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March 20, 2015

Michael Spaccaformo, Supervisor
Members of the Board
Town of Masonville
1890 State Highway 206
Masonville, NY 13804

Report Number: P4-14-2

Dear Mr. Spaccaformo 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 Masonville (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 disagreed with our findings and recommendations. Appendix B includes our comments on issues raised in the Town's response. 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 1,320 and covers 55 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 2009.

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 48 miles of roads, including eight miles of unpaved sections. Each year, the Board and Highway Superintendent sign an agreement (Agreement) for amounts to be spent for the repair and improvements of Town roads. In 2014, the Town budgeted \$564,100 for the highway fund of which \$284,500 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 Highway Superintendent did not ensure that the goals, methodologies and inventories were fully documented and included important details about road histories and conditions. 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 surface-treat roads every seven to eight years and pave them every 20 years. While we project it will cost about \$591,200 to provide repairs to the Town roads in order to get them free of observable defects, the Town's 2014 adopted budget includes \$284,500 for road repair and maintenance, less than half 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 Highway Superintendent had his own expectations for the quality of the road surfaces in the Town. He employed a routine of applying surface treatments every seven to eight years for the roads to last 20 years, regardless of ADT or road importance, before needing to be reconstructed. The Board was aware of the Highway Superintendent's approach to managing the Town's road

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).

infrastructure, but did not officially adopt such plans and ensure that the taxpayers were properly informed.

The Town's adopted Plan included an inventory of roads showing each road's surface type, as well as the general type (surface treatment or reconstruction). However, the inventory did not capture the years the work had been performed, ADT, importance or current condition of the roads. In addition, the Highway Superintendent did not prepare a long-term schedule forecasting repairs for the entire inventory, nor did he develop an annual schedule of repairs in his 2013 or 2014 Agreements (which specifies amounts to be spent) with the Board. For example, these Agreements 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 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, additional 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 – neither the Board nor taxpayers can be assured that Town money is being spent in the most responsible manner. For example, a comprehensive Plan would show the Board and taxpayers the total annual cost to repair Town roads every seven to eight years, regardless of a given road's ADT. 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 annually assessed 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 assessments were not documented, he did not provide us with any evidence to this effect. Without a documented long-term plan, the Board could not ensure the annual Agreement 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 Highway Superintendent's stated approach because he did not maintain complete records of the work performed on the roads. The Highway Superintendent's records of work done consisted of the

Agreements, dating back to 2001. However, these documents show what work was planned in any given year and do not show actual work performed.

We surveyed the physical condition of all 48 miles of roads within the Town in April 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 \$591,200 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 \$216,800 includes paving which would make the roads brand new, while the other \$374,400 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 \$284,500. 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 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.
4. The Highway Superintendent and the Board should ensure that the annual Agreement is in compliance with the long-range Plan, and 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

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.

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 Masonville 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 MASONVILLE

Masonville Highway Department

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Masonville, NY 13804
Phone: 607-265-4010
Fax: 607-828-4025

Web Site- <http://www.masonville-ny.us/>
E-Mail - masonvillehighway@gmail.com

DATE: 04/August/ 2014

Dear OSC:

The office of the Highway Superintendent is responding to the draft report that was presented to our Town on 7/8/14. We hoped that this audit was going to be a positive tool for the Highway Department to update standards and show documentation from the State for future grants to prove our Town is in need of funds. Your team should have found in the audit that we have complete accountability for tax dollars and overall observance of good business practice used in the Highway Department.

See
Note 1
Page 10

I disagree with several issues in your draft report. All paving projects were documented, just not all in one file, as you would like to have seen. The documentation was on invoices, expenditure Form 284 and on CHIPS CP-73 forms. CHIPS funding is used for most of the paving and very little of local tax money for other paving. We did have CHIPS documents that must not have qualified as history of paved roads so it was assumed we had no previous roadwork documents at all when in fact we did and are on file with the State of New York. In addition, the past few years prove to be effective and efficient use of our tax dollars by doing more paving without turning in unused tax dollars.

See
Note 2
Page 10

The highway inventory format is sent to us by the State of New York. They are shown with the areas they want us to confirm annually, such as surface type, mileage, lanes, etc. They do not ask for conditions, histories, or goals for future work. If you set a plan to pave roads too far in the future, this could be a mistake. The public would think their road might be paved soon, when in fact the road and base conditions change quickly year to year. A good example: Last winter developed road issues that have not been seen in the last twenty years. The last two years we have informed the public of the next years' work plan. You can forecast roadwork maybe up to two years, but no longer as this will deceive the local taxpayers. At a safety class put on by the NYSDOL even the State Instructor said there are so many different soil types that it will be necessary to change your work projects, due to the base the road may need. This may decrease or increase your project costs. You cannot always determine roadwork to be done historical record or by what the calendar says. History helps to determine base and preventive maintenance work, but physical and visual appraisals are always best, not what comes up on a computer spreadsheet, you must get out and look at the project requirements.

See
Note 3
Page 10

In the audit report, the dollar amounts to repair roads were incorrect. Example: you say to oil and stone one mile of road cost \$7K. The audit team said it was just an average. That would mean some town did a mile for \$4K and the other town \$10K to average the \$7K? The figures you used were taken from Cornell Local Roads program, but you made them look they do not have a clue on TODAY'S roadwork. I heard repeatedly to compare apples to apples, but you used old outdated facts to our current budget figures. I did supply you with current paving estimates for our area, so your report could show apples to apples comparison with the current budget.

