



# Town of Amherst

## Recording Financial Activity and Fleet Management

### Report of Examination

Period Covered:

January 1, 2011 — May 8, 2013

2013M-199



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**

October 2013

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 Town 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 Amherst, entitled Recording Financial Activity and Fleet Management. 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 Amherst (Town) is located in Erie County with a population of 122,366 residents and an area of approximately 53.5 square miles. The Town provides various services to its residents, including general governmental support, police, highway maintenance and improvements, snow removal, sewer and drainage, lighting, and various recreational services (youth and senior citizen programs, and an ice center). The Town's 2013 operating fund budgets total \$116.7 million.

An elected six-member Town Board (Board) is the legislative body responsible for overseeing the Town's operations and finances. The Board consists of the Town Supervisor (Supervisor) and five council members.<sup>1</sup> The Supervisor is the Town's chief executive officer. A Town Comptroller is appointed to oversee daily financial activities, including accounting and financial reporting.

#### **Scope and Objectives**

The objectives of our audit were to review the recording of certain financial activities and to review the Town's fleet management program for the period January 1, 2011, to May 8, 2013. For fleet management we concentrated on the vehicles in the Police, Highway, and Engineering Departments. Our audit addressed the following related questions:

- Does the Town Comptroller properly record reserve and interfund activity?
- Does the Town have an appropriate fleet management program?

#### **Audit Results**

We found that the Town Comptroller has not properly accounted for and reported reserve funds and other restricted moneys. The Town Comptroller does not record reserve activity in the financial system; instead, she accounts for certain reserves separately and in some cases does not maintain any record of the reserves. This resulted in more than \$2 million remaining idle since 2004 that should have been used for debt service. As a result of not appropriately accounting for certain restricted moneys, the Town's tax levy may have been higher than necessary and the Town's financial records may not properly reflect the balances of these accounts. Therefore, the resulting financial reports may not accurately present financial information to taxpayers, the Board, and others that rely on such reports. The Town Comptroller improperly relies on the external auditors to fulfill her responsibilities, including maintaining records of certain reserve fund and restricted moneys.

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<sup>1</sup> Prior to 2011, the Board had six elected council members and the Supervisor. Effective January 1, 2015, the Board will consist of four elected council members and the Supervisor.

We also found that the Town Comptroller has not properly recorded and reported interfund activity and did not resolve outstanding interfund activity in certain funds at the end of the 2012 fiscal year. Additionally, the general fund owed the sewer fund more than \$2.5 million at the end of the 2012 fiscal year but was unable to repay the loan because of the manner in which the Town is financing and accounting for a judgment. The Town reported \$6.4 million owed to the general fund from the self-insurance fund for debt service costs in 2011 and 2012 resulting from a judgment against the Town. This was accounted for as an interfund loan because Town officials anticipated that the Town would recover moneys for this judgment from the New York State Insurance Fund and then be able to repay the general fund. Subsequent to the completion of field work, the Town was notified that the New York State Insurance Fund would pay the Town in 2013.

The Town has not established an effective fleet management program. The Town does not have any written policies or procedures to determine if the acquisition of new or replacement vehicles is cost effective. In addition, the Town does not maintain – in any consistent manner – repair, maintenance, usage, or fuel records for its fleet. Overall, we found that the Town’s Engineering Department had the most comprehensive system for tracking vehicle maintenance and repair costs. We were unable to determine if cost savings could be realized due to the lack of certain information in the Town’s records.

### **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 disagreed with the findings but indicated they would take corrective action where appropriate. Appendix B includes our comments on issues raised in the Town’s response.

# Introduction

## Background

The Town of Amherst (Town) is located in Erie County with a population of 122,366 residents and an area of approximately 53.5 square miles. The Town provides various services to residents, including general governmental support, police, highway maintenance and improvements, snow removal, sewer and drainage, lighting, and various recreational services (youth and senior citizen programs, and an ice center). The Town's 2013 operating fund budgets total \$116.7 million.

