



Town of Newstead Joint Highway Facility Project

Report of Examination

Period Covered:

January 1, 2008 — August 31, 2012

2012M-260



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

March 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 Newstead, entitled Joint Highway Facility Project. 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*

Introduction

Background

The Town of Newstead (Town) is located in Erie County with a population of approximately 11,400 residents. Located within the Town is the Village of Akron (Village), with a population of approximately 2,800 residents. The Town is governed by the Town Board (Board), which comprises five elected members: the Town Supervisor (Supervisor) and four Council Members. The Board is responsible for the general management and control of the Town's financial affairs. The Supervisor is the chief fiscal officer of the Town and is responsible for the Town's operations, including reporting to the Board.

Following is a timeline of key milestones for the Joint Highway Facility Project:

- In late 2002, the Board adopted the 2003 annual budget with an appropriation in the general fund – townwide designated as “Capital Project – Highway Garage”. This appears to have been the first indication that the Board intended to make improvements to or replace the Town highway facility. Subsequent budgets adopted by the Board continued to appropriate moneys for this “project” in the same manner.
- In April 2005, the Town and Village agreed to explore the option of building a joint facility to house their respective highway/public works operations. A feasibility study was completed in November 2007, at which point the Town and Village began developing plans for several sites. In April 2008, the Town Board designated a parcel of land already owned by the Town as the preferred site based on the feasibility study.
- The Town and Village applied for and were awarded, in May 2008, a Shared Municipal Services Incentive grant in the amount of \$386,400 from the State to help finance the cost of constructing a joint highway facility.
- An intermunicipal agreement dated January 26, 2009, sets forth the manner in which the Town and Village manage the joint project as well as the operation and maintenance of the shared facility. In general, all decisions are to be approved by both Boards and all costs shared equally.
- In February 2010, the Board authorized the issuance of serial bonds for the project at a maximum cost not to exceed \$4,250,000.

- Bids were solicited in May 2010 and contracts awarded in June 2010. Construction began in August 2010 and was substantially complete one year later.
- The Town and Village began operating out of the new facility in February 2012.

Objective

The objective of our audit was to examine the Town Board’s management of the Joint Highway Facility Project (Project). Our audit addressed the following related question:

- Did the Board properly plan and provide sufficient oversight and management of the Project?

Scope and Methodology

During this audit, we reviewed the Town’s management of the Joint Highway Facility Project and examined related transactions for the period January 1, 2008 to August 31, 2012.

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 B 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 agreed with our recommendations and indicated they will initiate corrective action.

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.

Joint Highway Facility Project

An intermunicipal agreement¹ was entered into by the Town and the Village to address their respective involvement with not only the Project but the facility's future operation and maintenance. While the intermunicipal agreement sets forth the approach and the responsibilities assigned to the Town and Village, many of its terms were not complied with. We also found that the agreement was not signed until the Project was substantially complete. Although the agreement established that generally all decisions pertaining to the construction of the facility were to be shared jointly by the Village and Town Boards, the Town, in effect, acted as the Project's lead agent, approving all construction contracts and change orders. Furthermore, the Town Board allowed a former Councilman, the Town Supervisor, and a third-party construction management firm to manage the Project and authorize significant scope modifications without prior Board approval. As such, it is unclear whether the numerous provisions in the intermunicipal agreement that address the operation and maintenance of this facility by the two entities still reflects the two Boards' intent. Also, due to the significant lack of compliance with its provisions thus far, it is also unclear whether its terms remain binding and enforceable on both the Town and the Village.

Our audit focused primarily on the role the Town assumed in managing and planning the joint facility project as the lead agent for both municipalities. The Board is ultimately responsible for the oversight and management of the Town's capital projects by ensuring they are properly planned, managed, and monitored. Proper planning entails clearly defining the scope, funding, maximum cost projections, budget, timeline, and other criteria. Town officials are also responsible for ensuring that the project is progressing as expected and costs are kept within the approved budget. Proper planning and project management can minimize the possibility of cost overruns, which could have a negative impact on Town finances.

Town officials did not fully inform taxpayers of the entire cost or fully disclose the Board's intentions with respect to financing the Project during the early planning phase. As a result of Town officials' poor planning and management, the Project's costs² have grown to more

¹ This Project has consistently been referred to as a joint project between the Town of Newstead and the Village of Akron.

