



Town of Batavia Highway Shared Services

Report of Examination

Period Covered:

January 1, 2010 — January 4, 2012

2012M-16



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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

April 2012

Dear Town Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and Town Board governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of the Town of Batavia, entitled Highway Shared Services. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the General Municipal Law.

This audit's results and recommendations are resources for local government officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Town of Batavia (Town) is located in Genesee County (County), has a population of approximately 6,800, and encompasses almost 48.5 square miles. The Town is governed by an elected Town Board (Board) comprising four council members and a Town Supervisor. The Board is responsible for the general management and control of Town finances through the adoption of an annual budget. The Board's responsibilities include protecting Town assets and ensuring that services are being provided effectively at the lowest cost.

For the fiscal year ended December 31, 2011, the general fund and highway fund operating expenditures were \$2.9 million¹ and \$1.2 million, respectively.

The Highway Department, which includes three full time employees, is responsible for maintaining Town roads, vehicles, equipment and certain buildings. To efficiently provide these services, the Town entered into shared service agreements with several municipalities in 2006. These agreements were renewed in 2011.

Objective

The objective of our audit was to review certain aspects of the Town's Highway Department's operations. To accomplish this, we initially conducted an audit survey of Town operations. Based on those results, we determined that internal controls appeared to be adequate and limited risk existed for most of the areas reviewed. Given the proactive steps taken by the Town to reduce costs, we selected the shared service agreements for further review. We accomplished this objective by addressing the following question:

- Have the Town's highway shared services agreements resulted in reduced costs?

Scope and Methodology

We examined the Town's highway shared services for the period January 1, 2010 to January 4, 2012.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report.

¹ Excludes transfers to the highway fund

**Comments of
Local Officials and
Corrective Action**

The results of our audit and recommendation have been discussed with Town officials and their comments, which appear in Appendix A, have been considered in preparing this report. Town officials generally agreed with the findings and indicated they would be taking corrective action.

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 forwarded to our office within 90 days, pursuant to Section 35 of the 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 this plan available for public review in the Town Clerk's office.

Highway Shared Services

The Town is responsible for providing services in the most efficient and cost effective manner. As municipal responsibilities become increasingly complex and demanding, municipalities should explore shared services and other cooperative opportunities as approaches to reduce or avoid costs, improve service delivery, or maintain services. Shared services can be as simple as two towns sharing a piece of highway equipment.

Ideally, the cost of highway shared services should be less than the cost of each municipality performing the same tasks independently. Shared services should be beneficial for all participating municipalities. Cost avoidance is one benefit of intermunicipal cooperation even though not all highway shared services may produce immediate cost savings for a particular local government. However, there may be opportunities for future savings or cost avoidance.

When local governments agree to share services, General Municipal Law requires the governing body of each participant to enter into an agreement. The rights and responsibilities of each party to the agreement and appropriate procedures, defined in a written agreement, will help ensure the long-term success of shared services.

We reviewed the Town's highway shared service activities in 2010 and 2011 and determined that there were 75 instances of the Town sharing services with 12 different local governments. We estimated the cost of these shared services using State contract prices and/or a vendor-quoted price. As a result of these practices, in 2010 we estimate the Town saved approximately \$4,600 by borrowing manpower and equipment from other municipalities. In addition, these other entities saved approximately \$26,800 by borrowing manpower and equipment from the Town. In 2011, the Town saved approximately \$93,300,² while the other entities saved approximately \$11,200. The savings of \$93,300 was approximately 8 percent of the Town's total highway fund expenditures of \$1.2 million in 2011.

For example, in November 2010, the Town borrowed an excavator from a neighboring town for six work days. Based on the State contract price, the Town would have paid \$3,600 had the shared service agreement not been in place. The Town also borrowed a paver from the County for two days in October 2011. Based on the State contract price, it would have cost the Town \$1,875 per day,³ had this shared

² Savings can fluctuate from year to year due to the number and scope of the various projects, and the equipment and manpower that are needed.

³ Includes transportation and mileage charges

service agreement not been in place. While these savings demonstrate individual local government savings, there could be even greater long term savings because the number of pieces of equipment purchased regionally may be reduced.