An elected six-member Town Board (Board) is the legislative body responsible for overseeing the Town's operations and finances. The Board consists of the Town Supervisor (Supervisor) and five council members.<sup>2</sup> The Supervisor is the Town's chief executive officer. A Town Comptroller is appointed to oversee daily financial activities including accounting and financial reporting.

The responsibility for fleet maintenance resides with each department. The primary departments with vehicles include Police, Highway,<sup>3</sup> and Engineering.<sup>4</sup> According to their records, the Police Department has 85 vehicles, the Highway Department has 208 vehicles, and the Engineering Department has 99 vehicles. In 2012, the Town spent nearly \$4 million acquiring, maintaining, and repairing its vehicles.

## Objectives

The objectives of our audit were to review the recording of certain financial activities and to review the Town's fleet management program. For fleet management we concentrated on the vehicles in the Police, Highway, and Engineering Departments. Our audit addressed the following related questions:

- Does the Town Comptroller properly record reserve and interfund activity?
- Does the Town have an appropriate fleet management program?

## Scope and Methodology

We examined the records and reports of the Town Comptroller's Office and fleet management records and reports of the Police, Highway, and Engineering Departments for the period January 1, 2011, to May 8, 2013.

<sup>2</sup> Prior to 2011, the Board had six elected council members and the Supervisor. Effective January 1, 2015, the Board will consist of four elected council members and the Supervisor.

<sup>3</sup> Includes the Parks Department vehicles

<sup>4</sup> Includes the Building Department vehicles

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 disagreed with the findings but indicated they would take corrective action where appropriate. Appendix B includes our comments on issues raised in the Town's response.

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.

## Recording Financial Activity

The Town's financial records must be complete, accurate, and up-to-date to be useful for managing Town operations. The Town Comptroller is responsible for maintaining detailed accounting records, and filing annual financial reports with the State Comptroller's Office.

We found that the Town Comptroller has not properly accounted for and reported reserve funds and other restricted moneys. The Town Comptroller does not record reserve activity in the financial system; instead, she accounts for certain reserves separately and in some cases does not maintain any record of the reserves. This resulted in more than \$2 million, which should have been used for debt service, remaining idle since 2004. In addition, we found that the Town Comptroller has not properly recorded and reported interfund activity.

### Reserves

It is important to keep accurate and up-to-date records for every reserve fund. The accounting records for each reserve fund generally must include the date and amount of each sum paid into the fund, the interest earned by the fund, the amount and date of each withdrawal from the fund, and the total assets of the fund, including cash and a schedule of investments.

Debt Reserves — When unexpended debt proceeds and any interest earnings remain after a capital project is completed, these moneys must be restricted for debt service on the outstanding obligations or for related capital expenditures. In addition, a debt reserve must be established upon the sale of an asset, for which debt remains outstanding. Resources restricted for debt payments should be reported in a debt service fund.

The Town's 2012 annual financial report includes debt reserves totaling approximately \$6 million, including \$1.4 million in the general fund, \$2.9 million in the drainage fund, \$1,933 in the refuse fund, \$1.5 million in the sewer fund, and \$208,454 in the water fund. The Town Comptroller stated that the moneys reported in the operating funds represent bond proceeds remaining from completed capital projects. However, the Town Comptroller does not have appropriate accounting records to support these reported reserve funds.

The Town Comptroller maintains a schedule that indicates which capital projects were completed during the fiscal year, the amount of debt proceeds and interest earned to be added to the reserves, and the amount of the reserves budgeted in each of the operating funds to be used for debt service in the ensuing fiscal year. However, the Town

Comptroller indicated that she uses a schedule prepared by the Town's external auditors to report the reserve balances on the annual financial report. We found that the reserve amounts reported in the 2012 annual financial report do not agree with the auditor's schedule. The 2012 fiscal year schedule of debt reserve balances totaled approximately \$5 million. It appears the Town Comptroller instead used the 2011 fiscal year schedule which agrees with the 2012 reported amounts. The Town Comptroller indicated that there was a difference because the amounts reported on the annual financial report were not finalized. Had the Town Comptroller maintained appropriate accounting records for these reserves, the annual financial report would have agreed with the Town's records.

