

Town of Scriba

Board Oversight

SEPTEMBER 2017



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

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Report Highlights

Town of Scriba

Audit Objective

Determine whether Town officials used competitive methods when procuring goods and services and complied with statutes related to conflicts of interest.

Determine whether water district assessments were levied in accordance with the local law requirements.

Determine whether Town officials adequately safeguard critical computer functions and personal, private and sensitive information (PPSI).

Key Findings

- Town officials did not seek competition for purchases from 23 vendors totaling \$455,638.
- A Board member has a prohibited interest in contracts totaling approximately \$2,540.
- Several properties were not charged for water system debt according to the local law; including a mobile home park that was underbilled by \$7,157.
- Town officials need to improve safeguards for computer resources and data.

In addition, sensitive information technology (IT) control weaknesses were communicated confidentially to Town officials.

Key Recommendations

- Revise and enforce the Town's procurement policy and do not enter into any contract in which an officer or employee has a prohibited interest.
- Charge water system debt in accordance with the local law.
- Update computer policies, monitor compliance, provide training and address the IT recommendations communicated confidentially.

Town officials generally agreed with our recommendations.

Background

The Town of Scriba (Town) is located in Oswego County. The elected five-member Town Board (Board) is the legislative body responsible for general management and control over the Town's finances and operations. The Town Supervisor (Supervisor) is a member of the Board and serves as the Town's chief executive officer and chief fiscal officer.

Quick Facts

| | |
|---|----------------------|
| Population | 6,840 |
| 2016 Appropriations | \$6.1 million |
| Purchases during the Audit Period | \$2.8 million |
| Water District Assessments Levied in 2016 | \$950,000 |

Audit Period

January 1, 2015 - August 31, 2016. We extended our scope period forward to November 14, 2016 to perform certain IT tests.

Procurement of Goods and Services

How Should a Town Procure Goods and Services?

General Municipal Law (GML) generally requires the Board to advertise for competitive bids on purchase contracts of more than \$20,000 and public works contracts of more than \$35,000 in any 12-month period.¹ GML further requires the Board to adopt policies and procedures for goods and services not subject to competitive bidding, such as professional services, purchases under bidding thresholds and sole source and emergency purchases. These policies and procedures should indicate when to use competitive methods, such as sending out requests for proposals (RFPs) and obtaining written or verbal quotes. The procedures should also include documentation requirements for actions taken. In addition, the Board is responsible for ensuring that all Town officials and employees are familiar with GML requirements relating to conflicts of interest and should ensure that the Town does not enter into any contract for goods or services in which a Town officer or employee has a prohibited interest.

The Board Does Not Verify That Competitive Methods Are Used

The Town's procurement policy designates the Board as the purchasing agent, requires competitive bidding for items over the GML competitive bidding thresholds and requires multiple written quotes² for purchase contracts below the bidding threshold but over \$1,000 and public works contracts below the threshold but over \$10,000. However, Town officials, such as Department heads are unfamiliar with the procedures for competitive bidding and written quotes. In addition, Town officials do not provide the Board with evidence of competition when requesting approval for purchases. Also, the policy does not require that Town officials seek competition when acquiring professional services³ or provide guidance on how to document sole source and emergency purchases.

We reviewed purchases totaling approximately \$1.8 million to determine whether competitive methods were used. Town officials generally sought competition for procurements that exceeded the competitive bidding thresholds. However, they did not seek competition for certain professional services and purchases under the bidding threshold from 23 vendors totaling \$455,638 (figure 1).

1 There are exceptions such as purchases through the New York State Office of General Services, purchases through certain county and federal contracts and purchases through certain contracts let by other states or political subdivisions.

2 The procurement policy requires either two or three written/faxed quotes, depending on the dollar amount of the procurement. For example, two written/faxed quotes are required for purchases greater than \$999 but less than \$10,000 and three written/faxed quotes are required for purchases greater than \$9,999 but less than \$20,000.

