



THOMAS P. DiNAPOLI
COMPTROLLER

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER
110 STATE STREET
ALBANY, NEW YORK 12236

GABRIEL F. DEYO
DEPUTY COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY
Tel: (518) 474-4037 Fax: (518) 486-6479

March 20, 2015

Andrew Boyar, Supervisor
Members of the Board
Town of Highland
4 Proctor Road
Eldred, NY 12732

Report Number: P4-14-5

Dear Mr. Boyar 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 Highland (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 disagreed with some of our findings and recommendations but indicated they will take corrective action. Appendix B contains 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 Sullivan County, has a population of 2,530 and covers 52 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 2012.

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 42 miles of roads, including six 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 approximately \$1 million in the highway fund, of which \$422,000 is for road maintenance.

To complete our objective, we interviewed Town officials and reviewed the Town's road maintenance plan (Plan) for adequacy and reviewed invoices and job cost sheets 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 years and pave them every 20 years. While we project it will cost about \$2.2 million to provide repairs to the Town roads in order to get them free of observable defects, the Town's 2014 adopted budget includes \$422,000 for road repair and maintenance, less than a quarter of 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, 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 years for the roads to last 20 years, regardless of ADT or road importance, before needing to be reconstructed. The Board

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 locations with crucial transportation needs (e.g., commercial districts, schools)

was aware of the Highway Superintendent's approach to managing the Town's road infrastructure, but did not officially adopt such plans and ensure that the taxpayers were properly informed.

The Town's inventory of roads was a complete list of Town roads and showed each road's surface type. However, the inventory did not show the general type of work (surface treatment or reconstruction) or 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 that forecasts repairs for the entire inventory, nor did he develop an annual schedule of repairs in his Agreement (which specifies amounts to be spent) with the Board. For example, the Agreement listed some paving projects but did not specify the preventive maintenance that would need to be performed in that year.

The Highway Superintendent told us his inventory did not include ADT or importance because he believed his visual inspection of road condition each year was a better indication of what work needed to be performed than these factors. In addition, he did not create a 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, 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. For example, a comprehensive Plan would show the Board and taxpayers the total annual cost to repair Town roads every seven 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 assessed annually the condition of the roads for defects and created the Agreement, for the current year based on this assessment, in line with his established practices and methodology. However, because his 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. We analyzed all

available work logs, but could not determine what section of the roads were maintained or the type of maintenance performed on the roads³ (i.e., preventive maintenance or paving).

We surveyed the physical condition of all 42 miles of roads within the Town in April 2014 using information provided by the Cornell Local Roads Program.⁴ 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 cost⁵ 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 \$2.2 million to repair all Town roads. This estimated financial liability⁶ 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 \$224,000 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 \$422,000. 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 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 that any deviations from the Plan should be explained.

³ The Highway Superintendent started accumulating this information during the 2013 paving season. However, one year was not enough for us to analyze compliance with his plan.

⁴ 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.

⁵ The average cost range is +/- 20 percent.

⁶ 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, the Highway Superintendent should adjust this figure based on their actual costs.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and forwarded to our office within 90 days. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review.

We thank the officials and staff of the Town of Highland 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 HIGHLAND

Town Supervisor
ANDREW BOYAR

Highlandsupervisor@hvc.rr.com
(845) 557-8901
Fax: (845) 557-0257

PO Box 177
4 Proctor Road
Eldred, NY 12732

August 5, 2014

NYS Office of the State Comptroller
Attn: Gabriel F. Deyo, Deputy Comptroller
110 State Street
Albany NY 12236

RE: Report Number: P4-14-5

Dear Mr. Deyo:

The Town Board of the Town of Highland as and for its reply to the above Report responds with this letter.

The factual details of the Town are correct as set forth in the Report. Yes, there are 42 miles of Town roads in a Town of 52 square miles serving a population of 2530. The first line of your "Audit Results" indicates that "No one can determine if the Town properly managed its roads because the Highway Superintendent did not ensure that their goals, methodologies and inventories were fully documented and included important details about road histories and conditions." This is not true. The status of the Town roads can be determined by simply driving the roads and in the very short time span of 1 hour and 15 minutes, the condition of the roads can be ascertained. The condition of the roads is known to the Supervisor, to every Town Board Member, to the Highway Superintendent and to every Town Highway employee. We know these roads because we use them and drive them every day. While a formal long term schedule for road maintenance could be created, the status and condition of all of our roads are not an unknown factor. If the Town had unlimited resources it would not be a problem to bring every linear foot of every road up to top grade. The Town of Highland however must allocate its existing resources based upon a balance of what the taxpayer can afford with the safety needs of the traveling public. We believe that our roads are safe. In the period audited there has not been a single complaint regarding the condition of the roads from residents or the traveling public. The concerns of the Town residents primarily deal with being able to afford the taxes levied and the Town Board must balance the financial conditions of the taxpaying public with the need for road improvements. At this time the financial health of the taxpaying public is not good.