² From June 2008 through October 2012, the Town incurred expenditures totaling more than \$4.7 million to acquire land and construct the shared highway facility. These costs included \$2.8 million in construction costs; \$645,000 for engineering, design, and construction management costs; \$248,000 to acquire land; \$278,000 to construct a salt storage building; \$569,000 for site preparation; and \$225,000 for miscellaneous costs including legal counsel, survey work, and the purchase of office furnishings and other equipment.

than \$4.7 million.³ We noted that change orders totaled more than \$800,000, \$438,000 of which were unrelated to the original project scope and were not competitively bid, as required.

Planning

Proper planning requires a thorough understanding of the project's overall scope and cost. Initial estimated costs must be realistic so that a municipality can evaluate methods and costs of financing. Once all aspects of the project (needs, priorities, costs and financing) are identified, the Board should formally adopt a project plan, inform taxpayers, and seek public input.

In February 2010, the Board approved a bond resolution authorizing the construction of a joint highway facility with an estimated maximum cost not to exceed \$4.25 million. The resolution stated that the Project would include the acquisition of land, site improvements, and the construction of a main building, cold storage building, and salt barn. However, Town officials could not provide a detailed project plan or documentation to support the estimated cost approved by the Board.

Project Scope and Cost Estimates – According to the architect's proposal and contract with the Town, the Project's initial design phase cost estimates were based on priority needs and the minimum space requirements established by the two municipalities during the feasibility study. However, the estimates did not include certain discretionary items such as concrete sidewalks, landscaping, furniture, fixtures or equipment. The architect developed plans for the construction of a 13,000 square foot garage and office building plus a 3,000 square foot cold storage building with an estimated construction cost of approximately \$3.3 million.⁴ The Board minutes did not indicate that any Board meetings addressed the proposed project for the benefit of Town residents and other interested parties, nor was there any indication that the Board adopted a plan detailing the project scope and related costs.

In June 2010, the Board awarded contracts to nine contractors totaling \$2.2 million to construct the joint highway facility. However, as a result of significant scope modifications, the construction cost has increased to nearly \$2.8 million (more than 25 percent greater) for a 22,520 square foot facility (73 percent larger than originally planned). Approximately \$438,000 of the increase was attributed to adding an extra maintenance bay, radiant floor heating, and concrete sidewalk.

³ The Town has disbursed approximately \$4.5 million of the \$4.7 million project expenditure. As a result of construction delays allegedly caused by the general contractor, the Town is retaining over \$227,000 owed to the contractor pending the outcome of ongoing negotiations.

⁴ Estimated costs do not include soft costs (engineering, design, or construction management services) or land acquisition.

Also, the cold storage building is approximately 8,400 square feet, almost three times larger than the 3,000 square feet originally planned.

Town officials stated that since the bids were less than anticipated, the substantial additions to the Project could be made, as long as the total project cost did not exceed the Board authorized \$4.25 million. Town officials stated that, although not necessary for current needs, the larger facility would provide room for future expansion and that the cost to add space during construction would likely be less expensive than adding space at a later date. Although Town officials are likely correct in asserting that the cost of construction may increase in the future, it is also possible that had the plans and specifications been modified and the Project rebid, the resulting costs may have been lower than the original bid amounts plus the costs for the substantial change orders that occurred. Moreover, Town officials could not provide any documentation to support their claim that the Town would need a larger facility in the future.

Since the Board was aware that a suitable facility, large enough to accommodate current needs, could be built for approximately \$2.2 million, it should have fully disclosed and discussed all substantial proposed revisions to the Project, as well as their related costs, at one or more Board meetings for public consideration.

Financing Sources – At the time the Board adopted the bond resolution for \$4.25 million, the Town and Village had already been awarded a grant from the State, and Town officials apparently intended to also use capital reserve moneys that were available. Also, the intermunicipal agreement indicates that the Village was expected to fund half of the Project cost. However, these other substantial sources of funding were not identified in the Board-adopted bond resolution, which stated that the proceeds of the bonds would finance the entire project. Local Finance Law⁵ requires bond resolutions to include a statement of the estimated maximum cost of the project and the financing plan, indicating the sources of moneys, other than the proceeds of the bonds.

The Board accumulated \$306,000 in the capital projects fund for a highway facility from 2003 through 2009, by including an appropriation for this purpose in the annual budget. However, there is no authority for a Town to accumulate moneys in this manner, unless a capital reserve is established by Board action, in compliance with statutory requirements. A capital reserve fund for a specific improvement, such as the construction of a highway garage, requires

⁵ Local Finance Law §32(2) - In lieu of the statement, the bond resolution may contain a recital that the required information has been set forth in a capital budget, an appropriation for the project, or a previously adopted bond resolution.

a Board resolution, subject to permissive referendum, and must identify the maximum estimated cost of the improvement.