3 Professional services generally include services rendered by attorneys, engineers, and certain other services requiring specialized or technical skills, expertise or knowledge, the exercise of professional judgment or a high degree of creativity.

| FIGURE 1: Purchases Without Competition | |
|--|------------------|
| Category | Expenditure |
| Legal Services | \$216,894 |
| Engineering Services | \$134,675 |
| Unleaded Gasoline | \$27,106 |
| Equipment Maintenance and Repair | \$20,870 |
| Highway Department Supplies | \$9,812 |
| Water Meters and Parts | \$8,713 |
| Pool Equipment | \$7,385 |
| Monument Repairs | \$6,999 |
| Construction Supplies | \$4,883 |
| Senior Citizens Trip | \$4,628 |
| Tires | \$4,256 |
| Garage Door Repair | \$3,804 |
| Solar Panel Lease | \$3,000 |
| Auto Body Repair | \$2,613 |
| Total | \$455,638 |

Professional Service Providers

We reviewed a sample of five payments totaling approximately \$111,000 to the five highest paid professional service providers.⁴ Over the course of the audit period, these five professional service providers received approximately \$495,200. We reviewed the payments to determine whether Town officials sought competition before procuring the services. While Town officials sought competition for the purchase of insurance totaling \$143,631,⁵ they did not seek competition when choosing four vendors who were paid a total of \$351,569 for legal and engineering services.

Written Quotes

We reviewed a sample of 21 purchases totaling \$113,312 subject to written quotes. Town officials did not seek quotes or any competition for 90 percent (19) of the purchases totaling \$104,069. This included water meters that Town officials told us were purchased from a sole source vendor; but they had no documentation to support the sole source justification.

Because Town officials do not always follow the procurement policy and solicit competition when appropriate, the Board has little assurance that the Town

⁴ Three law firms, an engineering firm and an insurance company

⁵ The Insurance was purchased through the New York Municipal Insurance Reciprocal (NYMIR). NYMIR is a collaboration of 800 municipal members that seeks to use the purchasing power of its members and competitive methods to reduce insurance costs for its members.

is procuring goods and services in the most prudent and economical manner and that the procurements are free from favoritism. In addition, the Town risks acquiring goods and services at higher costs than necessary.

What is a Conflict of Interest?

If Town officers, in their private capacities, conduct business with the Town the public may question the appropriateness of the transactions. Such transactions may create an actual conflict of interest or the appearance of impropriety.

GML limits the ability of municipal officers and employees to enter into contracts in which both their personal financial interests and their public powers and duties conflict. Unless a statutory exception applies, GML prohibits municipal officers and employees from having an interest in contracts with the municipality for which they serve when they also have the power or duty – either individually or as a board member – to negotiate, prepare, authorize or approve the contract; to authorize or approve payment under the contract; to audit bills or claims under the contract or to appoint an officer or employee with any of those powers or duties. For this purpose, a contract includes any claim, account, demand against or agreement with a municipality, express or implied.

Municipal officers and employees have an interest in a contract when they receive a direct or indirect monetary or material benefit as a result of a contract. Municipal officers and employees are also deemed to have an interest in the contracts of their spouse, minor children and dependents (except employment contracts with the municipality); a firm, partnership or association of which they are a member or employee and a corporation of which they are an officer, director or employee, or directly or indirectly own or control any stock. As a rule, interests in actual or proposed contracts on the part of a municipal officer or employee, or his or her spouse, must be publicly disclosed in writing to the municipal officer or employee's immediate supervisor and to the governing board of the municipality and included in the official Board minutes.

A Board Member has a Prohibited Interest in Town Contracts

A Board member told us that he is the Vice President of an incorporated business (Corporation) that he co-owns with his brother.⁶ The Town made purchases of lawn and garden supplies from the Corporation from January through December 2015 totaling \$1,646, and from January through August 2016 totaling \$891.

The Board member is deemed to have an interest in each contract by virtue of being an officer and a 50 percent stockholder of the Corporation. As a Board

⁶ Based on conversations with the Board member, it is our understanding that the Board member is a 50 percent stockholder of the Corporation.

member, this individual also has one or more powers or duties that can give rise to a prohibited interest, including the ability to authorize or approve the contracts, authorize or approve payments under the contracts, audit bills or claims under the contracts or appoint someone to perform that function. Because none of the statutory exceptions appears to apply in this instance, we believe the Board member had a prohibited interest in purchases with his Corporation.

