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March 20, 2015

Tim Whitesell, Supervisor
Members of the Board
Town of Binghamton
279 Park Avenue
Binghamton, NY 13903

Report Number: P4-14-9

Dear Mr. Whitesell and Members of the Board:

A top priority of the Office of the State Comptroller is to help town officials manage their resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support town 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 town assets.

In accordance with these goals, we conducted an audit of nine towns throughout New York State. The objective of our audit was to determine whether towns properly managed the condition of their roads. We included the Town of Binghamton (Town) in this audit. Within the scope of this audit, we examined the Town's road maintenance Plan and work performed on the Town's roads for the period January 1, 2013 through March 1, 2014. We extended our scope back to 2012 in order to determine if their road maintenance plan was implemented. Following is a report of our audit of the Town. 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 New York State General Municipal Law.

This report of examination letter contains our audit results specific to the Town. We discussed the findings and recommendations with Town officials and considered their comments, which appear in Appendix A, in preparing this report. Town officials generally agreed with our recommendations and indicated that they have taken, or plan to take, corrective action. At the completion of our audit, we prepared a global report that summarizes the significant issues we identified at all nine towns audited.

Background and Methodology

The Town is located in Broome County, has a population of 4,942 and covers 25 square miles. The Town is governed by a five-member Board. The Town's Highway Superintendent is a separately elected official. The current Highway Superintendent took office in January 1991.

The Highway Superintendent is primarily responsible for the maintenance and repair of Town highways and bridges and the removal of obstructions caused by brush and snow. The Highway Superintendent generally has the power to hire, subject to appropriations established by the Board, and direct Highway Department employees for those purposes. The Town has 50 miles of roads, all of which are paved. Each year, the Board and Highway Superintendent sign an agreement (Agreement) for amounts to be spent for the repair and improvements of Town roads. The Town budgeted \$1.24 million for the highway fund in 2014, of which \$522,000 is for road repair and maintenance.

To complete our objective, we interviewed Town officials, reviewed the Town's road maintenance plan (Plan) for adequacy and reviewed available information to verify that the Plan was implemented. We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS).

Audit Results

We found that the Town has generally managed its roads properly. While the Board did not adopt a formal Plan, the Highway Superintendent maintained an informal methodology to manage the Town's roads. In order to maintain the Town's inventory of roads at a level of quality he deemed acceptable, the Highway Superintendent established an informal methodology to apply surface treatments to 10 to 11 miles of both subdivision and rural roads and paving one-half to one mile of subdivision road each year. We were able to determine that the Highway Superintendent properly implemented his stated approach. However, Highway officials did not ensure that their goals, methodologies and inventories were fully documented and included important details about road histories and conditions.

It appears the Town is providing proper funding to the Highway Superintendent. We project it will cost about \$340,000 to provide repairs to the Town roads in order to get them free of observable defects. The Town's 2014 adopted budget includes \$522,000 for road repair and maintenance and will fund this financial liability. Establishing clear goals and expectations, supported by the multiyear projection of maintenance and repair needs, would continue to ensure the Board is providing adequate funding for road maintenance and ensure taxpayers are adequately informed.

Road Maintenance Plan – A formal long-term schedule (Plan) should be created based on the goal, methodology and inventory that identify when roads will be worked on and how this work will be funded. The Board is responsible for the oversight and funding of this Plan. A good Plan starts with the Highway Superintendent and the Town Board determining a level of quality road conditions they deem as acceptable for travel within their Town.¹ Once such a goal is set, officials should develop a methodology for achieving that goal and a road inventory that includes essential information such as surface type, average daily traffic (ADT), road importance,² history of work done on the road and each road's current condition.

¹ Formally adopting a goal for the Plan will provide taxpayers transparency about the plans for roads, as well as a tool for communication between the elected Board and the Highway Department.

² The importance of a road is generally determined by the location of emergency services or other facilities, or locations with crucial transportation needs (e.g., commercial districts, schools).

The Highway Superintendent had his own expectations for the quality of the road surfaces in the Town. He employed a routine of applying surface treatments to 10 to 11 miles of both subdivision and rural roads and paving one-half to one mile of sub-division road each year. The Board was aware of the former Highway Superintendent's approach to managing the Town's road infrastructure, but did not officially adopt such plans and ensure that the taxpayers were properly informed.