The schedule prepared by the external auditors separates the reserves by debt issue. According to these schedules, interest earnings have not been applied to the reserve balances since 2008, as required.<sup>5</sup> Based on the schedule, it appears that the amounts in the debt reserves legitimately represent moneys that are statutorily restricted for debt service on related obligations. However, these reserves should be reported in the debt service fund instead of the various operating funds. While restricted for debt service on obligations that remain outstanding, more than \$2 million of these reserves has been idle since 2004, based on the schedule prepared by the external auditors. Subsequent to the completion of our fieldwork, Town officials prepared a schedule indicating their plan to use approximately \$977,000 of these idle funds to pay debt service, starting in 2014.

Retirement Contribution Reserve — The Town's annual financial report for the 2012 fiscal year includes a retirement contribution reserve totaling approximately \$200,000, consisting of \$150,000 in the sewer fund and \$50,000 in the general fund part-town. In the previous fiscal year, this reserve's balance was \$1 million, consisting of \$800,000 in the general fund, \$150,000 in the sewer fund, and \$50,000 in the general fund part-town. General Municipal Law (GML) allows the establishment of a retirement contribution reserve for amounts payable to the New York State Employees' Retirement System. The reserve must be created and expenditures authorized by resolution of the governing board. The 2012 adopted budget indicated that \$1 million from the reserve funds would be used to pay related expenditures. However, it appears that only the \$800,000 in the general fund was used. When we discussed this reserve with the Supervisor, he was not aware that \$200,000 of the reserve had not been used as budgeted.

Furthermore, while the Board established a retirement contribution reserve, the Town Comptroller did not maintain accounting records

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<sup>5</sup> General Municipal Law

for the reserve. Therefore, she could not demonstrate that the reserve fund moneys were properly used in accordance with statute and as the Board intended. In addition, because the balance in the two funds remained constant, it appears that interest earnings were not properly applied.

Restricted Moneys in the Capital Projects Fund — The Town’s annual financial report for the 2012 fiscal year includes \$1,281,194 in “other restricted fund balance”; however, the Town Comptroller did not maintain accounting records to support this amount. Furthermore, it appears she may have again used financial information from the 2011 fiscal year when completing the annual financial report for the 2012 fiscal year. The audited financial statements include \$601,041 reported as “restricted for debt” and \$680,153 as “restricted for capital projects” as of December 31, 2011. These amounts agree with what she reported as of December 31, 2012.

Subsequent to the completion of our fieldwork, the Town Comptroller provided us with a spreadsheet which indicates that \$208,674 was “restricted for debt” and \$237,500 “restricted for capital projects” as of December 31, 2012. These amounts agree with the draft audited financial statements for the 2012 fiscal year. She stated that these funds were bond anticipation note (BAN) premiums and unspent bond proceeds in open capital projects. Premiums from capital debt issues should be used for debt service and accounted for in the debt service fund unless the Board increases the capital project authorization to use the premiums to fund project costs. If restricted funds, such as debt proceeds or grant moneys, are in active capital project funds, they should be properly recorded as such in the Town’s accounting records, not merely updated several months after the fiscal year end for the purpose of appropriately including these balances in the audited financial statements. Had the Town Comptroller maintained appropriate accounting records for these restricted moneys in the capital projects fund, the annual financial report would have agreed with the Town’s records.

As a result of not appropriately accounting for certain restricted moneys, the Town’s tax levy may have been higher than necessary and the Town’s financial records may not properly reflect the balances of these accounts. Consequently, any resulting financial reports may not accurately present this information to taxpayers, the Board, and others that rely on such reports.

The Town Comptroller improperly relies on the external auditors to fulfill her responsibilities, including maintaining records of certain reserve funds and restricted moneys. The external auditors indicated in the 2011 audited financial statements that not separately accounting

for cash related to restricted fund balances was a material weakness in internal control. They recommended the implementation of separate accounting records for each reserve fund and indicated that Town management planned to implement corrective action in 2012. However, as of the end of our fieldwork in May 2013, this has not yet been remedied.