The Board has no system to identify outside occupations or business interests of Town officials and employees, or to monitor proposed purchases to prevent conflicts of interest. In addition, there were no written disclosures by the Board Member in the Board minutes, indicating that he had an interest in these contracts.⁷

What Do We Recommend?

The Board should:

1. Revise the procurement policy to address seeking competition when acquiring professional services and to provide guidance on documenting professional service, sole source and emergency purchases.
2. Verify that Town officials provide evidence of competition by examining supporting documentation when approving purchases.
3. Ensure all officials and employees are familiar with GML as it relates to conflicts of interest.
4. Ensure that the Town does not enter into any contract in which a Town officer or employee has a prohibited interest and that all interests or prospective interests in contracts are properly disclosed.

⁷ Although the Board member was required to disclose his interest in these contracts, such disclosure would not have cured his prohibited interest in the contracts.

Water District Assessments

How Should the Town Raise Funds for Water District Debt Service?

The Town has nine water districts that have outstanding debt related to past capital improvements. The Board passed a local law for Management, Control and Operation of Water Districts in 2002 and amended it in 2004. Among other things, this law established guidelines related to new water services, water rates and penalties, operation and repairs, and billing for debt payments of the water districts. The local law outlined a method for debt calculation for each property type using equivalent dwelling units (EDUs). The local law requires that the Board establish EDUs annually for payment of all debt incurred by each individual water district. Property owners within the boundaries of each water district are charged a benefit assessment on their real property tax bill, which is based on the number of EDUs charged for their property.⁸ The money collected is then applied toward debt service on obligations issued for district purposes. The Board is responsible for providing clear guidance and strict enforcement of the local law to ensure EDUs are charged appropriately.

| FIRE 2: EDUs Established in the Local Law | |
|---|------------------|
| Category | EDU |
| Single Family House with Tap ^a | 1 |
| Single Family House without Tap | ¾ |
| Vacant Property with tap | 1 |
| Vacant Property without tap | ½ |
| Extra Tap on Property (2nd Dwelling) | ¾ |
| Mobile Home Park – Connected | ½ per Lot |
| Mobile Home Park – Not Connected | 0.385 per Lot |
| Apartment Complex 5 to 99 units | ½ per unit |
| Apartment Complex 100 to 199 units | ¼ per unit |
| Apartment Complex 200 to 399 units | .17 per unit |
| Commercial 1-12 Employees | 1 |
| Commercial 13-24 Employees | 2 |
| Commercial 25-99 Employees | 4 |
| Commercial 100-299 Employees | 8 |
| Commercial 300+ Employees | 10 |
| Combined parcels | 1 |
| Vacant Not-for-Profit, Religious or Municipal (No improvement to allow for water usage) | 0 |
| OTHER | Board Determined |
| Seasonal | ¾ |
| Agriculture | ¼ or ½ |

^a A tap connects the property owner's water pipe to the Town's water main.

⁸ The Town's water districts were established prior to our audit period and many of them have been operational for decades. It was not within the scope of this audit to examine the petitions or notices of hearing related to the establishment of the districts to determine whether they were each formed on a benefit basis.

Water Districts Are Not Charged in Accordance with Local Law

We found no evidence that the Board annually establishes the EDUs for the payment of debt as required by the local law. The Water Department Director (Director)⁹ and the Town Assessor (Assessor) told us that the Department is responsible for setting and updating the EDUs for each property. Although the Assessor has detailed information about all the properties in the Town and their classifications (e.g., vacant, seasonal and agricultural), he is not involved in determining EDUs. The Water Department informs the Office of Oswego County Real Property Tax Services (OCRPTS) of changes to EDUs, and the Town's bookkeeper uses water debt schedules and the OCRPTS information on total EDUs in each water district to annually determine the unit rate charged for each district.¹⁰ The Director indicated that any updates to the EDUs are not communicated to or approved by the Board. The Town's Deputy Supervisor, who is a member of the Board, also told us that he has never been involved in approving EDUs. In addition, there is no process for Board members or any other Town officials to annually review EDUs to ensure they are being charged in accordance with the local law.

