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The Authorities Budget Office Issues Report on IDA Procurement Practices

The Authorities Budget Office (ABO) released its report on Industrial Development Agency (IDA) procurement practices. The review found that IDAs that use competitive selection procedures to obtain professional service contracts such as audit and legal services generally obtained lower costs than those IDAs that did not seek competition. On average, IDAs that competitively selected audit services paid \$101 per active project, while those IDAs that did not seek competition for their audit contracts paid \$183 per active project. The lack of competitive selection resulted in costs that on average were 80 percent higher than those IDAs that used competitive selection methods.

In general, competitive bidding is not required for professional service contracts such as audit and legal services because factors such as experience and quality of service need to be considered in addition to the costs of the services. However, there are selection methods available, such as issuing requests for proposals that enable public authorities to evaluate both service quality and costs. These methods help to ensure that maximum quality is obtained at the lowest possible costs. Yet, the majority of IDAs report that they do not use these other competitive selection methods.

Based on data reported for 2014 by all public authorities, not-for-profit corporations report that 73 percent of all procurements are competitively selected; state authorities report 65 percent of procurements are competitively selected; local authorities report 57 percent of procurements are competitively selected; and IDAs report that only 32 percent of procurements are competitively selected.

The ABO reviewed the method of selecting audit and legal service contracts at 16 IDAs located throughout New York State, and determined the costs paid for these services. Those IDAs that selected its independent auditor based on competitive criteria paid between \$31 per project and \$203 per project, while the IDAs that did not consider competition in selecting the auditor paid between \$67 per project and \$792 per project. ABO staff compared the audit costs based on the number of active projects reported by the IDA to address cost differences due to the size and complexity of the IDA.

The ABO report recommends that IDA boards of directors establish procurement policies and procedures that require a competitive selection process when awarding professional service contracts.

The IDAs reviewed were Albany County, City of Albany, Broome County, Delaware County, Erie County, Essex County, Genesee County, Monroe County, Montgomery County, Nassau County, New York City, Onondaga County, Rensselaer County, Suffolk County, Tompkins County, and Ulster County.

A copy of the full report is available at www.abo.ny.gov.