See
Note 1
Page 10

See
Note 2
Page 10

Our residential taxpayers also pay State taxes. It is our common belief that the Town gets an insufficient return on the tax dollars sent to Albany. The amount of money that we receive under the CHIP's program is insufficient. If more CHIP funds were available, the Town would be able to have a long term plan and carry it out. However, because the resources from the State of New York are insufficient, the Town must do the best it can with the limited resources we have. The audit period in question is a perfect

example. Resources that could otherwise go to road improvement were utilized for snow and ice removal during a particularly challenging and difficult snow and ice season. The Town must respond to each and every storm and when extraordinary damage occurs to a section of road that project moves to the top of the list. If the State of New York would truly like to have a good uniform highway system, greater funds would be allotted to municipalities such as the Town of Highland which with limited resources does the best job possible in serving the traveling public. We are confident that our highway superintendent and our highway workers maximize every dollar available for highway improvements. We do not see evidence of waste or mismanagement.

See
Note 2
Page 10

We believe that there are other things that the State can do to help local municipalities maintain the roads. One of our biggest expenses is sand and salt used for snow removal and that State's bid process could be better geared for local governments to access to these products. Fortunately, the Town of Highland has a cooperative agreement with Sullivan County and we managed to get through last year. Other municipalities were not so lucky and had to cut back and ration sand and salt. Your suggestion regarding the need for an average daily traffic count for the development of a good plan sounds good but the reality is that the traffic count on the Town roads is already a known factor. We do not need a traffic count to tell us that Clark Road has less traffic than Samyn Road which has less traffic than Delvin Road and so on. If we do a traffic count, we are confident that it would verify information that we already know.

See
Note 3
Page 10

The Town Board will work with the Highway Superintendent to develop a long term schedule that forecast repairs for the entire inventory and develop an annual schedule of repairs with target spending.

The Town Board is interested in developing a monitoring and implementation plan so that the Town Board is more aware of the highway operation. This coupled with the assessments made on a regular basis by the Highway Superintendent should assure that the Town roads are maintained in the most cost effective way.

The Town will conduct a work session to review the four recommendations made in this audit and develop a corrective action plan (CAP).

The Town appreciates the courtesy and thoroughness of your examiner [REDACTED] but does not find the draft report to be meaningful or helpful. One positive outcome will be that the Town will schedule a pre-budget annual review of our road system including a prioritization of road improvement projects for the future and verification and audit of the repair workings of the last year. We are disappointed and object that the audit report does not mention that the Town of Highland requests the State would take greater responsibility in funding the repairs and maintenance for a statewide road system which of course would include the Town highways. The Highway Superintendent mentioned on more than one occasion the need for additional CHIP funds and the Town Supervisor also mentioned this to [REDACTED]. We mentioned this again during the exit conference review session and gained no traction in having it mentioned. We therefore mention it again here.

The Town also wishes to note its objection to the timeline imposed by the Office of the State Comptroller as unreasonable and unrealistic. The time to respond to a draft audit should be extended to 60 days. What happened here in our Town is a perfect example of

why your 30 day timeline is inadequate. The draft report was received by the Town on July 10th. This was two days after the Board's regular July meeting. The Board does not meet again until August 12th. You can see that your demand for a response by August 8 is inappropriate as there was no regular Town Board meetings within the 30 day period the State Comptroller's Office chose. The first opportunity the Board will have to formally respond at a regular Town Board meeting is August 12th which is past your artificial deadline. The Supervisor's request for an extension of time to answer was refused without regard to the Town's regularly scheduled meetings. This is not a good protocol for intergovernmental cooperation.

See
Note 4
Page 10

Very truly yours,

ANDRÉW BOYAR,
Supervisor

Cc: Town Board
Town Highway Superintendent

APPENDIX B

OSC COMMENTS ON THE TOWN'S RESPONSE

Note 1

The Town did not maintain sufficient evidence of a goal for the condition of Town roads, documentation of road assessments or documentation of what roads were worked on. Visual inspections alone may not detect issues that could exist below the surface of a road. Properly maintained repair records can assist in detecting undesired patterns or identifying new repair needs.

Note 2

We do not make recommendations on the Town's use of its taxpayer funds. Rather, we urge Town officials to create, monitor and adjust a long-term plan, as needed, to help them spend the available funding in the most efficient manner. Detailed repair records also serve to publicly document highway expenditures and support ongoing discussion.

Note 3

ADT counts are among the primary determinants in the life of a road. While estimations and assumptions are better than no consideration at all for traffic volume, conducting a traffic count should be a relatively simple procedure that will increase the effectiveness of the overall plan. Moreover, when turnover occurs in Town elected positions, the thorough documentation of traffic counts or of relative traffic, as well as other factors, would ensure that new personnel have the most current information.

Note 4

The 30-day requirement for a response helps to ensure timely processing of the report. Every municipality is subject to the same limits, regardless of meeting schedules. Responses could range from a basic acknowledgement and a general impression of our audit results, to a more detailed explanation. We also request that the Town prepare and submit a corrective action plan that addresses our audit recommendations in detail. The CAP is due within 90 days of the release of our report.