The Town has 2,745 parcels in the nine water districts that charged benefit assessments in 2016. These water districts raised approximately \$950,000 for their respective debt service payments. We reviewed the EDUs and benefit assessments totaling approximately \$377,000 charged to 101 of these parcels on the 2016 tax roll and found a number of issues. The vague language in the local law and the lack of formal action by the Board to establish EDUs for certain types of parcels makes the number of EDUs the Town should be charging unclear. Furthermore, Town officials do not always maintain documentation to support how they determined the EDUs charged to parcels. As detailed below, some taxpayers have been underbilled for benefit assessment charges while others may have been overbilled, based on the EDU schedule in the local law.

Mobile Home Parks

One mobile home park is located on two parcels. In March 2004, Town officials determined there were 114 lots on the two parcels. According to the 2005 assessment roll, the combined EDUs for both parcels were listed as three, which is the number that they are currently charged.¹¹ According to the local law, each lot in the mobile home park connected to the water district should be charged .5 EDUs, which in this case would total 57 EDUs. The majority of mobile home

9 The current Water Department Director was appointed in December 2010.

10 The annual benefit assessment charge for each parcel is equal to the unit rate multiplied by the number of EDUs for the parcel.

11 From 2005 through 2017, the mobile home park has been charged three EDUs on its tax bill each year.

parks in the Town have the tenants individually set up with their own meters and accounts with the water department. However, one other mobile home park is set up similarly, where the owner has two master meters and pays the Town directly for all the mobile home lots in the park on two accounts. That mobile home park has 46 lots and is billed 23 EDUs which is consistent with the local law. If the first mobile home park was charged according to the local law, at 57 EDUs, then its 2016 benefit assessment would have been \$7,157 more than the amount billed.

Another mobile home park has several different types of buildings. We were informed by the Assessor's office that the parcel contains 13 mobile homes, one washer/dryer community building, one single family house and one 12-room motel. Currently this parcel is charged EDUs based on 16 mobile homes (eight EDUs) and an extra tap for the house at .75 EDUs for a total of 8.75 EDUs. Because the local law does not state how many EDUs should be charged for a motel and the community building did not clearly fall into any of the categories in the law, it is unclear what the parcel should be charged.

Apartment Complexes

A parcel classified as an apartment building on the tax roll is being charged 35.5 EDUs. The Assessor's office lists the property as 40 apartments and one community center. According to the local law, the apartment complex should be charged for 20 EDUs. Assuming the Community Center, which does not clearly fall into any of the property categories in the local law, would be charged up to one EDU, the property should be charged a maximum of 21 EDUs. The Director told us and he believes that the EDUs may have been set at 35.5 because the parcel contains 14 duplexes at 1.75 EDUs each (24.5), four triplexes at 2.5 EDUs each (10) and one community center at one EDU. However, this calculation is not consistent with the EDUs for apartments established in the local law.

Commercial Properties and Other

The local law provides that commercial properties will be charged 1 to 10 EDUs, depending on the number of employees. However, the Director told us that he is not provided with information on the number of employees each commercial business has. Without this information, the Town cannot ensure that it is charging EDUs in accordance with the local law.

For example, a parcel classified as a motel, which is a commercial property, has an 18-room motel, eight cabins, one restaurant/bar and one single family house. The Town charged 1.75 EDUs for this parcel (one for the house and .75 for an extra tap for a second dwelling). Because the number of employees is unknown and the local law does not assign EDUs for motels or restaurants/bars as it does for apartments and mobile home parks, it is unclear how Town officials established the EDUs charged for this parcel.

In addition, the Town charges a manufacturing facility and two nuclear power plants EDUs based on water usage.¹² These types of properties are not addressed in the local law. Although the law does include a category for “Other” and it states that the EDUs will be determined by the Board, we found no indication that the Board formally established the EDUs to be charged for these parcels.

One Family Residential

Nine parcels on the same street are classified as one family residential by OCRPTS and are being charged .75 EDUs each. The Director informed us that all properties on this road are considered seasonal and are charged according to the seasonal classification in the local law. The local law states that to be eligible for a seasonal classification the parcel must be classified as such by OCRPTS. According to the Assessor, these properties do not qualify as seasonal properties and should be charged one EDU each. Therefore, they were each underbilled .25 EDUs (\$27.25), or \$245.25 in total.

