



Village of Penn Yan

Procurement

2024M-152 | March 2025

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Report Highlights

Village of Penn Yan

Audit Objective

Determine whether Village of Penn Yan (Village) officials ensured Water Treatment Plant (WTP) procurements were made in accordance with Village policy and in the best interest of ratepayers.

Key Findings

Village officials did not ensure the Chief Water Operator procured all goods and services in accordance with Village policy. As a result, there is an increased risk that the Village paid more than necessary for goods and services or made purchases that were not in the best interest of ratepayers. For example, of the 195 WTP purchases totaling approximately \$1.15 million that we reviewed:

- Competition was not sought for 89 purchases totaling approximately \$95,000.
- Six of the 10 sole source purchases totaling approximately \$30,000 lacked documentation to support the goods and services procured were only available from legitimate “sole source” providers.
- Three water-tight and air-conditioned enclosure purchases were not in the best interest of ratepayers and resulted in \$32,000 of unusable parts.

Key Recommendations

- Seek competition for the procurement of all WTP goods and services not subject to competitive bidding.
- Request that the Village engineer inspect locations and measurements prior to procuring goods requiring installation in Village facilities to ensure that the items can be used as intended.

Village officials generally agreed with our recommendations and indicated they will take corrective action.

Audit Period

June 1, 2023 – May 31, 2024.

Background

The Village is located in the Towns of Milo, Benton and Jerusalem in Yates County and is governed by an elected seven-member Board of Trustees (Board) composed of the Mayor and six Board members.

The WTP supplies drinking water to 2,325 residential meters and five wholesale municipalities including the Village of Dresden, Town of Milo, Town of Jerusalem, Town of Benton, and Town of Pulteney.

The Department of Public Works (DPW) Director and Deputy Director oversee the WTP operations, while the Chief Water Operator oversees three water operators that run the WTP. The Chief Water Operator makes WTP purchases.

This report uses “officials” to collectively refer to the Village Board members, Treasurer, and the DPW Director and Deputy Director.

Quick Facts

Total 2023-24 Fiscal Year WTP Purchases	\$1,186,308
WTP Purchases Reviewed	\$1,150,786

Procurement

How Should Village Officials Seek Competition for Procurement?

Officials should ensure, when required, purchases are made in accordance with New York State General Municipal (GML) Section 103, that generally requires village officials to solicit competitive bids for purchase contracts exceeding \$20,000 and public works contracts exceeding \$35,000. To determine whether competitive bidding is necessary, village officials must consider whether the aggregate cost of a good or service, purchased within a 12-month period, will exceed competitive bidding thresholds. One exception to the competitive bidding requirements is purchasing from a legitimate sole source.

Village officials must also comply with GML Section 104-b that requires a board to adopt written policies and procedures for procuring goods and services not subject to competitive bidding requirements, including professional services. These policies and procedures should describe the methods for promoting competition of goods and services not subject to competitive bidding, identify the individuals responsible for purchases and require that they maintain adequate documentation of the actions taken with each procurement method.

GML also states that goods and services must be procured prudently, economically and in a manner that is in the taxpayers' best interests and is not influenced by favoritism, extravagance, fraud or corruption.

Officials should also ensure that the Village's procurement policy, last updated by the Board in 2024, is followed. This policy requires that Village officials and employees analyze each potential purchase to determine whether a competitive bidding process must be used for singular purchases, or purchases of a similar type in the aggregate. See competition required thresholds (Figure 1):

Figure 1: Village Procurement Policy Requirements

Purchase Contracts	
Dollar Range	Competition Required
Below \$3,000	None required
\$3,000 - \$5,000	Two verbal quotes
\$5,001 - \$20,000 (\$35,000 for Public Works Contracts)	Three written quotes

Additionally, the procurement policy exempts soliciting written proposals or quotations when purchasing from local contractors is in the best interest of the Village, as well as when acquiring professional services.

The Chief Water Operator Did Not Always Seek Competition When Procuring WTP Goods and Services

We reviewed 195 WTP purchases totaling approximately \$1.15 million made during the audit period, of which 106 purchases totaling approximately \$1.06 million were procured appropriately. The Chief Water Operator did not solicit competition or have supporting documentation for the exemption related to sole source providers for the remaining 89 purchases totaling approximately \$95,000. Specifically, the Chief Water Operator did not:

- Obtain the minimum number of written quotes required for 73 purchases totaling approximately \$48,000. These purchases included various types of goods and services such as parts and equipment (\$17,000), lab work (\$12,000) and security cameras (\$6,000). Several of these goods

and services were obtained from local vendors and consistently lacked documentation as to why the local vendor was in the best interest of the Village or ratepayers.

- Obtain the minimum number of verbal quotes for 10 purchases totaling approximately \$17,000. These purchases included various types of goods and services such as software (\$4,500), cameras (\$4,000), and supplies and equipment (\$4,000).
- Maintain adequate documentation for six of the 10 purchases totaling approximately \$30,000 to verify that the goods and services procured were only available from legitimate sole source providers.