The Board did not properly establish such a capital reserve. However, its actions in accumulating funds for this specific purpose resulted in a “de facto” capital reserve. In effect, by not complying with General Municipal Law requirements, the public was not afforded the opportunity to voice its opinion regarding the accumulation of funds for this purpose. Moreover, if a sufficient number of residents objected to this proposal by the Board, a petition may have been presented and a referendum held that could have rejected this plan to accumulate moneys.

In May 2008, the Town and Village were awarded a Shared Municipal Services Incentive grant totaling \$386,400 to help finance the cost of constructing the joint highway facility. According to the Town’s grant application, Town officials estimated that by working cooperatively with the Village to construct and operate a shared highway facility, the municipalities would save \$467,000 in construction costs and \$75,000 annually in operating costs. As of the end of our fieldwork, the Town received approximately \$344,000 of the \$386,400 grant award from the State. However, Town officials were unable to demonstrate that the Project has achieved actual cost savings and could provide no documentation to support the estimates included in their grant application.

Change Orders

A change order is a modification of a construction contract, agreed upon by both the Town and contractor, generally to authorize a change in the work or a change in the contract time. A change order may be needed to accommodate an unanticipated job site condition, to add or delete work, or to otherwise address conditions that may have changed since the bid specifications were drawn. With any construction undertaking, a certain number of change orders are expected because a number of variables are not known at the start of the project. However, when it is identified that the cost of the project is less than anticipated, Town officials cannot simply authorize additional work to be completed that was not intended in the original plans or bid specifications, without following proper procedures.

Where the change relates to details or relatively minor particulars and is incidental to the original contract, a change order may be issued without competitive bidding. However, no important general change may be made, without competitive bidding, which so varies from the original plan or so alters the essential identity or main purpose of the contract as to constitute a new undertaking. General Municipal Law⁶

⁶ In June 2010, the monetary threshold for purchase contracts increased from \$10,000 to \$20,000. In November 2009, the threshold for public works contracts increased from \$20,000 to \$35,000.

requires competitive bidding on all purchase contracts involving an expenditure of more than \$20,000 and all public works contracts with expenditures of more than \$35,000. Competitive bidding gives prospective bidders an equal opportunity to furnish supplies, equipment, and services to the Town, and helps prevent favoritism and fraud.

According to bid documents, the construction of the joint highway facility would be accomplished through eleven⁷ prime contracts. At the end of our fieldwork, the total changes to these contracts represented an increase of approximately \$802,000 (or 31 percent over the \$2.62 million) in original bid awards. Seven of the nine construction⁸ contracts had change orders increasing the original contract amounts and four of these had a cost change of more than 15 percent of the contract's bid amount, including one contract for site work which had an increase of 125 percent over the original bid. Although their contracts established compensation at fixed dollar amounts, the combination of significant scope changes and construction delays due to several significant change orders, resulted in increased compensation to the construction manager and the architect.

Contract	Original Award	Change Orders	Amended Contracts	% Change
General Construction	\$ 789,900	\$ 130,452	\$ 920,352	17%
Concrete and Masonry	\$ 219,190	\$ 273,574	\$ 492,764	125%
HVAC	\$ 325,500	\$ 68,926	\$ 394,426	21%
Plumbing	\$ 193,500	\$ 16,416	\$ 209,916	8%
Fire Protection	\$ 51,805	\$ 4,273	\$ 56,078	8%
Electrical	\$ 372,200	\$ 39,064	\$ 411,264	10%
Site Utility Improvements	\$ 122,900	\$ (2,431)	\$ 120,469	-2%
Interior Assemblies	\$ 98,000	\$ (405)	\$ 97,595	0%
Paintings & Coatings	\$ 52,700	\$ 18,873	\$ 71,573	36%
Architect	\$ 230,000	\$ 119,923	\$ 349,923	52%
Construction Manager	\$ 165,000	\$ 133,553	\$ 298,553	81%
Total	\$ 2,620,695	\$ 802,217	\$ 3,422,912	31%

⁷ Concrete and Masonry work were bid as separate contracts, but both contracts were awarded to a single vendor and accounted for by Town officials as one contract.

