

# Town of Owasco

## Highway Department

MAY 2021



OFFICE OF THE NEW YORK STATE COMPTROLLER  
Thomas P. DiNapoli, State Comptroller

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# Report Highlights

## Town of Owasco

### Audit Objective

Determine whether Town of Owasco (Town) officials adequately oversaw highway purchasing, planning and interfund charges.

### Key Findings

Town officials did not adequately oversee highway purchasing, planning and interfund charges.

- We found 596 highway claims totaling \$349,824 that did not have an approved purchase order (PO) request (requisition); 599 claims totaling \$356,815 did not have an approved PO; and 234 claims totaling \$96,900 did not have documentation to support a business purpose.
- Town officials did not competitively bid vehicle and equipment repairs or a vehicle purchase.
- The Town Board (Board) and Highway Superintendent (Superintendent) did not agree, in writing, to expenditures for highway repair and improvement.
- The Superintendent did not maintain an adequate equipment inventory or ensure highway employees' time worked was accurately accounted for.

### Key Recommendations

- Ensure the procurement policy (policy) and statutes and procedures are complied with and that claims are appropriately approved and supported.
- Ensure written agreements make the intentions of the Town and related parties clear and that employees' time worked is recorded in the proper funds, districts and/or accounts.

Town officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

### Background

The Town is located in Cayuga County and is governed by an elected Board which is composed of four Board members and the Town Supervisor.

The Town has an elected Superintendent who is responsible for overseeing the operations of the highway department (department), including purchasing and budget monitoring in accordance with the Town's policies and procedures.

Highway related expenditures are accounted for in the Town-wide (TW) highway fund.

#### 2019 Quick Facts

Highway Fund Appropriations	\$785,978
Highway Fund Tax Levy	\$117,162
Population	3,620

### Audit Period

January 1, 2018 – November 22, 2019

# Highway Operations

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## How Should Town Officials Oversee Purchasing?

Town officials are obligated to act in a fiscally responsible manner and in the best interest of the taxpayers. The board is responsible for establishing policies and procedures that ensure highway purchases:

- Are appropriate town expenditures.
- Are used for legitimate town purposes.
- Comply with New York State General Municipal Law<sup>1</sup> (GML) requirements.

The Town's policy and procedures require a requisition and approval for all purchases, except emergency purchases, regardless of dollar amount. In addition, each claim should have adequate supporting documentation to determine the business purpose and justify the true nature of any emergencies that are claimed.

GML requires the board to adopt a written policy for the purchase of goods and services that do not have to be competitively bid. The policy should outline when town officials should use alternative competitive methods and require adequate documentation of actions taken. GML also allows the town to procure goods from contracts bid by other governmental entities. GML generally requires towns to advertise for competitive bids for purchase contracts exceeding \$20,000 and public works contracts exceeding \$35,000. In determining whether the bidding threshold will be exceeded, town officials must consider the aggregate amount reasonably expected to be expended for the same goods or services to be made within a 12-month period beginning on the date of purchase. Sole source purchases do not require competitive bidding; however, evidence of sole source status should be retained.

## Town Officials Did Not Follow Policy and Procedures for Purchases

During an initial review, we noticed department purchases were not made in accordance with the Town's policy and procedures and GML.

Therefore, we reviewed all 669 claims (totaling \$539,765) paid from the TW highway fund during the audit period. We identified 596 claims (89 percent totaling \$349,824) that did not have an approved purchase requisition and 599 claims (90 percent totaling \$356,815) that did not have an approved PO.

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<sup>1</sup> New York State General Municipal Law (GML) Sections 103 and 104-B

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Additionally, 234 claims reviewed (35 percent totaling \$96,900) did not have adequate supporting documentation, therefore making it difficult to determine the specific purpose or what products were purchased. Due to the lack of adequate support, we were unable to determine whether 147 claims (22 percent totaling \$51,402) were for an appropriate business purpose.