Vacant Non-Profit, Religious or Municipal

We reviewed 47 parcels that were charged zero EDUs. Eight parcels fell under the vacant non-profit, religious or municipal exemption in the local law. The Director informed us the remaining 39 are charged zero EDUs because they are “landlocked” parcels. He explained that a landlocked parcel is one in which the parcel does not touch a Town road. There is no classification for landlocked parcels in the local law. Categories in the local law for vacant parcels without a tap (.5 EDUs) and agricultural parcels (.5 with tap or .25 without a tap), may be appropriate for many of these parcels. We question whether charging zero EDUs (no benefit assessment) for these parcels is appropriate.

What Do We Recommend?

The Board should:

5. Annually review water EDUs to ensure that they are charged in accordance with the local law.
6. Approve any changes or additions to water EDUs throughout the year.
7. Review the EDU categories in the local law to determine whether changes or additions are needed. If the Board chooses to continue using the number of employees as a factor in determining the EDUs for commercial properties, it should work with the Director to develop a mechanism to obtain this information.

¹² In 2016, the manufacturing facility was charged 1,520 EDUs and the two nuclear power facilities were charged 764 and 350 EDUs.

-
8. Ensure Town officials maintain documentation to support how they determined the EDUs charged to parcels.
 9. Direct Counsel to consider whether any retroactive billing adjustments should occur.

Computer Resources and Data Security

How Should the Town Protect Its Computer Resources and Data?

To help safeguard computer resources and data, the Board should adopt an acceptable use policy that informs users about the appropriate and safe use of Town computers, and a disaster recovery plan that provides guidance for minimizing loss and restoring operations should a disaster occur. The Board should periodically review and update its policy and plan to reflect changes in technology or the Town's computing environment. Also, the Board should monitor compliance with its computer policy, and ensure computer users are aware of security risks and are properly trained to reduce internal and external threats to IT systems and data.

Town Officials Have Not Developed, Maintained and Monitored Policies to Protect Critical Functions and PPSI

The Town has five laptops and 15 desktop computers assigned to officers and employees. These computers house all the data the Town requires to function including PPSI. Although the Board has established a computer policy to address appropriate computer use, it has not been updated since January 2011 and Town officials do not monitor compliance with the policy. In addition, the Board has not adopted a disaster recovery plan to address potential catastrophes or a policy to ensure network users are provided IT security training. Consequently, there is an increased risk that users will not understand the security measures and their individual responsibilities to protect the Town's network. Also, in the event of a disaster, Town officials will have no plan to minimize or prevent the loss of equipment and data or to recover data. As a result, the Town's IT assets and data are more vulnerable to the risk of loss and misuse and the Town could suffer an interruption in operations.

The Risks of Inappropriate Internet Use

We examined an employee's computer that is used to maintain the Town's financial records and contains PPSI, which, if compromised, could significantly impact Town operations. We reviewed the computer's web history and found exposed PPSI notably, the usernames for several secure websites. We also found that the employee visited social networking, job search and entertainment websites, potentially for non-business purposes, and performed Internet research and browsing of a personal nature.

The inappropriate use of Town computers could expose the Town to virus attacks or compromise systems and data, including key financial and confidential information. Therefore, it is important for the Town to have a clear policy on acceptable computer use, to monitor compliance with the policy and to provide IT security awareness training to employees so they understand the associated risks.

What Do We Recommend?

The Board should:

10. Review and update the computer policy to reflect changes in technology and the Town's computing environment and monitor compliance with the policy.
11. Adopt a comprehensive disaster recovery plan.
12. Provide IT security awareness training to all Town employees who use IT resources. This training should include appropriate and prohibited uses of the Internet, and the risks of inappropriate use.

