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March 20, 2015

Robert Wood, Supervisor
Members of the Board
Town of Oneonta
3966 State Highway 23
West Oneonta, NY 13861
Report Number: P4-14-8

Dear Mr. Wood 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 Oneonta (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. We extended our scope back to 2011 in order to determine if their road maintenance Plan was implemented. Following is a report of our audit of the Town. This audit was conducted pursuant to Article V, Section 1 of the State Constitution, and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

This report of examination letter contains our audit results specific to the Town. We discussed the findings and recommendations with Town officials and considered their comments, which appear in Appendix A, in preparing this report. Town officials generally agreed with our recommendations and indicated they have taken, or plan to take, corrective action. At the completion of our audit, we prepared a global report that summarizes the significant issues we identified at all nine towns audited.

Background and Methodology

The Town is located in Otsego County, has a population of 5,229 and covers 34 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 first took office in November 2010.

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 44 miles of roads, including less than a mile 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. The Town budgeted \$1.1 million for the highway fund in 2014, of which \$318,000 is for road repair and 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 within three years after paving and to pave them every 10 years.¹ While we project it will cost about \$1.9 million to provide repairs to the Town roads in order to get them free of observable defects, the Town's 2014 adopted budget includes \$318,000 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.² Once such a goal is set, Town 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,³ 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 paving the roads every 10 years and applying surface treatments

¹ At the exit conference on July 9, 2014, the Highway Superintendent told us that the roads are actually paved every 10 to 15 years, and a road should be surface-treated within three to five years after paving. However, this methodology is not documented.

² 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.

³ 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).

three years after paving, regardless of ADT or road importance, before needing to be reconstructed. The Board was not aware of the Highway Superintendent's approach to managing the Town's road infrastructure and did not officially adopt such a road maintenance plan and ensure that the taxpayers were properly informed.

The Town has a few documents that show the Town's inventory. One document, updated as of October 2013, lists the surface type of each road. Another document, created in 2011, represents all the town roads with importance and estimated relative traffic. Finally, a third document, updated in 2011, lists those roads where major development could occur and documents ADT counts and road work history. Although the inventory did not document when all roads were last worked on, the Highway Superintendent kept road files showing when work was performed on each of the roads including work location and type of work performed. However, because this information is not in a centralized inventory, it is difficult to determine what roads are next in accordance with the methodology without going back through years of annual reports. In addition, the Highway Superintendent developed an annual schedule of repairs based on the Agreement (which specifies amounts to be spent) instead of a long-term schedule forecasting repairs for the entire inventory.

The Highway Superintendent did not document ADT or road work history for all roads because there was a focus on roads where development was likely. In addition, he did not create a long-term schedule because of difficulties in estimating projected costs due to material cost fluctuations.

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 10 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, he documented his assessments on roads that were in need of repair, not on all roads. Although the Board participates in a selection of road condition assessments, 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 of the condition of the records. In order to achieve the goal of paving the roads every 10 years and applying surface treatments three years after paving, 4.3 miles of paving and 4.3 miles of preventive maintenance need to be performed. We analyzed work logs and based on what the Highway Superintendent reported,⁴ we found that in 2011 and 2012 he was able to perform the preventive maintenance portion of this plan but not the paving portion. In 2013, he did not meet either goal as he only did 40 percent of the required paving and 58 percent of the required preventive maintenance. However, the former Highway Superintendent's records lacked sufficient detail to discern the number of miles of any given section of road that was worked on, so we were not able to substantiate our findings. The Highway Superintendent informed us that funding constraints affected his ability to meet his goals. In addition, we were unable to determine if any of the roads actually lasted 10 years before reconstruction, because the former Highway Superintendent's records did not indicate when the road was last reconstructed.

We surveyed the physical condition of all 44 miles of roads within the Town in May 2014 using information provided by the Cornell Local Roads Program.⁵ 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 cost⁶ 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 \$1.9 million to repair all Town roads. This estimated financial liability⁷ represents the funds necessary in order to have the roads free of observable defects. Of this liability, approximately \$1.7 million includes paving which would make the roads brand new, while \$176,000 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 \$318,000. The need for repair and improvement of the Town's roads will continue to grow if not adequately addressed. The Town adopted a road protection law to provide funding to repair damage caused by increased traffic from new major construction. At this time, no road use agreements with businesses are currently in place. Maintaining proper records and a long-term Plan will enable the Town to invest its limited funds in the most cost-effective manner.

⁴ We were not able to corroborate the road maintenance listed on work logs actually happened (i.e. tracing to invoices or other corroborating evidence).

⁵ 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.

⁶ The average cost range is +/- 20 percent.

⁷ 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.

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 are explained.

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

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

Sincerely,

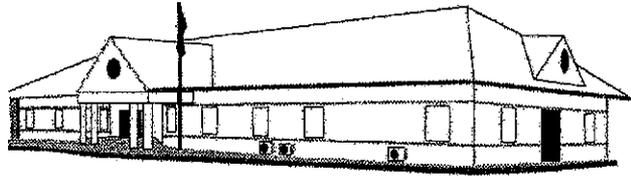
Gabriel F. Deyo
Deputy Comptroller

APPENDIX A

RESPONSE FROM TOWN OFFICIALS

The Town officials' response to this audit can be found on the following page.

ROBERT T. WOOD
Supervisor
Town of Oneonta



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July 8, 2014

Response to OSC Audit of Road Maintenance

The Town of Oneonta wishes to recognize that the purpose of this audit was to ensure that residents of the town receive the best value they can for their tax dollars and to evaluate if we are budgeting sufficient funds to maintain our roads in a satisfactory state now and in the future.

In March of 2013, as part of an update of the town's Comprehensive Plan, JZ Analytics conducted a survey of residents and that survey indicated that 85.8% of residents were satisfied with the condition of our roads. We believe that is part of a valid tool to measure the condition of the roads and a strong indicator that we are fulfilling the public's expectations.

The Town Board has in the last few years adopted an equipment replacement schedule and increased the equipment line in the budget substantially to ensure that the department has proper equipment in operating condition to maintain the roads. We have also increased the funds dedicated to repairs and maintenance as we were able.

We will strive to improve our documentation of daily traffic counts and better record our minor repairs on roads to ensure we properly prioritize road repairs. Many variables affect the life of a road, including weather (tough or easy winters), severe storms (washouts), increased traffic (new development), specifications that the road was constructed under and speed limits all affect life expectancy.

The town has been the recipient of FEMA and SEMO funds in the past when catastrophic events have occurred. We are fully prepared to document extra time used in severe storms so that when an event is declared we can look back and have adequate records to show what we did in those events.

The Town Board recently passed a Road Use Law that will help to ensure the taxpayer is protected from substantial road damage occurring due to a large construction project. As part of our agreement with the engineering company that helped to create the road use law we were able to select roads we thought may be vulnerable and have them tested to determine where they were in their life span.

As a town board we need to balance what the taxpayer will bear with their satisfaction with streets and roads. The property tax cap has proven to be an additional challenge to our ability to ensure that we are able to adequately fund our maintenance plan without curtailing other services that residents want and need.