



# Town of Guilford

## Oversight of Financial Operations

### Report of Examination

Period Covered:

January 1, 2010 — April 25, 2011

2011M-181



Thomas P. DiNapoli

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# State of New York Office of the State Comptroller

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## **Division of Local Government and School Accountability**

February 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 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 Guilford, entitled Oversight of Financial Operations. 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*



## State of New York Office of the State Comptroller

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# EXECUTIVE SUMMARY

The Town of Guilford (Town) is located in Chenango County with a population of 2,922 according to the 2010 Census. The Town's 2011 total appropriations for all budgeted funds totaled approximately \$1.6 million. The Town provides various services to its residents, including general government support, street maintenance and improvements, snow removal, water, and recreation. Town operations are financed primarily by real property taxes, water rents, sales tax, and State aid.

An elected five-member Town Board (Board), which consists of the Town Supervisor (Supervisor) and four Council members, is the legislative body responsible for overseeing the Town's operations and finances. The Supervisor is both the chief executive officer and chief fiscal officer of the Town and is responsible for the Town's daily operations, including reporting to the Board. The Supervisor has a bookkeeper (accountant) that assists with the financial recordkeeping and reporting. The Board is responsible for overseeing capital projects, ensuring there are no conflicts of interest, and ensuring unleaded fuel is used only for Town purposes.

### **Scope and Objective**

The objective of our audit was to assess the oversight of the Town's financial operations for the period January 1, 2010 to April 25, 2011. We expanded our scope for Board oversight of the capital project to the period of September 5, 2007 to May 25, 2011. Our audit addressed the following related questions:

- Did the Board properly plan, monitor, and control the Town's capital project?
- Did the Board ensure that there is no conflict of interest between Town officials and Town vendors?
- Did the Board ensure that unleaded fuel was used only for Town vehicles and equipment?

### **Audit Results**

The Board did not provide sufficient oversight of the Town's capital project. The Board was not comparing actual to budgeted expenditures over the life of the capital project. The awarded bids for the capital project were \$494,460 more than the voter-approved amount of \$1.65 million and the actual amount spent was \$554,000 more than the approved amount.

We could not find documentation for the verification of the quality of work at the close of each contract for four out of five contractors prior to the contractors receiving their final payments. Without the

final verification of the quality of work, Town officials could not verify that the work performed was in accordance with the industry standard. For example, problems in both buildings constructed have already occurred, such as a long crack in the highway garage floor and leaks in the ceiling of the Town hall.

The Board did not ensure compliance with General Municipal Law (GML) relating to a prohibited conflict of interest. The Highway Superintendent and his spouse own a gas station from which the Town gets their unleaded fuel. The Town paid the fuel card vendor \$9,513 and paid the gas station \$490 directly. When officials, in their private capacities, conduct business with the municipality in which they serve, the public may question the appropriateness of the transaction.

The Board did not ensure that unleaded fuel was used only for Town vehicles and equipment. Of the 198 invoiced fuel purchases made during the audit period, 98 of the transactions totaling \$3,863 did not have supporting receipts. These 98 transactions were approved for payment by the Board and paid to the fuel vendor. Without adequate records and receipts to determine the appropriateness of fuel purchases, Town officials cannot verify that the purchases were for Town use and that the Town was not overcharged.

### **Comments of Local Officials**

The results of our audit and recommendations 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 our recommendations and indicated they planned to take corrective action. Appendix B includes our comment on an issue raised in the Town's response letter.

# Introduction

## Background

The Town of Guilford (Town) is located in Chenango County with a population of approximately 2,922 according to the 2010 Census. The Town's 2011 total appropriations for all budgeted funds totaled approximately \$1.6 million. The Town provides various services to its residents, including general government support, street maintenance and improvements, snow removal, water, and recreation. Town operations are financed primarily by real property taxes, water rents, sales tax, and State aid.

An elected five-member Town Board (Board), which consists of the Town Supervisor (Supervisor) and four Council members, is the legislative body responsible for overseeing the Town's operations and finances. The Supervisor is both the chief executive officer and chief fiscal officer of the Town and is responsible for the Town's operations, including reporting to the Board. The Supervisor has a bookkeeper (accountant) that assists with the financial recordkeeping and reporting. Although the Board is primarily responsible for the effectiveness and proper functioning of the Town's internal controls, the Supervisor and department heads share this responsibility.