In addition, we identified 57 claims (totaling \$10,321) which noted on the attached supporting documentation that the purchase was made for an emergency. However, no additional information was provided to justify the true nature of the emergency, so the appropriateness for an emergency purpose could not be determined. Specific examples of issues identified include:

- Two purchases for road salt totaling \$7,259 and LED shop lights totaling \$1,236 that were greater than the approved requisition and PO amounts.
- A truck repair claim totaling \$2,183 for which the service was rendered and invoiced prior to the date of the approved requisition and PO. Additionally, the purchase amount was greater than the approved requisition and PO amounts.
- One claim from a Town highway employee for welding services totaling \$750 without a requisition or PO, or any documentation to indicate the nature of any related emergency.

In addition, the policy and procedures require the following competitive methods: purchase and public works contracts \$250-\$2,999: two verbal quotes, purchase contracts \$3,000-\$19,999: three written quotes or requests for proposals (RFPs), public works contracts \$3,000-\$4,999: two written quotes, \$5,000-\$34,999: three written quotes or RFPs. However, written or verbal quote information in accordance with the Town's policy and procedures was generally not included with claims. For example, 58 claims totaling \$46,371 which were over the thresholds outlined in the policy did not include evidence of any type of quotation, or specifically note that the purchase was made in accordance with a preexisting contract and/or agreement or from a New York State contract. In addition, a truck was purchased for \$38,633 for which no supporting bids or New York State contract information was included. The Superintendent provided quotes; however, this method of seeking competition is not adequate because purchase contracts involving expenditures in excess of \$20,000 are generally subject to competitive bidding.

In addition, we noted payments made to 11 vendors whose payments, if aggregated, would have exceeded the competitive bidding dollar thresholds set forth in GML based on individual vendor or purchase type, in either 2018 or 2019. Town officials provided New York State contract or Cayuga County bid information for purchases made from eight of these vendors. However, no adequate supporting documentation could be provided to support purchases made from the remaining three vendors, which included three vendors who were paid \$37,464

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... [W]e identified 57 claims (totaling \$10,321) which noted on the attached supporting documentation that the purchase was made for an emergency. However, no additional information was provided to justify the true nature of the emergency, so the appropriateness for an emergency purpose could not be readily determined.

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for vehicle and equipment repairs. According to Town officials, one vendor was selected based on prior experience and the rate being lower than other vendor rates. However, no documentation to support this justification could be provided. The other two vendors were said to both be sole source service providers that provided specific services for certain equipment and/or brands. No evidence could be provided to support this claim.

Further, we identified one contractor whose aggregate payments were just under the bidding threshold, totaling \$19,912, for brush grinding. Town officials informed us that this was a sole source scenario, but no formal evidence to support this could be provided.

Compliance with the Town's purchase requisition and approval process helps ensure purchases are in accordance with available appropriations and allows for necessary budget modifications to be made. Purchasing and seeking competition in accordance with statutes and Town policy helps facilitate the acquisition of goods and services of maximum quality at the lowest possible cost and guards against favoritism, improvidence, extravagance, fraud and abuse.

### **How Should Town Officials Annually Plan for Highway Operations?**

The superintendent is required to annually submit a written inventory of highway machinery, tools and equipment to the town board. The report should include a recommendation as to what machinery, tools and equipment should be purchased and the probable cost of each. In addition, Town officials should establish long-term plans for highway equipment including a replacement plan and review all written agreements periodically to ensure they are in place where necessary and that terms are relevant, specific and updated to ensure the intentions of the Town and related parties are clear.

New York State Highway Law Section 284 requires the superintendent and board to agree, in writing, on expenditures related to the repair and improvement of highways, sluices, culverts, bridges and walks (Section 284 Agreement). This agreement can be useful when developing the annual budget and provides assurance that money appropriated for highway fund purposes will be expended as contemplated and agreed upon. Absent this agreement, there is no obligation for the Town to pay related expenditures.

### **Town Officials Did Not Ensure Required and Appropriate Plans and Agreements Were Established**

The Superintendent did not establish or sign a Section 284 Agreement and comprehensive inventory as required by Highway Law. The Superintendent provided an inventory as of January 2019, that included most major equipment and/or vehicles for the department but the equipment listed generally lacked the

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serial and/or model numbers, location and remaining useful life. Further, Town officials did not establish long-term plans related to the department, including an equipment replacement plan.