The Town's inventory of roads was a complete list of Town roads and showed each road's surface type. However, the inventory did not show the type of work (surface treatment or reconstruction) or years that road work had been performed, ADT, importance or current condition of the roads. Although the inventory did not document when the road was last worked on in a centralized location, the Highway Superintendent kept annual reports on file documenting work location, type of work performed and the length of road worked on. However, because this information is not in a centralized inventory, it is difficult to determine what roads are next in accordance with the methodology without going back through years of annual reports. In addition, the Highway Superintendent did not prepare a long-term schedule that forecasts repairs for the entire inventory, nor did he develop an annual schedule of repairs in his Agreement (which specifies amounts to be spent) with the Board. For example, the Agreement listed some paving projects but did not specify the preventive maintenance that would need to be performed in that year.

The Highway Superintendent told us his inventory did not include ADT or importance because he believed his visual inspection of road condition each year was a better indication of what work needed to be performed than these factors. In addition, he did not create a short-term annual schedule of repairs because he thought the Agreement was sufficient. He also did not create a long-term schedule because of difficulties in estimating projected costs due to material cost fluctuations. While a visual inspection is useful in assessing the current conditions, consideration of ADT and importance will provide additional insights to underlying risks that may not be revealed with just a visual inspection.

Without a formally established, comprehensive Plan – which should not be constrained by the annual agreed-upon costs for road maintenance, per the Agreement, but instead reflect the full life cycle and costs of the road inventory – neither the Board nor taxpayers can be assured that Town money is being spent in the most responsible manner. A comprehensive Plan would show the Board and taxpayers the total annual cost to repair Town roads in accordance with the Plan. A proper inventory and associated records help support the continuance of a properly developed Plan. This becomes especially important when there is turnover in the Highway Superintendent position. Moreover, a long-term Plan enables the Board to plan for proper funding of future improvements. While prices for highway maintenance and construction materials have fluctuated, a long-term plan could include assumptions of future increases or a range of possible prices.

Monitoring and Implementation – Monitoring the Plan consists of periodically assessing the condition of the roads to determine if changes are needed to the schedule and then reviewing the annual Agreement between the Highway Superintendent and the Board to ensure it agrees with the road work listed on the schedule. Finally, implementation of the Plan involves both the Highway Superintendent and the Board ensuring that the work was done to the roads as planned and that any discrepancies are fully explained.

The Highway Superintendent told us he assessed annually the condition of the roads for defects and created the Agreement for the current year based on this assessment, in line with his established practices and methodology. However, because his Agreement was not a complete list of planned projects, the Board could not ensure the annual Agreement was in accordance with the Highway Superintendent's informal methodology or in the best interests of the Town's taxpayers.

We were able to determine that road work done was consistent with the Highway Superintendent's stated approach. We analyzed the road work annual reports for 2012 and 2013 and determined that the Town surface-treated between 10 to 11 miles of subdivision and rural roads and paved one-half to one mile of subdivision road in accordance with the Superintendent's plan.

We surveyed the physical condition of all 50 miles of roads within the Town in May 2014 using information provided by the Cornell Local Roads Program.³ This information included various types of techniques that could be used to bring the roads to a defect-free condition. We chose the technique (i.e., rehabilitation, overlays, surface treatment) that would fix all the noted defects. We then calculated an estimated financial liability by applying the average cost⁴ of methodologies within each technique (i.e., cold mix asphalt, chip seal) that our towns used to the number of miles that we deemed needed work. We determined the Town would need to spend approximately \$340,000 to repair all Town roads. This estimated financial liability⁵ represents the funds necessary in order to have the roads free of observable defects. Of this liability, approximately \$151,000 includes paving which would make the roads brand new, while the other \$189,000 includes preventive and routine maintenance which would allow defects to be temporarily fixed and extend the life of the road. The Highway Superintendent and Board may determine that a level of quality less than defect-free is acceptable. In that case, the amount of work required may be less. If Town officials decide that having their roads defect-free is an unattainable or unnecessary goal, they should establish a level of service for their roads and adjust this liability figure accordingly. The adopted budget for the 2014 fiscal year provides funding of \$522,000. Therefore, the Board has been providing funding needed to implement the Highway Superintendent's informal methodology, and as a result, the Town is able to keep up with its road maintenance.