## **Interfund Activity**

GML authorizes a local government to temporarily advance moneys held in a fund to another fund. The moneys temporarily advanced are to be repaid as soon as available but no later than the close of the fiscal year in which the advance was made. The OSC Accounting and Reporting Manual includes the “due to other funds” account to be used for amounts owed to a particular fund by another fund for goods sold, services rendered, or advances made.

The Town’s 2012 annual financial report includes a total of more than \$12.5 million in outstanding interfund advances between the Town’s various funds. We found that these amounts do not agree with the trial balance and supplemental schedule provided by Town officials, which indicates that approximately \$11.6 million was outstanding at the end of the fiscal year. The Town Comptroller indicated that there was a difference because the amounts reported on the annual financial report were not finalized. Had the Town Comptroller maintained appropriate accounting records for interfund advances, the annual financial report would have agreed with the Town’s records.

The Town Comptroller also did not properly resolve outstanding interfund activity in certain funds at the end of the 2012 fiscal year. The capital project fund, which had sufficient cash available, had not paid various funds almost \$1.7 million from completed capital projects. In addition, \$343,000 in allocated payroll was recorded in August through December 2012 as cash still owed from the ice facility fund to the general fund. Lastly, approximately \$286,000 in chargebacks for administrative services was owed, in total, from various funds to the general fund. The Town also reported \$200,000 as a loan to the Town’s agency fund made in 1997, approximately 16 years ago, well beyond the repayment timeline established by the GML. Because a significant portion of these moneys were due to the general fund, the fact that they remained outstanding impacted the general fund’s cash position.

The Town also reported a \$2.5 million loan from the sewer fund to the general fund to provide cash flow, which was not repaid by December 31, 2012. While GML authorizes the temporary advance of moneys between funds, such loans are required to be repaid no later than the close of the fiscal year in which the advance was made. In addition, because the general and sewer funds represent different tax bases,

interest should be charged on the moneys advanced. Further, this activity could violate other provisions of GML that limit the use of sewer rents to certain purposes.

Finally, the general fund's inability to repay the sewer fund was due in large part to the manner in which the Town is financing and accounting for a judgment. The Town reported \$6.4 million owed to the general fund from the self-insurance fund for debt service costs in 2011 and 2012 resulting from a judgment against the Town.<sup>6</sup> This was accounted for as an interfund loan because Town officials anticipated that the Town would recover moneys for this judgment from the New York State Insurance Fund and would then be able to repay the general fund. The general fund includes this "due from other funds" as a current receivable on its balance sheet. The Town's audited financial statements include note disclosure addressing this significant contingency and designate a portion of fund balance to recognize the non-spendable nature of this as a long-term receivable. Subsequent to the completion of fieldwork, the Town was notified that the New York State Insurance Fund would pay the Town in 2013.

The Town reported cash available in all funds, except for the general and self-insurance funds, which exceeded the amount due to other funds. Some of this interfund activity was not quantified and recorded until April and May of the following fiscal year. The Town Comptroller should calculate the amounts to be transferred as soon as possible after the close of the fiscal year. In addition, several of the items, such as the chargebacks and the payroll allocations were known before the end of the fiscal year and therefore should have been repaid.

## Recommendations

1. The Town Comptroller should review relevant publications on accounting, financial management, and municipal operations available on the State Comptroller's website<sup>7</sup> and consider attending advanced accounting school training, which is periodically provided by our Office.
2. The Town Comptroller should properly report and use statutorily restricted moneys to pay related debt service, and ensure that other moneys improperly accounted for in a debt reserve are transferred to the appropriate funds.

<sup>6</sup> The Town issued a bond anticipation note (BAN) totaling \$10.2 million in 2009 to pay the judgment and subsequently renewed the BAN each year. Beginning in 2011, the Town began to make principal payments on the BAN. Debt service on this BAN was paid from the self-insurance fund. However, the general fund loaned \$3 million in 2011 and \$3.4 million in 2012 to the self-insurance fund to pay the debt service costs in those years.