⁸ The construction contracts refer only to the contracts awarded for construction work and not the soft cost contracts for engineering and design services or construction management.

Change Orders Beyond Original Project Scope – In reviewing all change orders for this Project, we found that there were at least 13 change orders, totaling more than \$438,000, for additions to the Project that were not in keeping with the original project scope and/or original bid specifications. Based on our review of the bid documents and architectural drawings provided by the Town, these change orders varied significantly from the original plan and may have altered the essential identity or main purpose of the contracts; therefore, they may have constituted new undertakings. However, Town officials did not bid this additional work even though the change orders to each contract exceeded the statutory dollar thresholds. The failure to properly gauge the scope of the Project and solicit competition may have deprived other vendors the opportunity to bid. Because the change order work was negotiated with existing contractors, it may have been more costly than work awarded through competition.

- **Seventh Bay Extension** – The original contracts included six garage bays. Approximately one month after awarding the contracts, the Board approved the addition of a seventh bay at a cost not to exceed \$165,000. Moreover, we found \$214,000 in change orders pertaining to the addition of the seventh bay or \$49,000 more than approved by the Board. Approximately \$195,500 of these change orders were not competitively bid, but were added to seven of the original contracts. The remaining \$18,500 represented additional compensation to the architect for modifying the design of the facility.
- **Cold Storage Facility** – According to the bid documents provided to us, the general contractor was to provide materials (siding, roofing, and other supplies) to match the main garage, which would be used for the construction of a cold storage building. However, while the materials were specified, the labor to actually construct this building was not included in the bid specifications. There was no indication in the plans and specifications regarding who was expected to use the provided materials to construct this building. Nevertheless, after awarding the initial contracts, Town officials awarded more than \$149,000 in change orders to two contractors for additional materials and for the construction of the cold storage building, without the benefit of competitive bidding. Approximately \$124,000 was paid to a single contractor for the installation and erection of the building itself. Even though, as the name implies, a cold storage building would be expected to be unheated, the same contractor responsible for constructing the building was paid an additional \$11,000 for furnishing and installing radiant heat tubing in the concrete floor, and the heating and ventilation contractor was awarded

more than \$25,000 for furnishing and installing radiant heat manifolds for the cold storage building. The Supervisor stated that although the cold storage building was initially planned as an unheated storage area, Town officials decided to add the radiant floor heating in the building since the overall construction costs for the project was much lower than anticipated and there was “room in the budget.”

- Concrete and Masonry – Town officials awarded contracts⁹ for concrete flatwork and masonry in the amount of \$219,000. Subsequent to this award, Town officials authorized an increase of approximately \$75,000 via a single change order for work not included in the original contract. This work included the addition of concrete aprons, bollards, sidewalks and a dumpster pad, all of which was not competitively bid. Town officials said they did not seek competition because the contractor was already on-site and they were not aware of the requirement to bid the additional work since the cost was insignificant relative to the total project cost.
- Additionally, as the Project’s scope and related costs have increased, the amount the Town was required to pay the architect also increased. Although compensation was originally capped at \$230,000, the Board authorized an amendment to the contract with the architect. As a result, the Town has paid approximately \$350,000 to the architect thus far or \$120,000 more than originally anticipated. Although Town officials attributed the increased scope in part to the architect’s inaccurate estimates, the contract between the Town and the architect did not contain a performance clause requiring the architect to be penalized financially for substantially underestimating project costs.

Change Orders Not Approved by the Board – Because the Board authorized the construction contracts and professional service contracts, it should have authorized changes to those contracts prior to the commencement of the work. Among the many provisions of the intermunicipal agreement that were not complied with were several key aspects regarding Project decisions and management. One such provision was the establishment of an advisory committee charged with the responsibility for overseeing the Project on behalf of both the Town and Village Boards. The members of the Committee were to include two Village and two Town Board members formally appointed by their respective Boards, by resolution. However, neither

⁹ Concrete and Masonry work was bid as separate contracts, but both contracts were awarded to a single vendor and accounted for by Town officials as one contract.

the Town nor the Village Board appointed the members of the advisory committee. Instead, according to Town officials, the Board relied on a “Joint Facility Committee” (Committee)¹⁰, to manage the Project. The Committee assumed responsibility for overseeing the Project, including reviewing and approving change orders. However, there was no written policy or Board resolution regarding this arrangement. The Supervisor stated that the Committee reviewed and approved all change orders during undocumented meetings and discussions, and provided periodic updates to the Board. The intermunicipal agreement required the project plan be approved by both the Town and Village Boards. In addition, the agreement stipulated how scope modifications would be handled. Town and Village officials could not provide evidence indicating that both Boards approved key project decisions.