The Town began the construction of a new Town hall and highway garage in the fall of 2008, including furnishings, equipment, machinery, and other expenses. The Town awarded bids in five major contract areas. The Town hired an Architect-Engineering firm (Architect) to assist in the planning and initial monitoring of the capital project. The Architect was only engaged through April 2009, while the project was not completed until July 2009, due to delays in the project. After April 2009, the Clerk of the Works<sup>1</sup> assumed the responsibilities of the Architect.

The Town highway employees obtained unleaded fuel for Town vehicles from a gas station located in the Town, 1.5 miles from the Town buildings, while the next closest station is six miles away. The Town has three vehicles that use unleaded fuel, and each vehicle is assigned a fuel card. This card is issued by the fuel vendor; this vendor bills the Town directly for fuel purchases.

## Objective

The objective of our audit was to assess the oversight of the Town's financial operations. Our audit addressed the following related questions:

<sup>1</sup> The Clerk of the Works was a Town employee during the project.

- Did the Board properly plan, monitor, and control the Town’s capital project?
- Did the Board ensure that there is no conflict of interest between Town officials and Town vendors?
- Did the Board ensure that unleaded fuel was used only for Town vehicles and equipment?

**Scope and Methodology**

We examined Board oversight of the conflict of interest and unleaded fuel purchases for the period January 1, 2010 to April 25, 2011. We expanded our scope for Board oversight of the capital project to the period of September 5, 2007 to May 25, 2011.

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 C of this report.

**Comments of Local Officials and Corrective Action**

The results of our audit and recommendations 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 our recommendations and indicated they planned to take corrective action. Appendix B includes our comment on an issue raised in the Town’s response letter.

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.

## Capital Project

The Board is responsible for oversight of the Town's capital projects including establishing procedures to monitor the capital project's financial status. Such procedures include properly authorizing and monitoring capital projects to keep expenditures within spending limits, maintaining complete and accurate accounting records, and retaining documentation to support payments made. The Board should protect the Town's interest against significant losses by securing performance bonds from the major contractors involved with the capital project. Finally, a thorough inspection of the quality of each contractor's work should be performed prior to final payment being made. On September 5, 2007, the Board adopted a resolution authorizing the construction of a new Town facilities complex at a maximum cost of \$1.65 million and authorizing the issuance of a serial bond in that amount to pay for the cost of the complex. The project was approved by voters on November 6, 2007, not to exceed \$1.65 million.

The Board did not properly plan, monitor, or control the construction of a new Town hall and highway garage. The Board awarded bids to contractors for the construction that were in excess of the amount approved by the voters. Moreover, the Board did not adequately monitor the progress of project expenditures, nor did they ensure that the work performed was of an acceptable quality. The Town spent \$554,000, or 34 percent, more than originally authorized for these buildings, with the Town hall having problems yet to be resolved.

### Board Oversight

The Board is responsible for planning, monitoring, and controlling Town capital projects. This responsibility includes ensuring that capital projects are properly authorized, established, and funded, and that project costs<sup>2</sup> are kept within the project budget approved by the voters. Actual project expenditures should be tracked over the life of the project and compared to budgeted amounts.

The Board awarded bids in excess of the amount authorized by the voters. Further, while the Board approved all claims, they did not compare actual expenditures to the spending limits approved by voters. During the summer of 2008, initial and subsequent bids,<sup>3</sup> awarded for additional work related to various phases of the overall project on the Town hall and highway garage, totaled over \$2.1 million, exceeding the \$1.65 million maximum allowed. Beginning

<sup>2</sup>The project costs should include all moneys expected to be spent, no matter what the funding source.

<sup>3</sup> Initial bids were awarded totaling \$1.4 million; subsequent bids were awarded totaling \$700,000.

in September 2008, the Board received monthly reports from the accountant showing the vendor name and amount paid over the life of the project. These reports only showed expenditures by project appropriation code without any comparison to the awarded bids or any other project budget amount. Therefore, the Board could not compare actual expenditures to the amount approved to be spent over the life of the project. Additionally, cost overruns brought the total amount spent on the project to \$2.2 million.

