requires estimates and judgments by management to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of accurate, informative reports that are fairly stated.

Because of inherent limitations in any system of internal accounting and administrative control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any system evaluation to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

The recommendation presented in this report includes the more significant area of potential improvement that came to our attention during the examination, but does not include all possible improvements that a more extensive review might develop.

III. RESULTS OF REVIEW

The results of this review indicate that, in general, internal controls in the purchasing process appear adequate, the Bureau of Purchasing is obtaining goods and services in a cost effective manner by awarding contracts to the lowest qualified bidder, and the Bureau is adhering to City Code, policies and New York State Municipal Law. However, we noted the following finding during this review.

A. Contract Not Awarded To Lowest Bidder

As noted above, the City is subject to the competitive bidding requirements of New York State General Municipal Law for purchases of commodities and services with a projected annual aggregate over \$10,000 (\$20,000 for public works projects). These requirements include awarding the contract to the lowest qualified bidder that meets the contract specifications.

The Office of Public Integrity examined 134 of the 208 advertised competitive bids that occurred during our test period. We noted one occurrence in which the Bureau of Purchasing approved a contract to a vendor who was not the lowest qualified bidder. This appears to be due to a clerical error that resulted when the originating department inadvertently selected a vendor other than the low bidder and, Purchasing did not discover the error during their review process.

◆ Recommendation

We recommend that the Bureau of Purchasing award contracts to the lowest qualified bidder, and that they exercise care and diligence when reviewing bid proposals.

IV. MANAGEMENT RESPONSE

The response of the Department of Finance to this report begins on the next page.



Inter-Departmental Correspondence

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CITY OF ROCHESTER
OFFICE OF PUBLIC INTEGRITY

To: Daniel J. Markese, Manager, Internal Audit

From: Brian Roulin, Director of finance

Date: September 5, 2008

Subject: Bureau of Purchasing – Review of Purchasing Bid Process

Dan,

The Department of Finance has reviewed the findings of the audit of the Bureau of Purchasing Bid Process, is in agreement with those findings, and has no objections to the findings.

The Bureau of Purchasing has noted the occurrence where an award was made to a non low bidder due to a clerical error that wasn't discovered during Purchasing's bid review process. Although the financial impact was only \$237.00, Purchasing has instituted procedures to insure more diligence in the bid review process to prevent possible reoccurrences in the future.



Brian Roulin, Director
Department of Finance