Recommendations

1. The Highway Superintendent should maintain a more comprehensive and accurate road inventory that includes ADT, road importance, previous maintenance work by section and current condition of the roads.
2. The Board should adopt a formal long-term Plan that includes a goal for the quality of Town roads and a methodology for achieving that goal.
3. The Highway Superintendent should develop a long-term schedule based on the goal, methodology and inventory that shows when each road will be worked on and how this work will be funded.

³ The Cornell Local Roads Program (CLRP) is a Local Technical Assistance Program Center sponsored by the Federal Highway Administration and the New York State Department of Transportation providing training and technical assistance to local highway and public works officials in New York State.

⁴ The average cost range is +/- 20 percent.

⁵ This liability figure uses CLRP pricing which is derived from statewide average of costs for materials, labor and equipment. To derive the Town's actual liability, Town officials should adjust this figure based on their actual costs.

4. The Highway Superintendent and the Board should ensure that the annual Agreement is in compliance with the long-range Plan, and that any deviations from the Plan should be explained.

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. 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.

We thank the officials and staff of the Town of Binghamton for the courtesies and cooperation extended to our auditors during this audit.

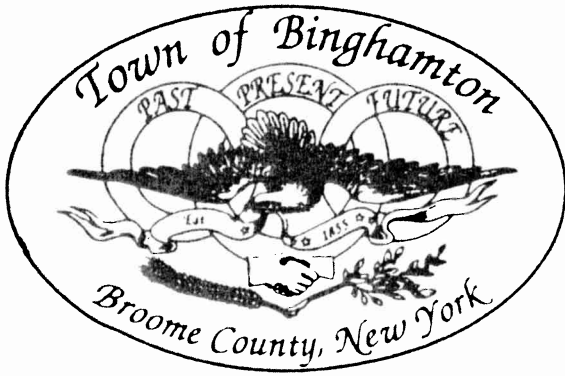
Sincerely,

Gabriel F. Deyo
Deputy Comptroller

APPENDIX A

RESPONSE FROM TOWN OFFICIALS

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



Town of Binghamton

279 PARK AVENUE • BINGHAMTON, NY 13903

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September 9, 2014

Gabriel F. Deyo, Deputy Comptroller
Division of Local Government and School Accountability
110 State Street
Albany, NY 12236

SUBJECT: Report Number: P4-14-9 Audit Response

Gabriel,

This letter is in response to the audit your office conducted earlier this year in regard to the Town of Binghamton's corrective action plan (CAP). We were pleased to be selected in this project because we are very proud of our Highway Superintendent and staff. As part of your audit, I am sure you can agree that the Town of Binghamton roads are very well maintained. Following are the responses to your recommendations:

1. New York State requires the Highway Department to conduct a road inventory on an annual basis. This road inventory includes condition, width, and mileage of each road in the Town. The ADT (average daily traffic) only applies to through roads throughout the town. A large portion of our other roads are dead ends. The Highway Superintendent has been keeping records of road maintenance for each budget year.
2. The Town Board, in conjunction with the Town Highway Superintendent, will be working on a formal long-term plan which includes a goal for the continued quality of town roads and a methodology for achieving such a goal within the next several months for implementation for next year. Such plan will also be conditional on budgetary concerns.
3. The Highway Superintendent has a long-term plan based upon the number of miles of road that the Town improves each year. On average, about eight miles are done each year. The funding has been out of CHIPS funds and general repair funds for the last 24 years. The Town has not borrowed any money for capital improvements and also has a capital improvement reserve fund. The total funding is up to the Town of Binghamton Town Board.

The Town of Binghamton is an equal opportunity employer and provider.

Gabriel F. Deyo, Deputy Comptroller
September 9, 2014
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4. Concerning the matter of better transparency, the Town Highway Superintendent has agreed to provide a monthly report to the Town Board which will include current projects. This reporting will include the projects that are part of the annual agreement of funds between the Town Board and Highway Superintendent along with the long-term plan.

If you have any questions, please feel free to contact me at any time.

Respectfully,

Tim Whitesell, Supervisor

cc: Town Board Members
Mike Donahue, Highway Superintendent
Judy Zurenda, Town Clerk

✓ [REDACTED]