Previous Board members indicated that the Board thought the amount approved by the voters for the capital project was the maximum amount for which the voters were responsible. These Board members believed that the amounts spent beyond the debt issuance were not included in the spending limit they put before the voters for approval. They thought that additional money could be used from other sources, such as a reimbursement from the Federal Emergency Management Agency (FEMA) or the Town's capital reserve account. In addition, the Board did not monitor the total cost of the project. According to the Supervisor, the Board was tracking actual expenditures to the total budget by reviewing the monthly expenditure reports provided by the accountant and through their review of the voucher abstract.

Due to the lack of proper planning and monitoring by the Board, the Town spent \$2.2 million to construct the new Town facilities. This is \$554,000 more than what was approved by the voters of the Town.

## Quality of Work

The Board is responsible for ensuring the sufficient quality of the work performed by the contractors awarded to build the Town facilities. An important part of this is the use of performance bonds, which cover the total cost (including substantial change orders) of each contract as security for the faithful performance of the contract. The Board should release the contractors from these performance bonds only after a final inspection, certifying the work performed met industry standards, is performed by a duly qualified party; in this case the Architect and/or the Clerk of the Works. The final payments can then be made to the contractors as well.

The Board did not ensure that the quality of work performed by the contractors was in accordance with industry standards prior to final payment to the contractors. The February 2009 Board minutes document a Board discussion about a long crack in the concrete of the highway garage floor. In addition, we also found email correspondence dated March 2009 between the Clerk of the Works and the Architect about a leak in the Town hall ceiling. While on site in May 2011, we noted a pool of water on a table resulting from a leak in the ceiling of the Town hall.<sup>4</sup>

<sup>4</sup> Each time the roof leaked prior to final payment, the contractor repaired the leak.

The Supervisor told us that roof leaks were a consistent problem since the Town hall was initially built. Even though the Town obtained a two-year warranty relating to the roof, and we were told they also had a two-year warranty relating to the heating, ventilation and air-conditioning system, the Town may have to incur additional expenditures long beyond the two years. The Supervisor told us that he has sought legal counsel and was told that it could be cost-prohibitive to seek recovery, as it will cost as much in legal fees as the amount they might recover.

The Clerk of the Works told us that he did perform a final verification of the quality of work to close each contract. However, the records relating to the capital project were unorganized, some documents were missing, and at times there were multiple copies of information which contradicted each other. We could not find documentation for the verification of the quality of work at the close of each contract for four out of five contractors prior to the contractor receiving their final payment. Including a copy of the final inspection as part of the review and approval process is an important control to prevent paying for work that is not complete or done to appropriate standards. In addition, there was a turnover in the positions of Town Clerk and Supervisor which, according to the Supervisor, made it more difficult to monitor the project.

## **Recommendation**

1. The Board should provide proper oversight of future capital projects by ensuring that, at a minimum:
  - The project is properly authorized, planned, and funded
  - The project costs are in line with the amount approved by the voters
  - Complete and accurate accounting records for capital project are maintained over the life of the project
  - A final verification of the quality of each contractor's work is performed prior to final payment being issued.

## Conflict of Interest

Article 18 of the General Municipal Law (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, municipal officers and employees are prohibited from having an “interest” in a contract when they also have the power or duty, either individually, or as a member of a Board, to negotiate, prepare, authorize or approve the contract; authorize or approve payment under the contract; audit bills or claims under the contract; or appoint an officer or employee who has 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 pecuniary (monetary) or material benefit as a result of a contract. Municipal officers and employees are also deemed to have an interest in the contract 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.

The Board did not ensure compliance with article 18 of the GML as we found that the Highway Superintendent had a prohibited interest in contracts with the Town. The Highway Superintendent is a 50 percent owner of a gas station/convenience store organized as a limited liability company (LLC).<sup>5</sup> The Town purchased unleaded fuel from the gas station for three of its highway vehicles using a fuel company credit card. The fuel purchases totaled \$6,651 in 2010, and \$2,862 from January to April of 2011. It also appears that the Town made other purchases from the gas station/convenience store in the amount of \$490.