In addition, the Board approved an agreement with the Superintendent on June 13, 2019, for the use of his personal equipment for Town business. Under this agreement, there will be no fee to the Town to use the equipment, with the exception of related repairs up to \$750, and the Superintendent will maintain any required insurance. However, it is unclear whether the repair threshold is in aggregate or per incident and how it will be determined that a repair was related to Town work and not a preexisting issue. The Town previously recognized an informal arrangement with the Superintendent to authorize the use of his equipment for Town related purposes, but no formal agreement was established until 2019.

Without an adequate annual inventory and Section 284 Agreement, it is more difficult for the Board to develop an annual budget, provide assurance that highway money will be expended as agreed upon and be fully aware of long-term needs, including potential costs and funding sources to properly monitor department finances. Further, without adequate written agreements, the intentions of the Town and related parties are unclear, and the Town could incur additional unintended costs.

### **Why Should Work Outside of the Highway Fund be Accounted For Separately?**

The highway fund accounts for resources that are restricted for highway purposes and sewer districts are financed by a different set of properties than the highway fund. Therefore, to ensure taxpayer equity, when town highway employees perform work outside of the highway fund, such as for the general fund or sewer districts, the employees' time worked should be accurately recorded and accounted for within the appropriate fund or district and reimbursed to the highway fund. Such reimbursements may be recorded as interfund charges.

### **The Superintendent Did Not Ensure Employees' Work Outside of the Highway Fund Was Accounted For Separately**

The Town's highway employees complete work for various other funds or districts, including the Town's general fund, and three sewer districts. Although the Superintendent is responsible for ensuring highway employees' time worked each pay period is accurately summarized so that expenditures can be appropriately accounted for, this is often not completed correctly. As a result, time is not recorded in the proper funds, districts and/or accounts. If time is not properly accounted for, this could result in taxpayer or ratepayer inequity and inaccurate reporting of the actual costs of a service.

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## What Do We Recommend?

The Board should:

1. Ensure the Town's policy and procedure requirements are complied with and that claims are approved and supported.
2. Ensure quote and bid documentation is included with department claims.
3. Review all written agreements periodically to ensure they are in place where necessary and that terms are relevant, specific and updated to ensure the intentions of the Town and related parties are clear.

The Superintendent should:

4. Comply with the Town's policy and procedure requirements, including the purchase requisition and approval process.
5. Solicit competition for purchases using written or verbal quotes, bids or alternate methods as required by GML and/or the Town's policy and procedures.
6. Annually provide the Board with a written inventory of machinery, tools and equipment including any required supplemental information.
7. Ensure employees' time worked is recorded in the proper funds, districts and/or accounts.

The Board and Superintendent should:

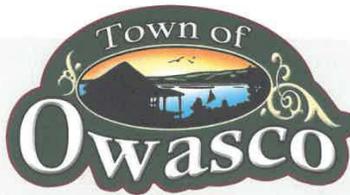
8. Ensure department purchases are within available appropriations or that necessary budget modifications are made.
9. Agree, in writing, on a Section 284 Agreement.
10. Establish long-term plans for highway equipment including a replacement plan.

# Appendix A: Response From Town Officials

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**Edward J. Wagner**  
*Supervisor*

**Tammy Flaherty**  
*Town Clerk*



**2 Bristol Avenue, Auburn, NY 13021**  
**Phone: 315-253-9021 • Fax: 315-253-2683**

**Frederick Cornelius**  
**Anthony Gucciardi**  
**Tim Kerstetter**  
**Michael Vitale**  
*Council*

Office of the State Comptroller  
Division of Local Government and School Accountability  
The Powers Building  
16 West Main Street- Suite 522  
Rochester, NY 14614-1608

March 15, 2021

Dear Mr. Grant,

The Town of Owasco agrees with the findings of the audit that was presented to us on February 16, 2021 via a Zoom Conference Call. The Town of Owasco is in the process of drafting a Highway corrective action plan for each of the OSC Audit recommendations. The Town board along with the support and recommendation of Owasco Highway Superintendent Bob Bruno will vote on that plan at a board meeting within the 90 day period of time as required. I will send a certified copy of the resolution with the action plan to you once the plan becomes official.