<sup>7</sup> <http://www.osc.state.ny.us/localgov/pubs/index.htm>

3. The Town Comptroller should account for moneys legally restricted for debt service in a debt service fund.
4. The Town Comptroller should maintain accounting records for all reserve funds.
5. The Town Comptroller should properly allocate interest earned on reserve funds.
6. The Town Comptroller should ensure that interfund loans are used in accordance with statute, and the funds should be repaid as soon as possible, but no later than the end of the fiscal year. If interfund loans are made between two funds with different tax bases, then an appropriate amount of interest must be charged to the fund that received the advance.

## Fleet Management

An effective fleet management program for any local government establishes the guidelines for the acquisition, utilization, maintenance and repairs, and replacement and disposal of vehicles. Town officials should adopt a fleet management policy that clearly covers all of the guidelines established. It is essential that this policy be monitored for compliance by the heads of each department to ensure that vehicles are acquired, utilized, maintained, replaced, and disposed of in the most efficient manner. The establishment and effective administration of a fleet management program can have a positive impact on the cost effectiveness and efficiency of a fleet operation.

The Town has not established an effective fleet management program. The Town does not have any written policies or procedures to determine if the acquisition of new or replacement vehicles is cost effective. In addition, the Town does not maintain – in any consistent manner – repair, maintenance, usage, or fuel records for its fleet. We reviewed fleet operations for the Police, Highway, and Engineering Departments. Each of these Departments stores its vehicles in its own facilities and has mechanics in each facility that perform routine maintenance and most repairs.<sup>8</sup> Overall, we found that the Town’s Engineering Department had the most comprehensive system for tracking vehicle maintenance and repair costs. We were unable to determine if cost savings could be realized due to a lack of certain information in the Town’s records. However, the consolidation of maintenance facilities may produce cost savings.

### Acquisition

The Board and Town officials should establish vehicle acquisition policies and procedures that supplement the Town’s procurement policy. The goal is to obtain the lowest possible price and the highest possible quality vehicles that meet the various Town Departments’ needs.

The Board adopted multiple resolutions regarding the acquisition and disposition of vehicles and vehicle accountability. These resolutions require that vehicle acquisitions are to be approved by the Board and an inventory form be completed during the purchasing process, which is used to add the vehicle to the Town’s inventory records. The resolutions do not state how vehicles will be acquired and what type of vehicles should be acquired based on their intended use. In addition, there are no guidelines requiring documentation to verify the cost effectiveness of acquiring a vehicle. We found that the Board approved all vehicle acquisitions and the Town either competitively

<sup>8</sup> The vehicles are taken to the dealer for warranty and programming work.

bid or used another government's bid for purchases during the audit period.

## Maintenance

Town officials should establish preventative maintenance intervals, based on local driving conditions and manufacturer's recommendations, for each type of vehicle. Overly frequent or delinquent preventative maintenance intervals are counterproductive to controlling costs. Accurate and complete vehicle maintenance records are important for making fleet management decisions. Pertinent records that should be maintained for each vehicle include maintenance logs, fuel usage logs, and a record of repairs, with a list of parts and labor for each repair and the associated costs.

Preventative Maintenance Schedules — We found that the Police and Highway Departments have not established written procedures concerning preventative maintenance schedules for their vehicles.

- For the Police Department, the informal preventative maintenance schedule is every three weeks for patrol cars, every two to three months for detective cars and once or twice per year for specialty vehicles. This schedule was recorded on a calendar, by the Police Department mechanics, before each month.
- For the Highway Department, the informal preventative maintenance schedule is every 3,000 to 4,000 miles or every 200 to 300 hours for heavy equipment. Prior to the start of a new month, the mileage on vehicles is reviewed and the vehicles that are due for preventative maintenance are documented on a clipboard.

Conversely, the Engineering Department has established preventative maintenance schedules in its computerized maintenance management system for each vehicle. The program alerts the mechanics when it is time for a vehicle to receive maintenance and a work order is printed.

