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March 20, 2015

Mark Tuthill, Supervisor
Members of the Board
Town of Delhi
5 Elm Street
Delhi, NY 13753

Report Number: P4-14-4

Dear Mr. Tuthill 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 Delhi (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. 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 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 Delaware County, has a population of 5,117 and covers 65 square miles. The Town is governed by a five-member Board. The Town's Highway Superintendent is a separately elected official. There has been significant turnover in the Highway Superintendent position with six different people holding the office over the last 15 years. In fact, the most recent

former Highway Superintendent held that position for almost two years before resigning. The current Highway Superintendent took office in November 2013.

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 78 miles of roads, including almost 24 miles of unpaved sections. In 2014, the Town budgeted \$828,600 for the highway fund of which \$762,000 is for road 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

No one can determine if the Town properly managed its roads because the former Highway Superintendent did not establish clear and measurable goals or methodologies and did not ensure that his inventories were documented and included important details about road histories and conditions. While we project it will cost about \$2.4 million to provide repairs to the Town roads in order to get them free of observable defects, the Town's 2014 adopted budget includes \$762,000 for road repair and maintenance, less than one-third the need we identified through our survey. If the Highway Superintendent, in conjunction with the Town Board, chooses to defer the necessary road maintenance, this financial liability will continue to grow. Establishing clear goals and expectations, supported by the multiyear projection of maintenance and repair needs, would have better assisted the Highway Superintendent and Board in spending the available funding in the most efficient way possible.

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.

The former Highway Superintendent had his own expectations for the quality of the road surfaces in the Town. However, his methodology for achieving this goal is not clear or measurable and consists of performing preventive maintenance on the roads that were in good condition while performing reconstruction on roads in poor 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 Town 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), years that road work had been performed, ADT, importance or current condition of the roads. In addition, the former 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 the Agreement (which specifies amounts to be spent) between himself and the Board.

The Supervisor informed us that the turnover in the Highway Superintendent position over the past 10 years contributed to the lack of a clear road maintenance methodology and associated records. In addition, the former Highway Superintendent did not prepare a schedule of proposed road work because the Board did not require it.

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. 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 Deputy Superintendent informed us the former Highway Superintendent maintained roads by assessing the condition of the roads for defects and developing an informal work plan for the current year based on this assessment. However, since his assessments were not documented, the Deputy Superintendent did not provide us with any evidence to this effect. Without a documented long-term plan, the Board could not ensure the work performed on the roads was in the best interests of the Town's road inventory and taxpayers.

We were not able to determine if road work done was consistent with the former Highway Superintendent's stated approach because he did not maintain complete records. For example, the only evidence to show what road work was performed is invoices, but they did not consistently include road names, type of work done or miles of road worked on.

We surveyed the physical condition of all 78 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 \$2.4 million 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 \$2 million includes paving which would make the roads brand new, while the other \$370,000 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 \$762,000. The need for repair and improvement of the Town's roads will continue to grow if not adequately addressed. Maintaining proper records and a long-term Plan will enable the Town to invest its limited funds in the most cost-effective manner.

Recommendations

1. The Highway Superintendent should develop 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 clear and measurable 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.
4. The Highway Superintendent and the Board should ensure that the annual Agreement is established, approved and 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.

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.

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

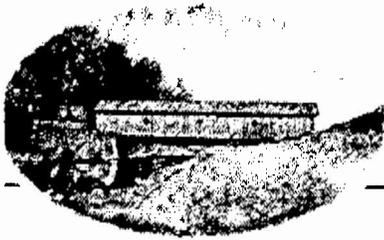
Sincerely,

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 DELHI

5 Elm Street, Delhi, New York 13753

607-746-TOWN (8696)
Fax: 607-746-7847

August 7, 2014

[REDACTED]
Division of Local Gov't and School Accountability
Office of the State Comptroller
44 Hawley Street - Suite 1702
Binghamton, NY 13901-4417

Report Number: P4-14-4

Dear [REDACTED]:

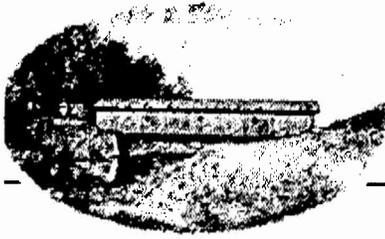
I am writing in response to your revised Draft Audit Report received July 29, 2014 by e-mail.

As we discussed at the exit meeting, the audit findings are not totally unexpected. That is probably to some extent why we have a new majority on the Town Board and a new Highway Superintendent. Since the beginning of this year there have been immediate steps already taken that will address many of your findings.

One thing not mentioned in your letter was the fact that Delaware County has had the most natural disaster declarations of any county in New York State in recent years. This has resulted in some roads being inadvertently left with little or no maintenance while efforts were underway to repair storm damage on other highways.

With budget constraints and New York State's pressure to comply with tax caps, I feel the cost to bring all roads to a defect free and paved condition is unattainable in the near future. Having said that the new board and highway department are committed to implementing your recommendations to the fullest extent possible.

We will be working together over the next several weeks to work on next year's budget and toward developing long-range plans that should move us back in the right direction with our roads. Your report should provide help explaining the need to add and/or redirect money to the highway department.



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Fax: 607-746-7847

We will be providing more complete details of our actions in our CAP letter to follow within the next 90 days.

Thank you for your time and assistance.

Sincerely,

Mark E. Tuthill
Town Supervisor