Appendix A: Response from Town Officials

TOWN OF SCRIBA
MUNICIPAL BUILDING
42 CREAMERY ROAD
OSWEGO, NEW YORK 13126



OFFICES
(315) AREA CODE

FAX
343-9087

SUPERVISOR
343-3019

TOWN CLERK
343-3375
FAX 343-9664

ASSESSOR
343-3894

BUILDINGS & GROUNDS
WATER DEPT.
342-6894

WATER BILLING CLERK
342-6342

BUILDING INSPECTOR
343-4568

DOG CONTROL OFFICER
592-8601

HISTORIAN
342-6420

HIGHWAY DEPT
343-3036

JUSTICE COURT
343-1503
343-3250

PLANNING BOARD
343-0854

S.A.C.C.
342-6919

TAX COLLECTOR
343-8038

August 25, 2017

Rebecca Wilcox, Chief Examiner
Office of the New York State Comptroller
Division of Local Government & School Accountability
State Office Building, Room 409
333 E. Washington Street
Syracuse, NY 13202-1428

Re: Response by Town of Scriba
2017M-83

Dear Ms. Wilcox:

Please accept this letter as the Town of Scriba's response to the Audit Report conducted by the Office of the New York State Comptroller for the audit period January 1, 2015 to November 14, 2016. The audit objectives were fair and intended to improve the overall function of governing the Town of Scriba. Some of the key findings identified by OSC must be considered under a broader view of the Town's functions and its unique position in the State of New York as the host community to three nuclear power plants, as will be further explained in this response. The action plan proposed by the OSC contains reasonable recommendations, some which have already been implemented. The Town of Scriba does accept the need to improve safeguards for computer resources and data and its action plan is designed to incorporate the key recommendations contained in the audit.

Professional Services

Of the \$455,638 in purchases and services claimed not to have sought competition, \$351,569 pertained to professional services, which is specifically exempted from competitive bidding under the GML 104-b. The Town's Procurement Policy clearly spells out exceptions to competitive bidding (Guideline 7). In the case of the legal and engineering services, these are clearly exempted as professional services. The law firms and engineering firms utilized by the Town have a long-standing relationship with the Town and are not only competitive with other law firms but in some cases substantially lower in fee structure than other law firms.

See
Note 1
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Letter to Rebecca Wilcox

August 25, 2017

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Regarding the Town's use of the law firms, that decision was a collaboration between the county, town and school districts to hire outside legal counsel to assist the municipalities with complex litigation involving the nuclear power plants. The use of local counsel was also implemented and saved the Town of Scriba money in additional outside legal costs. Fortunately, our town attorney has developed a specialized knowledge that was instrumental in negotiating tax agreements with all three nuclear power plants, thereby saving the Town money.

The use of the engineering firm was also a savings in money to the Town. The engineers have a long-standing relationship with the Town. Other engineering firms have been utilized by the Town over the years with varying degrees of success and the engineering firm used during the audit period has a proven record of success which was well-served by the Town.

Conflict of Interest

The town board member who is also an officer in a company that the Town did business with did not participate in votes to authorize these expenditures, nor did he intentionally attempt to direct town business to his private business. Nor did the \$2,540 paid by the Town to the business, during the audit period, have an impact on the remuneration that the town board member receives from the business in which he has an interest. The board member operates a farm and garden business located one mile from the town offices. Occasionally, and starting prior to the town board member assuming office, the Town's Buildings & Grounds Department or Highway Department would make equipment or materials purchases at the business, as a matter of convenience and cost-savings. The practice continued after the business owner was appointed, and then elected, to the Town Board. The members of the Town Board have reviewed the provisions of the GML related to Conflicts of Interest and understand the nature of the conflict and the perceptions attendant thereto. Arguably, the threshold expenditure allowed under GML 802 (2)(e) is \$750 annually.

The Town of Scriba has adopted both its Procurement Policy and Conflict of Interest Policy using model policies offered by the NYS Association of Towns, which worked in cooperation with the OSC in preparing the model policies. The Conflict of Interest Policy was updated earlier this year to reflect the current provisions of the GML. The Town's Procurement Policy is adopted annually during the Town Board's organizational meeting.