Respectfully,

Edward Wagner  
Town of Owasco Supervisor

Robert Bruno  
Town of Owasco Highway Superintendent

## Appendix B: Audit Methodology and Standards

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We conducted this audit 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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed Town officials to gain an understanding of the Town's highway operations, including budgeting, internal controls over assets, policies and procedures, purchasing, payroll and general oversight of highway activities.
- We reviewed all 669 claims (totaling \$539,765) paid from the TW highway fund between January 1, 2018 and May 31, 2019, to determine whether purchases were made in accordance with GML and the Town's policy and procedures, and were properly approved and supported.
- We judgmentally selected and reviewed payments to 11 vendors (totaling \$251,519) with aggregate payments for a consecutive 12-month period during the period January 1, 2018 through May 31, 2019 that were greater than \$20,000, either by individual vendor or purchase type. We reviewed documentation to support competition sought for these purchases, including quotes, bids or New York State contract information for aggregate payments in excess of the competitive bidding thresholds, in compliance with GML and the policy. When appropriate documentation was not maintained, we discussed the payments with officials to determine the potential reasons.
- We reviewed agreements, inventory records and any long-term plans for adequacy.
- We reviewed highway employees' payroll records for the judgmentally selected months of July 2018 and December 2018, to capture time worked during the summer and winter seasons. We verified payroll procedures, time sheet accuracy, leave accruals accuracy, pay rate accuracy, adherence to the Civil Service Employees Association contract and the Town's Employee Handbook and any applicable laws. We also assessed whether employee time worked was recorded in the proper funds, districts and/or accounts.

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.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

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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 provided to our office within 90 days, pursuant to Section 35 of 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 the CAP available for public review in the Clerk's office.

## Appendix C: Resources and Services

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### **Regional Office Directory**

[www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/regional\\_directory.pdf](http://www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/regional_directory.pdf)

### **Cost-Saving Ideas** – Resources, advice and assistance on cost-saving ideas

[www.osc.state.ny.us/local-government/publications?title=&body\\_value=&field\\_topics\\_target\\_id=263196&issued=All](http://www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263196&issued=All)

### **Fiscal Stress Monitoring** – Resources for local government officials experiencing fiscal problems

[www.osc.state.ny.us/local-government/fiscal-monitoring](http://www.osc.state.ny.us/local-government/fiscal-monitoring)

### **Local Government Management Guides** – Series of publications that include technical information and suggested practices for local government management

[www.osc.state.ny.us/local-government/publications?title=&body\\_value=&field\\_topics\\_target\\_id=263206&issued=All](http://www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263206&issued=All)

### **Planning and Budgeting Guides** – Resources for developing multiyear financial, capital, strategic and other plans

[www.osc.state.ny.us/local-government/resources/planning-resources](http://www.osc.state.ny.us/local-government/resources/planning-resources)

### **Protecting Sensitive Data and Other Local Government Assets** – A non-technical cybersecurity guide for local government leaders

[www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2020-05/cyber-security-guide.pdf](http://www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2020-05/cyber-security-guide.pdf)

### **Required Reporting** – Information and resources for reports and forms that are filed with the Office of the State Comptroller

[www.osc.state.ny.us/local-government/required-reporting](http://www.osc.state.ny.us/local-government/required-reporting)

### **Research Reports/Publications** – Reports on major policy issues facing local governments and State policy-makers

[www.osc.state.ny.us/local-government/publications?title=&body\\_value=&field\\_topics\\_target\\_id=263211&issued=All](http://www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263211&issued=All)

### **Training** – Resources for local government officials on in-person and online training opportunities on a wide range of topics

[www.osc.state.ny.us/local-government/academy](http://www.osc.state.ny.us/local-government/academy)

## Contact

Office of the New York State Comptroller  
Division of Local Government and School Accountability  
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: [localgov@osc.ny.gov](mailto:localgov@osc.ny.gov)

[www.osc.state.ny.us/local-government](http://www.osc.state.ny.us/local-government)

Local Government and School Accountability Help Line: (866) 321-8503

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**ROCHESTER REGIONAL OFFICE** – Edward V. Grant Jr., Chief Examiner

The Powers Building • 16 West Main Street – Suite 522 • Rochester, New York 14614-1608

Tel (585) 454-2460 • Fax (585) 454-3545 • Email: [Muni-Rochester@osc.ny.gov](mailto:Muni-Rochester@osc.ny.gov)

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