See
Note 4
Page 10

See
Note 5
Page 10

I disagree on how you arrived at our Towns work cost for budget allocations. For example, the theory you used on our town would say Andrew's salary was \$45K in 2014. Based on his current salary he should be able to pay for his kids collage, buy a new car and house while paying all of the normal bills in a two or three year period. The scale used to prove he can do this came from a financial guide printed in 1975! He is now debit free and now only has to do preventive maintenance on the car and house. This is how I feel you calculated our budget, apples to oranges. We pave with only two options, oil and stone or cold mix (pug mill) pave that I did provide to you with current quotes, so you could compare apples to apples.

See
Note 5
Page 10

You asked for a developed plan in case of Highway Superintendent turnover, I disagree. The new person may want to start from scratch with his "time for change" theory. You need experience and background to run the department. The plan would make it a generic position, if the public knew about the "plan" that would guide them through for several years, then they could run for the position without any knowledge of the work that should be done, just use the plan and wing it. In the plan, ADT is not a factor with a small town, road importance is determined by saying all roads are important, this way no one can say politics got my road paved. The audit team said the plan should include spreadsheets, job cost sheets, history, etc. Those items are great for a private contractor to estimate a customer job and see a profit. We only need the simple version of the plan, because we do not produce profit. Most needed equipment is owned by the Town, labor is set in the budget, fuel is just a given as each piece of equipment has different fuel consumption. Labor will be paid whether the people are sweeping the shop or paving so I do not put this in an estimate. The most efficient and effective way to spend tax dollars is on paving materials only. All costs are off State, County and local bids and we do use shared services to enable the Town to invest its limited funds in the most cost effective manner. It is not cost effective to mandate the Highway Superintendent to sit in an office to do spreadsheets, job cost sheets, history folders, and forecast the next seven years paving when he could help the crew do roadwork. This was proven during the FEMA work in 2011 that if the Hwy. Supt. works with the crew the return is much larger and the work is done quicker. The new CHIPS mandates already require hours of work where in the past it could be done in one hour. More office work seems to be the trend for the Hwy. Supt. instead of fieldwork with the crew. Most but not all Towns the Hwy. Supt. can utilize the Town Clerk or bookkeeper to help with the office work but in our small town, it is all on me. Our Town has been recognized as the most efficient town in Delaware County. How many towns have you seen where the Hwy. Supt. multi-tasks to work with the crew cutting brush, running grader and plowing snow with a ten wheeler every time the men go out, and then do the Superintendent job in between?

See
Note 6
Page 10

See
Note 7
Page 11

My position concerning audit findings are that I do agree with the need to document projects and account for all necessary costs of the road projects. I disagree on using outdated or nonlocal cost estimates to do our report. I disagree on adding office workload. I disagree on going over two years to guess future road projects and project costs.

Our Town highway budget is restricted with the state mandated tax cap; it makes us the bad guys when funds are cut to pave roads. We are at our limit to raise taxes, so I cannot request for more paving money. The budget is really like a fixed income, I know what I get to spent and make it work. This can be a challenge to fit more paving jobs with the allocated funds. I can only pave what I can, not always what I want to.

The best thing the State can do to help us run efficiently is to cut mandates. The tax cap just makes another obstacle, so we are forced to cut back on road projects. Most local vendors give us a discount on costs of materials and services knowing we run this business on tax dollars. The state forgot we use tax dollars and mandates us to pay prevailing wage on hired work for the town. Locals could do this work at a normal pay scale to save us money and stimulate our local economy.

To summarize your report you told us how to be more effective with documentation, I agree to a point, but nothing on efficient ways to save money. Is that because we have already accomplished that?

Highway Superintendent

Charles Smith

APPENDIX B

OSC COMMENTS ON THE TOWN'S RESPONSE

Note 1

The objective of our audit focused solely on whether towns properly managed the condition of their roads.

Note 2

The documentation related to the referenced Form 284 agreement (referred to in this report as “the annual Agreement between the Highway Superintendent and the Board”) only represents plans for road work each year, not actual work performed. Some paving projects were documented on CHIPS forms, but preventive maintenance projects were not documented on either of these two documents. While the Town retained invoices from road projects, these lacked detail of the particular section of the road and type of maintenance performed.

Note 3

A long-term plan based on the Town’s methodology and goals will help the Town plan for funding and keep the taxpayers informed. Any changes needed to the plan can be explained to the Board and taxpayers as they arise.

Note 4

Our report does not deny the value of visual inspections in assessing current conditions, but states that consideration of date of last road work, road ADT and importance will provide additional insights to underlying risks that may not be revealed with just a visual inspection.

Note 5

The Town did provide some cost information, but not all labor and equipment costs were included. For all towns audited during this regional project, we applied statewide average cost figures compiled by Cornell Local Roads. These cost figures were published in a document from May 2014 and represent what prices Cornell Local Roads suggests using if current job cost information is not kept by the Town. As stated in the report (under “Monitoring and Implementation”), Town officials should adjust this figure based on their actual costs.

Note 6

A formal, publicly available plan informs the Board and taxpayers that money is being spent in the most responsible manner and explains the cost to repair Town roads every seven to eight years, regardless of a given road’s ADT. When properly kept up to date, such a plan can help successive Highway Superintendents understand anticipated needs and continue road maintenance efforts, but it does not dictate their decisions.

Note 7

We do not specify the manner in which the Town's plan should be documented. The Board and Highway Superintendent should work together to establish a feasible format and the level of complexity to effectively manage their plan.