The Town of Scriba is an equal opportunity provider and employer. To file a complaint of discrimination write USDA, Director, Office of Civil Rights, 1400 Independence Avenue, SW, Washington, DC 20250-9410, or call (800) 795-3272 (voice) or (202) 720-6382 (TDD)

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Letter to Rebecca Wilcox
August 25, 2017
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Water System Charges

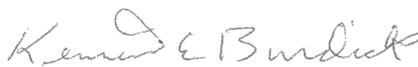
The Town of Scriba will adopt the key recommendations of the OSC as they relate to water system charges. It must be noted however that the allegations related to the key findings contained in the OSC report occurred prior to the current administration of Town officials entering office. Nevertheless, the annual review of water charges and the EDU formulas are worthy of action. The recommendations by OSC will be incorporated into the Town's action plan.

Information Technology Safeguards

The Town of Scriba accepts the key findings of the OSC regarding the need to improve safeguards for computer resources and data and will update and implement computer policies, monitor compliance, provide training and address the recommendations communicated confidentially by OSC to Town officials.

Thank you for the opportunity to respond to the audit findings and recommendations.

Sincerely,



Kenneth E. Burdick
Town Supervisor

Cc: Town Board Members
Town Attorney
Department Heads

Appendix B: OSC Comment on the Town's Response

Note 1

We recommended that the Board revise the procurement policy to address seeking competition when acquiring professional services. We recognize that these types of purchases are not subject to competitive bidding. However, GML requires the Board to adopt policies and procedures for goods and services not subject to competitive bidding. These policies and procedures should indicate when to use competitive methods, such as sending out RFPs. An RFP can provide assurance the Town is procuring professional services in the most prudent and economical manner.

Appendix C: 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 objectives and obtain valid audit evidence, we performed the following audit procedures:

- We interviewed Town officials and reviewed Board minutes and Town policies to gain an understanding of the purchasing process.
- We analyzed \$2.8 million in disbursements (which excluded salaries and wages) to identify purchases subject to competitive bidding, professional services, and those for which, in our judgment, quotes would be desirable to ensure the lowest possible cost.
- We examined five payments and reviewed bid documents for evidence that purchases were properly bid and the lowest responsible bidder was selected. If the Town did not solicit competitive bids, we determined whether the purchases were made using a State contract, County contract, or BOCES bid award and whether the amounts charged agreed with the contracts.
- We examined five payments for professional services for evidence that RFPs were used or some other form of competition was sought.
- We examined 21 purchases under GML thresholds but over \$1,000 for evidence of competition. We determined whether the purchases were made using State contracts, County contracts, BOCES bid awards or quotes. When applicable, we also determined whether the amounts charged were the contracted or quoted amounts.
- We obtained representations from Board members and other Town officials that disclosed their outside employment and business interests, and those of their spouses, for the audit period. We compared these disclosures to cash disbursement records to determine whether the Town had financial transactions that might constitute prohibited conflicts of interest.
- We interviewed Town officials and reviewed the Town's local law for the Management, Control and Operation of Water District to determine the process for establishing EDUs to charge for water debt.
- We judgmentally selected 101 high risk parcels, including mobile home parks, apartments, parcels with zero EDUs and parcels with no defined category in the local law. We compared EDUs charged to the water debt calculation schedule in the local law and followed up with Town officials on properties that did not have a category or did not appear to match the schedule.
- We interviewed Town officials, reviewed Town's computer policy and inquired about a disaster recovery plan and security awareness training to gain an understanding of the IT environment.
- We analyzed an employee's computer by running audit software and examining temporary Internet files, cookies and Internet histories.

Our audit also examined the adequacy of certain IT controls. Because of the sensitivity of some of this information, we did not discuss the results in this report, but instead communicated them confidentially to Town officials.

We conducted this performance audit in accordance with GAGAS, (generally accepted government auditing standards). 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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.

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 Town Clerk's office.

Appendix D: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

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

www.osc.state.ny.us/localgov/costsavings/index.htm

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

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

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

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

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

www.osc.state.ny.us/localgov/planbudget/index.htm

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

www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.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/localgov/finreporting/index.htm

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

www.osc.state.ny.us/localgov/researchpubs/index.htm

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

www.osc.state.ny.us/localgov/academy/index.htm

Contact

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Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

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www.osc.state.ny.us/localgov

Local Government and School Accountability Help Line: (866) 321-8503

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