The DPW Director, Treasurer and Chief Water Operator stated that many of these purchases were exempt from the solicitation of alternative proposals or quotations because they were for professional services or provided by local vendors. While the procurement policy states that preferential treatment may be given to local contractors within the best interest of the Village, not seeking some type of competition prior to awarding a contract to a local contractor and providing rationale as to why the local contractor was selected, raises questions as to whether the procurement was, in fact, in the best interest of the ratepayers.

Additionally, three water-tight and air-conditioned enclosures totaling \$61,693 were purchased. However, approximately \$32,000 (52 percent) of the purchases could not be used because the Chief Water Operator did not accurately measure, or have the Village engineer confirm, the enclosures would fit in the area of the WTP where the enclosures were to be housed. Because the enclosures could not be used as originally intended, WTP personnel disassembled the enclosures and were able to salvage some of the components (valued at approximately \$30,000). However, to use the salvaged components without the water-tight cabinets, they needed to relocate them to a safer area of the WTP where there was less risk of flooding. As a result, officials wastefully spent \$32,000.

Because Village officials did not ensure required competition was sought or that purchases adhered to the Village's procurement policy, officials may have acquired goods and services at higher costs than necessary, and is at greater risk of making procurements that result in favoritism, improvidence and extravagance.

What Do We Recommend?

The Board should:

1. Update the procurement policy to include procedures and supporting documentation requirements for purchasing all goods and services that are not subject to competitive bidding requirements.

Village officials should:

2. Ensure that the Chief Water Operator solicits competition and retains appropriate supporting documentation when procuring goods and services not subject to competitive bidding.

-
3. Explore options to recoup some of the cost of the unusable components of the water-tight and air-conditioned enclosures.

The Chief Water Operator should:

4. Seek competition for the procurement of all WTP goods and services not subject to competitive bidding.
5. Request that the Village engineer review capital project procurements prior to purchase to ensure that the items can be used as intended.

Appendix A: Response From Village Officials

Village of Penn Yan

Mayor Danny Condella
Trustee Kevin McLoud
Trustee Daniel Henries, Jr.
Trustee Teresa Hoban
Trustee Daniel Irwin
Trustee Norman Koek
Trustee Brenda Travis
Clerk-Treasurer Holly Easling



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February 25, 2025

Stephanie Howes, Chief of Municipal Audits
Office of the State Comptroller
Rochester Regional Office
The Powers Building
16 West Main Street, Suite 522
Rochester, NY 14614-1608

Subject: 2024M-152 Procurement Audit Report Response Letter

Dear Ms. Howes:

We would like to express our appreciation for the significant time, effort, and communications of your team throughout the audit process. The written report and discussion of the findings was informative and useful. We value recommendations that will help us continuously improve our processes and procedures furthering our efforts to safeguard ratepayer resources.

We agree with the findings and recommendations in your audit report. We strive to ensure all purchases made are in the best interest of the ratepayers and recognize the importance of soliciting competition. We have already taken measures to address the recommendations to confirm supporting documentation is provided for purchasing goods and services that are not subject to competitive bidding requirements. In addition, we are exploring alternative options for the water-tight and air-conditioned enclosures and seeking additional guidance from the Village engineer for smaller-scale capital projects. We will ensure that all recommendations are adequately addressed as we develop our corrective action plan.

Thank you for your oversight and suggestions to improve our operations. We will file our corrective action plan in a timely manner after the final report is released.

Sincerely,

Danny Condella
Mayor, Village of Penn Yan

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. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed Village officials and employees to gain an understanding of the procurement process and reviewed Board meeting minutes and any related policies.
- We reviewed monthly abstracts (listing of claims), voucher packets from June 1, 2023 through May 31, 2024, and identified 717 payments for goods and services totaling \$1,186,308. To determine whether purchases were made in accordance with GML 103 and the Village's procurement policy, we sorted these purchases by vendor name, date of purchase, and combined like purchases into aggregate totals.
 - We reviewed all 43 purchases subject to competitive bidding totaling approximately \$961,000.
 - We reviewed all 84 purchases subject to three written quote requirements totaling approximately \$148,000.
 - We reviewed all 11 purchases subject to two verbal quote requirements totaling approximately \$20,000.
 - We also used professional judgment to select a sample of 57 purchases not subject to competitive bidding or quote requirements totaling approximately \$21,000.
- We reviewed the selected purchases against available documentation such as bidding documents, written quotes, and Board meeting minutes to determine compliance with the requirements of the Village's procurement policy.

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 Village Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/fiscal-monitoring

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/resources/planning-resources

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

www.osc.ny.gov/files/local-government/publications/pdf/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.ny.gov/local-government/required-reporting

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/academy

Contact

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