



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

Peter Flanagan, Supervisor
Members of the Board
Town of Preston
671 Tamarack Road
Preston, NY 13830

Report Number: P4-14-6

Dear Mr. Flanagan 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 Preston (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 2012 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. Except as indicated in Appendix A, Town officials generally agreed with our recommendations and indicated they have taken, or plan to take, corrective action. 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 Chenango County, has a population of 1,044 and covers 35 square miles. The Town is governed by a five-member Board. The Town's Highway Superintendent is a separately elected official. The current Superintendent has held the position for over 15 years.

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 35 miles of roads, including 29 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. The Town budgeted \$370,000 for the highway fund in 2014, of which \$155,500 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

We could not verify that the Town properly managed its roads because the Highway Superintendent did not ensure that goals, methodologies and inventories were fully documented and included important details about road histories and conditions. Although the Highway Superintendent established an informal methodology to grade and spot re-gravel all unpaved roads each year and to surface-treat paved roads every five to 10 years, due to the incomplete records we were not able to determine if road work done was consistent with the his stated approach.

However, it appears the Town is providing proper funding to the Highway Superintendent. We project it will cost about \$175,000 to provide the proper repairs to the Town roads. The Town's 2014 adopted budget includes \$155,500 for road repair and maintenance and will fund the vast majority of this estimated financial liability. To fund the entire liability in the current year, the Town may need to use a small portion of its \$168,000 in unassigned fund balance. Establishing clear goals and expectations, supported by the multiyear projection of maintenance and repair needs, would continue to ensure the Board is providing adequate funding for road maintenance and ensure taxpayers are adequately informed.

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 the level of quality road conditions they deem as acceptable for travel within the Town.¹ Once such a goal is set, officials should develop a methodology for achieving that goal and a road inventory that includes essential

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.

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 grading and spot re-graveling all unpaved roads each year while surface-treating paved roads every five to 10 years, regardless of ADT or road importance. The Board 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 inventory of roads was a complete list of Town roads and showed each road's surface type. However, the inventory did not show the type of work (surface treatment or reconstruction), years that road work had been performed, ADT, importance or current condition of the roads. In addition, the Highway Superintendent developed an annual road work plan based on his consistent monitoring of road conditions and past experience instead of a long-term schedule forecasting repairs for the entire inventory. Although the inventory did not document when each road was last worked on, the Highway Superintendent kept annual reports on file documenting work location, type of work performed and cost of materials. 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 instead of a long-term schedule forecasting repairs for the entire inventory.

The Highway Superintendent told us his inventory did not include ADT or importance because he believed his consistent visual inspection of road conditions each month was a better indication of what work needed to be performed than these factors. While a visual inspection is useful in assessing the current surface conditions, consideration of ADT and importance will provide additional insights to underlying risks that may not be revealed with just a visual inspection. In addition, the Highway Superintendent did not create a long-term schedule because the vast majority of Town roads are unpaved and require grading and spot re-graveling each year. Although a long-term plan for the unpaved roads might not be necessary, the Highway Superintendent should create a long-term plan for the paved sections of road so that proper funding can be planned for.

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 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 five years, regardless of a given road's ADT. A proper inventory and associated records help support the continuance of a properly developed Plan. This is 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.

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).

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 monthly the condition of the roads for defects and created the road work plan 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 schedule of repairs 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. Our comparison of the Superintendent's monthly reports on road maintenance³ to his stated approach disclosed that all but three unpaved roads (of 19) and all the paved roads were apparently maintained in the past two years. However, the reports lacked sufficient detail to discern the number of miles worked on with any given section of road, so we were unable to substantiate our findings.

We surveyed the physical condition of all 35 miles of roads within the Town in May 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 \$175,000 to repair all Town roads. This estimated financial liability⁶ represents the funds necessary in order to have the roads free of observable defects. This entire liability is for 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 \$155,500. Our estimate is based on statewide averages and not the Town's actual cost and the Town has unassigned fund balance available to make up the potential funding shortfall. Therefore, the Board has generally been providing funding needed to implement the Highway Superintendent's informal methodology and, as a result, the Town is able to keep up with its road maintenance.

³ We were not able to corroborate that the road maintenance performed per the monthly reports actually took place (i.e., tracing to invoices or other corroborating evidence).

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, Town officials 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 Preston 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.

**COUNTY OF CHENANGO
BOARD OF SUPERVISORS**

Peter C. Flanagan, Supervisor
TOWN OF PRESTON
299 Preston Center Road
Oxford, New York 13830



5 Court Street
Norwich, N. Y. 13815

Telephone: (607) 334-4920

August 13, 2014

The Town Board of Preston acknowledges the receipt of the draft letter for Report # P4-14-6 regarding the audit of the Town's management of their roads.

We believe that the Town Board has been able to determine if the Town has properly managed its roads despite the auditor's contention that the Superintendent did not fully document goals, methodologies and inventories or details about road histories or conditions. The Superintendents monthly reports include a daily log of activities and the voucher system of bill payment does require every Board Member to sign each invoice before any bill is paid. The majority of our Board Members (3 of 5) and the Superintendant have served over 20 years in their positions so they are familiar with the Superintendents "informal" methodologies and also with road histories. However, we do recognize that the auditors' suggestions that a more detailed documentation of goals, methodologies and inventories along with the creation of a formal road maintenance plan would be beneficial to the Towns citizens, particularly for future board members and Highway Superintendents.

We concur that the Town is providing proper funding to the Highway Superintendent. We would also note that the budget lines for road repair and maintenance are seldom exceeded and that unassigned fund balance is used only in emergency situations. Local

costs for labor and materials may account for much of the discrepancy between the \$155,500 budgeted by the Town and the auditor's projection of the \$175,000 needed for these items.

We agree with many of the suggestions made in the draft and expect to implement them following the official report that would hopefully include the small modifications to road classifications suggested at our draft interview. We would also hope the final report would note that we have used ADT regularly over the years but that this documentation was lost in the changeover to a new computer system last year.

See
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See
Note 2
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Sincerely,

Peter C. Flanagan
Town of Preston Supervisor

David L. Dunckel
Councilman

Jonathan Dunckel
Councilman

V. Peter Mason
Councilman

Patricia Wakefield
Councilman

APPENDIX B

OSC COMMENTS ON THE TOWN'S RESPONSE

Note 1

We modified the final letter to reflect that the Town has 29 miles of unpaved road sections.

Note 2

We did not amend the final letter because Town officials did not provide audit evidence, other than verbal, to support this assertion.