Maintenance Records — We found that the Police and Highway Departments do not maintain adequate maintenance records.

- The Police Department mechanics maintain a log indicating when vehicles were serviced and, during our audit, began recording the parts used on each vehicle. However, the mechanics do not maintain any records on the cost of the maintenance or repair by vehicle.
- The Highway Department maintains a database to record vehicle maintenance and repair. This system records the cost

of most vehicle parts,<sup>9</sup> but does not include the cost of items such as filters, oil, etc., or the cost of labor.

Alternatively, the Engineering Department has the most comprehensive system for tracking vehicle maintenance and repair of the Departments reviewed. The Engineering Department uses a computerized maintenance management system which, in addition to other functions, records the cost of all vehicle parts and the cost of labor for the maintenance and repair of each vehicle in its fleet.

Fuel Records — Most of the Town's fleet obtains fuel from fuel pumps located at the Highway Department. The fuel obtained from this location is tracked using a software program which records the amount of fuel obtained for each vehicle for the Highway and Engineering Departments. However, for the Police Department, the system only records the fuel used by driver. In addition, we found that the Police Department also maintains its own pump and fuel usage is recorded manually in the Police Department headquarters. The individual obtaining fuel is required to radio in his/her name, vehicle number and the amount of gallons pumped. However, we reviewed the fuel logs and found that the information is not consistently recorded. Therefore, the fuel usage by Police Department vehicles cannot be adequately tracked, nor can a reconciliation be performed to ensure that fuel delivered, used, and on-hand is analyzed to provide appropriate accountability over this commodity.

## **Replacement**

Town officials should analyze the cost of owning and maintaining vehicles over their life and use that information to establish a vehicle replacement standard. Different replacement standards should be established depending on the results of the analysis and the various vehicle types and usage patterns. Once Town officials determine that it is time to replace a vehicle, they should ensure there are no better alternatives than purchasing a replacement. Town officials should periodically review comparable vehicles in the fleet in order to identify under-utilized vehicles that could be reassigned.

Generally, Town officials in all three Departments stated that the decision to replace a vehicle is made based on the age of the vehicle, the mileage, and input from the Department mechanics. The cost of vehicle maintenance and repair, when available, is taken into consideration; however, often the decision to replace a vehicle is based on the amount of funds available for vehicle replacement. According to Town officials, some vehicles are maintained longer than is ideal due to budget constraints. However, none of the Departments provided us with documentation of their replacement analysis.

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<sup>9</sup> This database also includes the entire cost of repairs performed by a vendor.

## Disposal

Town officials should analyze the various methods for disposing of unneeded vehicles including determining the most cost-effective method. The goal is to yield the vehicle's highest salvage value. Methods of disposal include sale at a public auction or by sealed bids, or used as a trade-in on a different vehicle.

The Board passed a resolution for vehicle purchase and disposal in November 2011 which states that the Board must approve the disposal of vehicles. However, there are no guidelines for ensuring that the most cost-effective method of disposal is used. We found that the Police Department disposes of all vehicles through trade-in on the purchase of new vehicles. The Highway and Engineering Departments dispose of vehicles primarily through an auction service. However, none of the Departments provided evidence that they analyzed the various methods of disposal and selected the most cost-effective method.

## Cost-Saving Opportunities

We reviewed the vehicle repair, maintenance, and usage records for a sample of vehicles from each of the three Town Departments to determine if cost-saving opportunities could be identified.

- For the Police Department, we selected a judgmental sample of 25 vehicles but were unable to determine the cost of maintenance and repairs for these vehicles as the Department did not maintain this information by vehicle.
- For the Highway Department, we selected a judgmental sample of 31 vehicles and equipment and found that the vehicles we tested had an average cost<sup>10</sup> of repairs and maintenance of \$6,800. However, this amount did not include the cost of labor and some parts which the Department does not track. In addition, its vehicles had an average usage of 572 miles or 28 hours per month for vehicles without an odometer.
- For the Engineering Department, we reviewed a judgmental sample of 25 vehicles and equipment and found that the vehicles we tested had an average cost<sup>11</sup> of repair and maintenance of \$9,500 and an average usage of 397 miles<sup>12</sup> per month. The cost of maintenance and repair included labor, parts, and any vendor service on each vehicle.