The Highway Superintendent had the power to authorize the contracts as head of the highway department, or to authorize payments under the contracts because he approved vouchers to pay for the purchases that were subsequently submitted to the Board for audit and approval. Therefore, since we found no indication that any statutory exceptions applied in this circumstance, we believe the Highway Superintendent had a prohibited interest in the Town’s contracts with his gas station/convenience store.

<sup>5</sup> The Highway Superintendent’s spouse owns the remaining 50% of the LLC.

Town officials told us that it was not economical to have a fuel tank on site or to purchase from a gas station or municipality that was further away. Although the Town was aware purchasing fuel from the Highway Superintendent's LLC may result in a violation of article 18 of the GML, the Town reviewed the cost of both and decided it was cheaper to purchase unleaded fuel from the gas station owned by the Highway Superintendent and his spouse.

When officials, in their private capacities, conduct business with the municipality in which they serve, the public may question the appropriateness of the transaction. Such transactions may create an actual conflict of interest or the appearance of impropriety and/or may result in an improper purchase at the taxpayers' expense.

**Recommendation**

2. The Board should establish and implement controls to help ensure that the Town does not enter into contracts in which an officer or employee has a prohibited interest.

## Unleaded Fuel Purchases

Town officials are responsible for ensuring that unleaded fuel purchased by the Town is used only for Town purposes. The Board's audit of documentation supporting payments to the fuel vendor could help ensure that fuel use is proper. Someone independent of the gas station ownership should compare the unleaded fuel receipts to the vendor bill for accuracy and completeness. Adequate records should be maintained to be able to determine the appropriateness of the unleaded fuel purchases. These records should document the date of the purchase, the vehicle odometer reading, the price and the number of gallons of fuel purchased. These records should be used to determine if the number of gallons purchased appropriately matches the expected miles per gallon per vehicle.

The Board did not ensure that unleaded fuel was used only for Town vehicles and equipment. No Town official compared the unleaded fuel receipts from the three fuel cards used by the highway employees to the vendor invoice for accuracy and completeness. Even though the invoices were presented as a part of voucher abstracts approved by the Board, there was no verification that purchases were appropriately made for Town use. In addition, receipts were not always maintained nor were there any other records tracking the reasonableness of unleaded fuel purchases.

According to the Supervisor, the Board relied on the Highway Superintendent to compare the fuel receipts to the vendor invoice as part of his responsibilities before submitting them for payment. Further, the Supervisor told us that there were no requirements for the Highway Superintendent to maintain detailed records for each vehicle. In addition, the Highway Superintendent told us that he trusts his highway employees and that his gas station employees would let him know if highway employees are buying unleaded fuel other than for Town purposes.

Of the 198 invoiced fuel purchases made during the audit period totaling \$9,513, the Highway Superintendent was only able to support (in the form of pump receipts) 100 of the transactions. He stated that the pump receipts from the remaining 98 transactions, totaling \$3,863, must have been thrown away, but could be obtained from the vendor. These 98 transactions were approved for payment by the Board, without support, and paid to the vendor.

Without the review of supporting documentation, the Town could be paying for fuel that is not used for proper Town purposes. This risk is heightened because the Highway Superintendent is approving the

fuel voucher invoices for payment as well as owning the gas station from which these fuel purchases were made.

**Recommendation**

3. Town officials should ensure that individual receipts are reconciled to the vendor invoice prior to payment of the invoice and adequate records are maintained on each Town vehicle. These records should include, at a minimum, the price, date and amount of fuel purchase; the odometer reading; and miles driven. This reconciliation should be performed by someone other than the Highway Superintendent.

## **APPENDIX A**

### **RESPONSE FROM LOCAL OFFICIALS**

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

The Town's response letter refers to page numbers that appeared in the draft report. The page numbers have changed during the formatting of this report.