We also reviewed the agreements with the 12 municipalities from 2010 and 2011 and found that they were properly signed and on file. In addition, we found that the agreements, which were all similar, properly contained provisions addressing the nature of the agreement, scope of service, service charges and liabilities of the parties.

Town officials accounted for the shared services in a daily work log; however, they did not periodically analyze the financial impact of these shared services. As a result, the Town did not quantify the financial benefits of these highway shared services.

We commend Town officials for taking proactive steps to provide services to the community in a cost efficient manner.

Recommendation

1. Town officials should periodically quantify the financial benefits of the Town's highway shared services agreements to ensure that they continue to be cost-beneficial.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

The local officials' response to this audit can be found on the following pages.

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Teressa M. Morasco, Town Clerk
Thomas Lichtenthal, Highway. Sup't.
Michael Cleveland, Town Justice
Thomas Williams, Town Justice

April 5, 2012

Mr. Robert Meller, Chief Examiner
State of New York
Office of the State Comptroller
110 State Street
Albany, New York 12236

Dear Mr. Meller:

On behalf of the Town of Batavia, I am responding to your preliminary draft findings of our audit conducted by your office. First, I would like to thank you for conducting this audit. Your staff was here in our office for two months and we recognize the value of this investment in our community, we understand how expensive these undertakings are. Furthermore, we acknowledge and support the need to be tested to maintain disciplines the public expects from their elected officials.

We, as a Town Board, have worked hard and continue to work towards mutually beneficial shared service contracts and agreements. We feel strongly that we can be a model for other communities to emulate and we will continue our regional municipal partnerships so that we can maintain an improved level of benefit.

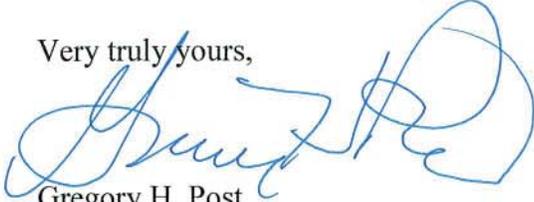
We agree with your observation that better quantifying our results would be beneficial and see the value over the long term so that adjustments can be made in strategic planning with our partners. However, our concerns regarding the dollar values issued in your report is that the full historic regional benefit may not be adequately described. At this time, we have no standard rates for machine time and equipment that reflect our local regional values. The difference is in daily, weekly, monthly rentals for various equipment listed in the report, as well as equipment that may be shared. These values are extremely variable when compared to our data; therefore, it would be greatly appreciated if we could obtain your assistance in finding a benchmark value that all local communities can use to measure their contributions and expenses. We would also like to note that these benefits will likely vary throughout the region which could be described in your report.

We have begun the process of clearly and regularly quantifying shared service costs and expenses and are hoping to maintain a dialog with your delegate or representatives so that future testing and audits may be more streamlined and efficient. We are committed to this process and

our elected representatives and staff are unanimous in supporting continued the development of this process. We would like to extend our appreciation in advance for this component.

Should you have any questions, concerns or would like to discuss this in greater detail, please contact me at 585-343-1729 ext. 200 or at supervisor@townofbatavia.com.

Very truly yours,



Gregory H. Post
Town Supervisor

GHP/hl

Cc: Thomas Lichtenthal, Highway Superintendent
Daniel Underhill, Deputy Town Supervisor
John Gerace, Town Council Member
Alfred Lang, Town Council Member
Patti Michalak, Town Council Member

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To achieve our objective and obtain valid audit evidence, we performed the following audit procedures:

- We interviewed the Town Supervisor, Highway Superintendent, and Highway Department employees.
- We summarized highway shared services in 2010 and 2011.
- We estimated the cost of the highway shared services using State contract prices and/or a vendor price quote.
- We verified that proper agreements were on file and reviewed the agreements to ensure that they properly addressed critical aspects of highway shared services.

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.

APPENDIX C

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DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY

Steven J. Hancox, Deputy Comptroller
Nathalie N. Carey, Assistant Comptroller

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