Due to the limitation and inconsistency of records available, we were unable to identify or calculate cost-saving opportunities. Nevertheless, if recordkeeping is improved and appropriate analysis conducted,

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<sup>10</sup> Over the vehicle's life

<sup>11</sup> Ibid.

<sup>12</sup> One vehicle in this sample had usage measured in hours.

Town officials may be able to identify cost-savings opportunities in the future. Accurate and complete vehicle maintenance records provide management with the opportunity to assess vehicle maintenance costs and determine the optimal point at which to consider vehicle replacement.

## **Recommendations**

7. The Board and Town officials should develop a comprehensive fleet management program. This program should include the following elements:
  - Guidelines for analyzing and documenting the cost/benefit of vehicle and equipment acquisition and replacement
  - Formal establishment of preventative maintenance schedules
  - Documentation of all costs associated with each vehicle including maintenance, repairs and fuel usage
  - Guidelines for obtaining and documenting the most cost-effective method of disposal.
8. The Board should analyze and evaluate whether consolidating maintenance operations would be cost effective.
9. The Board and Town officials should consider implementing some of the fleet management practices used by the Engineering Department in other Town Departments.
10. The Board and Town officials should implement a system to track fuel usage by vehicle for all Departments and ensure that reconciliations of fuel purchased, used and on-hand are routinely performed to establish appropriate accountability over this commodity.

**APPENDIX A**  
**RESPONSE FROM LOCAL OFFICIALS**

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



# TOWN OF AMHERST

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September 25, 2013

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Office of the State Comptroller  
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To whom it may concern:

The Town of Amherst has reviewed the preliminary draft findings related to the audit of the Town of Amherst's Recording Financial Activity and Fleet Management.

We are preparing and implementing a Corrective Action Plan and will file the written plan no later than November 14, 2013 pursuant to Section 35 of the General Municipal Law.

See  
Note 1  
Page 21

### **Recording Financial Activity**

We believe that there are several items included in the report that should not be considered a finding or deficiency.

See  
Note 2  
Page 21

There were differences between the Annual Report submitted to the Office of the State Comptroller annually by April 30<sup>th</sup> and the Audited Financial Statements issued in June because there are adjusting entries recorded after the Annual Report is submitted to the OSC. Due to the size and complexity of the Financial Statements for the Town of Amherst it is impossible to have the audit completed prior to the April 30<sup>th</sup> due date for the Annual Report. Therefore, there will always be timing differences between the two reports. These timing differences are not due to lack of recordkeeping but rather not having final information when the Annual Report is due.

See  
Note 3  
Page 21

The Comptroller was fully aware of the balances in the Retirement Contribution Reserves (\$200,000) and had passed on recording the interest earnings due to immaterial amount that would have been earned. These reserves were properly reflected on the Audited Financial Statements.

See  
Note 4  
Page 21

The Town does not use a debt service fund. However, unspent proceeds from bond or BAN proceeds are properly reserved on the Audited Financial Statements. Our auditors have never had an issue with the way this has been handled.

See  
Note 4  
Page 21

There were several instances of interfund activity recorded as of 12/31/2012 where the applicable fund did have cash available as of that date. However, the amounts owed were not known until after 12/31/2012 but were recorded effective 12/31/2012 on our books. One example is the chargeback

allocation. We had transferred 90% of the anticipated charges prior to year end but the balance could not be calculated until all year end entries were prepared and recorded. We do not believe this should be a comment in the report as there is no other way to handle such transactions.

See  
Note 5  
Page 21

There was a \$2.5 million loan from the Sewer Fund to the General Fund to provide cash flow which was not repaid by 12/31/2012. These advances were made as of December 24, 2012 and were repaid when funds from the tax levy were received. We understand that loans between funds are intended to be temporary and we repaid this loan as soon as possible. We passed on recording interest due to immateriality of the calculated amount.

