

August 6, 2018

CONFIDENTIAL

Honorable Mayor and
Members of the City Council
City of Beacon, New York:

We have completed our audit of the financial statements of City of Beacon, New York (the City) for the year ended December 31, 2017, and have issued our report thereon dated August 6, 2018. Considering the test character of our audit, you will appreciate that reliance must be placed on adequate methods of internal controls as your principal safeguard against irregularities which a test examination might not disclose. We now present for your consideration our observations and recommendations during our audit.

This report is solely for the information and use of the Members of the City Council, management and others within the City.

Uniform Guidance Procurement Requirements

Since the City receives Federal assistance, the City will need to renew and update its procurement policies and procedures so that they are in compliance with Uniform Guidance.

In December 2013, the U.S. Office of Management and Budget (OMB) issued comprehensive grant reform rules titled “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.” With that issuance, there were important updates made to specific areas of Uniform Guidance. Procurement is one of the areas that had significant changes. For all non-Federal entities, the implementation date for the procurement standards 2 CFR 200.317 through 200.326 will start for fiscal years beginning on or after December 26, 2017.

Some of the general standards over procurement include:

- Every non-federal entity receiving federal awards must have documented procurement procedures that reflect federal law, Uniform Guidance standards, and any state regulations.

- Entities should focus on the most economical solution during the procurement process, and must avoid using federal funds for the acquisition of unnecessary items. Organizations are encouraged to consider the use of shared services and intergovernmental agreements to foster greater economy and efficiency.
- Written conflict-of-interest policies are required. No employee or agent of the entity may participate in the selection, award, or administration of a contract funded by federal grant dollars if he or she has an actual or apparent conflict of interest.
- The organization must document the procurement steps and activities required to be completed. This includes the basis for the type of procurement, contract type, and the basis for the contractor selection and price.
- Ultimately, the recipient of federal awards must maintain an appropriate level of oversight to ensure that contractors perform in accordance with the terms of their contract.

The Uniform Guidance also requires full and open competition. Contractors who assist in drafting specifications for requests for proposals (RFP) must be excluded from competing for those opportunities. In addition, RFP specifications cannot have unreasonable requirements that are meant to limit competition. Also, procurements must be conducted in a manner that prohibits the use of geographical preferences in the evaluation of proposals, except in certain case where federal law explicitly requires or encourages geographic preference or when contracting for architectural and engineering services, provided that specifying geographic location leaves an appropriate number of qualified firms.

The Uniform Guidance outlines five methods of procurement:

- Micro-purchase: Purchases where the aggregate dollar amount does not exceed \$3,000 (or \$2,000 if the procurement is construction and subject to Davis-Bacon). When practical, the entity should distribute micro-purchases equitably among qualified suppliers. No competitive quotes are required if management determines that the price is reasonable.
- Small purchase: Includes purchases up to the Simplified Acquisition threshold, which is currently \$150,000. Informal purchasing procedures are acceptable, but price or rate quotes must be obtained from an adequate number of sources.
- Sealed bids: Used for purchases over the Simplified Acquisition Threshold, which is currently \$150,000. Under this purchase method, formal solicitation is required, and the fixed price (lump sum or unit price) is awarded to the responsible bidder who conformed to all material terms and is the lowest in price. This method is the most common procurement method for construction contracts.

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We wish to take this opportunity to express our appreciation for the courtesy and cooperation extended to us by the City during our audit. If you have any questions regarding the foregoing comment or wish any assistance in its implementation, please contact us at your convenience.

Very truly yours,

EFPR GROUP, CPAs, PLLC

A handwritten signature in black ink, appearing to read "Douglas E. Zimmerman", written in a cursive style.

Douglas E. Zimmerman, CPA
Partner
Chief Operating Officer