**Town of Guilford**  
223 Marble Road  
Guilford, N.Y. 13780

January 13, 2012

H. Todd Eames, Chief Examiner  
Office of State Comptroller  
State Office Building, Room 1702  
44 Hawley Street  
Binghamton, N.Y. 13901-8313

Dear Mr. Eames,

The Guilford Town Board met Dec. 28<sup>th</sup> to discuss all items in draft report 2111M-181. On behalf of the Town Board I would like to respond to the following items:

1. Page 4 - Audit Results: The Town Supervisor/Chief Fiscal Officer was undergoing round three of treatments for cancer and delegated many of his responsibilities to various town board members. After February of 2009 he was unable to attend board meetings but remained in his position until he passed away in August. By March 2009 as a Town Board member it was difficult to track the Capital project expenditures from the information that was provided. The Deputy Town Supervisor did oversee the project. The Town Board was aware that the project was over budget and looked for ways to reduce project costs. As the project progressed the Town Board felt it was in the town's best interest to complete the project.
2. Page 5 (first sentence) There was one hairline crack in the highway garage floor. The General Contractor said such cracks are normal and extended the warranty on his work. At this point in time there has been no change in this crack. The leaks in the Town Hall ceiling were heating and flashing issues. The engineering firm argued it was a contractor issue. The contractor argued everything was done to specs. The matter was referred to an attorney - the town board chose not to proceed to litigation.

See  
Note 1  
Page 17

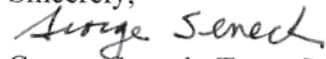
3. The assessment of the Capital Project on pages 8-10 is fair and accurate. In reflection hiring a project management firm may have been money well spent.

After the project began the increase in fuel costs resulted in delivery surcharges and a significant increase in the price of steel that was not anticipated added to the final cost of the project.

4. Page 11 - Conflicts of Interest - The Town Board has discussed this issue. Since it is not practical or cost efficient to purchase gasoline at another location the town is moving forward with purchasing its own gasoline storage tank. The town has reviewed and updated its Code of Ethics which is on file with the State Attorney General's Office. The Town Attorney attended this Jan. town board meeting to explain Conflicts of Interest and answer questions.
5. Page 13 - Unleaded Fuel Purchases - Each town vehicle has a fuel log book. Employees fueling vehicles will record the Date, Number of Gallons, Mileage, and sign their name. Before the monthly town board meeting fuel log books will be reviewed by the Highway Committee. A single fuel log book will be maintained at the highway garage for all other fuel useage (mowers, chainsaws...) Prior to the purchase of an unleaded fuel storage tank the town Clerk or Town Supervisor will reconcile logs, fuel receipts and monthly bills.

Representatives of the Comptroller's Office who worked on this report were always courteous and helpful. I believe the Town Board and public look forward to the final report in the coming months.

Sincerely,



George Seneck, Town Supervisor

[gseneck@frontier.com](mailto:gseneck@frontier.com) (new email)

607-895-6827 (office)  


## **APPENDIX B**

### **OSC COMMENT ON THE TOWN'S RESPONSE**

#### Note 1

The February 2009 Board minutes document a Board discussion about a long crack in the concrete of the highway garage floor. We acknowledge that there was only one crack; however, the crack continued around the entire interior of the highway garage at a consistent distance from the wall.

## APPENDIX C

### AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess oversight of the Town's financial operations. To accomplish the objective of this audit and obtain valid evidence, our audit procedures included the following:

- We interviewed Town officials and reviewed Board minutes and the Town's code of ethics and procurement policies to obtain a general understanding regarding conflicts of interest and oversight of fuel purchases and usage for the period January 1, 2010 to April 25, 2011.
- We interviewed Town officials and reviewed building committee minutes, Clerk of the Works notes and emails, the Architect's monthly meeting minutes, and bid specifications to obtain an understanding regarding the capital project conducted by the Town for the period January 1, 2008 to April 25, 2011.
- We reviewed Board minutes to obtain an understanding regarding the capital project conducted by the Town for the period January 1, 2006 to May 25, 2011.
- We reviewed capital, general, and highway fund voucher abstracts, along with attached payment applications and vendor invoices, to determine the total amount spent on the capital project for the period January 1, 2008 to April 25, 2011.
- We reviewed capital project payments made from the capital, general and highway funds to determine whether payment applications submitted by the five major contractors were properly approved by the Board, the Clerk of the Works and the Architect for the period January 1, 2008 to April 25, 2011.
- We reviewed all change orders documented in the minutes and all change orders shown on the contractors' payment applications for the period January 1, 2008 to April 25, 2011, to determine whether each change order appeared to be necessary to complete the capital project and whether each change order was approved by the Board.
- We reviewed bid specifications to determine the requirements for performance and payment bonding as well as insurance requirements; we then reviewed the contracts for the five major contractors and the Architect to determine if contractors met performance and payment bonding and insurance requirements per the bid specifications.
- We reviewed the Board minutes and bonding resolution to determine the amount approved by the voters for the capital project for the period January 1, 2006 to April 25, 2011.
- We reviewed the original bid documentation submitted by each contractor and the bid awarded per the Board minutes to determine whether the Board followed competitive bidding guidelines.
- We compared the total amount paid to each contractor from January 1, 2008 to April 25, 2011, to the total of their original bid award, documented the difference, and determined whether or not a change order was processed for the difference.

- We compared the amount approved by the voters for the capital project to the total amount of bids awarded by the Board. We determined whether the Board awarded bids in excess of the amount approved by the voters.
- We inquired from management and reviewed Board minutes for the period January 1, 2008 to April 25, 2011 and documented any complaints regarding the quality of work and the closing out process for each contract. We determined what was done to resolve any complaints and quality of work concerns that were raised and whether each contractor completed their contract timely.
- We inquired from management and reviewed capital and general fund voucher abstracts and vendor invoices to determine whether the Town incurred additional expenses resulting from the poor quality of work performed by each contractor.
- We reviewed bid specifications to determine the requirements regarding retainage. We reviewed the contractors' payment applications and interviewed the Clerk of the Works to determine whether each contractor complied with retainage requirements per the bid specifications. We also determined whether the contractors' quality of work was in question at the time the retainage was paid.
- We reviewed the original contract initially submitted by the Architect; determined, based on the contract, whether the Architect initially charged too much; reviewed the actual starting and ending dates established for each contractor; compared these dates to the dates established by the Architect and/or the Clerk of the Works; determined, for each contractor, whether they appeared to prolong the project; documented whether the project was completed on time; inquired from the Clerk of the Works as to the reason for any delays for each of the contractors who exceeded their time; and scanned the Architect's minutes to see if there was any mention of any delays and any reason for the delays.
- We reviewed general and highway fund voucher abstracts and vendor invoices to determine the total amount spent by the Town for unleaded fuel and the total amount paid to the Highway Superintendent's gas station for the period January 1, 2010 to April 25, 2011.
- We reviewed Board minutes and inquired from management whether the Highway Superintendent and/or the Board discussed and disclosed any information regarding a possible conflict of interest between the Highway Superintendent and the Town.
- We reviewed Highway Department vehicle maintenance logs for the Town's three unleaded fuel vehicles and the fuel purchased by each vehicle per the vendor invoice for the period January 1, 2010 to April 25, 2011. We compared the mileage per the maintenance log to the amount of fuel purchased per the vendor invoice to determine, for each vehicle, whether the miles per gallon appeared to be reasonable and whether fuel purchased using the Town's fuel cards may have been used inappropriately.
- We compared the price per gallon for unleaded fuel per the receipt submitted by highway employees for each vehicle to the price per gallon per the vendor invoice to determine whether the Town was being overcharged by the vendor.

- We compared the daily price paid at the pump per the receipt submitted by highway employees to the daily delivery price using the Office of General Services (OGS) website for March 2010 to determine whether the Town was paying more than the OGS delivery rate at the pump.
- We reviewed capital, general, and highway fund voucher abstracts for the period January 1, 2010 to April 25, 2011 for payments made to the Highway Superintendent and payments to the Highway Superintendent's gas station to determine whether the Town made any payments directly to the Highway Superintendent and/or to his gas station. We obtained the home addresses of Town officials and the Clerk of the Works and mailed conflict of interest letters to these individuals. We summarized the results to determine whether a conflict of interest existed based on their responses.

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 D

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