The Town has properly accounted for the way the Town Board has decided to fund a judgment against the Town and to pursue a judgment the Town had against the State Insurance Fund. The Town Board chose not to raise taxes to cover the judgment due to the fact that we had a valid judgment against the State Insurance Fund and were continuing our collection efforts. This has been resolved in 2013 to the Town's benefit and as such our accounting was proper.

We will change our handling of the \$200,000 interfund loan made in 1997. This activity has been handled in a consistent manner since 1997 but will be modified in 2013.

**Fleet Management**

The Town reviews each vehicle purchase on a case by case basis and bases purchasing and disposition decisions on the specific circumstance of each. Each department is tasked with the responsibility to maintain their fleet and to communicate their recommendations and needs to the Town Board during the annual budget process.

As part of the Corrective Action Plan the Town will consider how to improve our processes and documentation as per the recommendation of this audit.

We hope that you will revise the language in your draft report that we believe to be inaccurate and misleading. We also thank you for the constructive portions of the work you performed in the Town of Amherst.

See  
Note 2  
Page 21

Very Truly Yours,

Darlene A. Carroll  
Comptroller

## APPENDIX B

### OSC COMMENTS ON THE TOWN'S RESPONSE

#### Note 1

A corrective action plan should be prepared and filed with this Office within 90 days of the release of the audit report.

#### Note 2

The information provided by Town officials at the exit conference and in the Town's response did not warrant revisions to the audit report.

#### Note 3

The Town Comptroller is responsible for ensuring that the Town's financial records are accurate, complete, and up-to-date in order for such records to be useful to the Board, taxpayers, and other interested parties. The Town Comptroller should not be relying upon the external auditor to maintain certain financial records and/or to provide significant and material adjustments to the records months after the fiscal year is complete in order for the financial records to be complete and accurate.

#### Note 4

The Town Comptroller should ensure these amounts are properly recorded in the Town's financial records and not rely on audited financial statements to serve as the Town's financial records.

#### Note 5

While Town officials provided explanations for unresolved interfund activity, they did not warrant the removal of the findings because we found significant and material problems with these transactions over multiple years.

## APPENDIX C

### AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess Town operations and identify areas where the Town could realize efficiencies and protect assets from loss or misuse. To accomplish this, our initial assessment included a review of financial condition, purchasing, accounts payable, payroll, cash receipts, information technology, and various Town Department activities.

During the initial assessment, we interviewed appropriate Town officials, performed limited tests of transactions, and reviewed pertinent documents, such as policies and procedures, Board minutes, and financial records and reports. In addition, we reviewed the Town's internal controls and procedures over its computerized financial systems to help ensure that the information produced by such systems was reliable.

After reviewing the information gathered during our initial assessment, we determined where weaknesses existed and evaluated those weaknesses for the risk of potential fraud, theft, and/or professional misconduct. We then decided on the reported objective and scope by selecting for audit those areas most at risk. We selected the Town Comptroller's recording of certain financial activities and the Town's fleet management program for further audit testing.

For the recording of financial activity objective, we performed the following audit procedures:

- We interviewed Town officials to gain an understanding of the internal controls and processes in place.
- We reviewed written policies and procedures.
- We reviewed the Board minutes and resolutions related to reserve funds and interfund activity.
- We reviewed financial records, including financial statements, financial reports, supporting schedules, and journal entries for reserve funds and interfund activity.
- We interviewed the Town's external auditor and obtained documentation regarding certain financial activity.

For the fleet management objective, we performed the following audit procedures:

- We interviewed Town officials to gain an understanding of the internal controls and processes in place.
- We reviewed written policies and procedures.
- We reviewed documentation regarding preventative maintenance.
- We reviewed documentation of vehicle acquisition and disposal.

- We selected a judgmental sample of vehicles and equipment in the Police, Highway, and Engineering Departments and reviewed the records of repair, maintenance, and fuel usage for these vehicles and equipment. This sample was selected to ensure it represented a variety of vehicle types and usage levels.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## APPENDIX D

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