Although the Board approved change orders totaling \$244,000, including the addition of the seventh bay and some of the architect’s change orders, change orders that increased costs by nearly \$558,000 were never approved by the Board – before or after the work was done. The most material of which included a single change order increasing the compensation of the construction manager by over \$118,000¹¹ representing a 72 percent increase over the original contract amount. The additional compensation was a result of schedule delays. The contract provides for additional compensation in the event of construction delays and or significant project scope changes. However, we found no evidence the Board reviewed or approved the change order and it is unclear how the additional compensation was determined.

Significant levels of poorly controlled change order activity greatly increase the risk for both cost overruns and schedule delays. Therefore, it is essential the Board maintain control over change order activity and monitor project progress.

Recommendations

1. The Board should ensure that capital project requirements and costs are properly planned before awarding contracts, to minimize the need for change orders.
2. The Board should inform the public of all costs reasonably expected to complete a capital project when they are known.

¹⁰ The Committee was comprised of a Councilman, a Village Board Trustee, the Town Supervisor, the Village Mayor and a former Councilman.

¹¹ The construction manager’s contract was increased a total of \$133,553. The \$118,000 increase represents only one of the six change orders for additional services rendered by the firm.

3. The Board should ensure that capital reserves are established, funded and used in accordance with all related statutory provisions.
4. The Board should include performance clauses and caps on compensation when entering into contracts for professional services, such as design and engineering services.
5. The Board should properly approve all change orders.
6. Town officials should comply with competitive bidding requirements for any change orders in excess of the competitive bidding threshold that so vary from the original plan or so alter the essential identity or main purpose of the contract as to constitute a new undertaking.
7. The Board should actively monitor capital project activity. If the Board chooses to delegate certain responsibilities to a committee, it should clearly stipulate the committee's role and responsibilities and monitor the committee to ensure compliance.
8. The Board should consult with legal counsel and review the provisions in the intermunicipal agreement that address the operation and maintenance of this joint highway facility to ensure the terms still reflect the two Boards' intent.

APPENDIX A
RESPONSE FROM LOCAL OFFICIALS

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



TOWN OF NEWSTEAD

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March 4, 2013

Mr. Robert Meller, Chief Examiner
NYS Office of the State Comptroller – Buffalo Regional Office
Division of Local Government and Accountability
295 Main Street, Suite 1032
Buffalo, New York 14203-2510

Re: *Town of Newstead Joint Highway Facility Project Report of Examination*

We are in receipt of the preliminary draft findings of the Town of Newstead Joint Highway Facility Project report of examination. The Town would like to thank you for your professional manner in conducting this examination. Several of the issues were a refresher and will act as a guide for future projects.

Our comments are listed below concerning your recommendations:

1. For all future projects, the town board will diligently develop a project plan that will ensure that capital requirements and costs are accurately projected in order to minimize the need for change orders whenever they can be foreseen.
2. The town board, in addition to holding public hearings and publishing in the local newspaper, will take steps to ensure the public is informed, throughout the project, of all costs reasonably expected to complete the capital project when known.
3. The town board will ensure that the establishment, funding, expenditure, and dissolution of reserve accounts for future capital needs will be aligned with all related statutory provisions.
4. The town board, in conjunction with the attorney for the town, will address the issue of including performance clauses and caps on compensation, in contracts for professional services, for all future projects.

5. The town board will revisit its operating procedure in regards to the approval of project change orders to ensure that change orders are properly approved in all future contracts.
6. The town board fosters honest competition through its competitive bidding process. For all future projects, the town board and its representatives will also look to address the competitive bidding of project change orders that vary from the original plan or so alter the essential identity or main purpose of the contract.
7. The town board will develop a standard operating procedure for monitoring all capital projects. If a committee is formed their responsibilities will be clearly defined and their activities monitored to ensure compliance.
8. The town board will consult with legal counsel to review the provisions in the inter-municipal agreement that address the operation and maintenance of the joint highway facility. The town board will meet with the other municipality to ensure that the current terms still reflect the expectations of both boards.

In future projects, where project managers are part of the capital project process, detailed agreements will be put in place to ensure that the issues mentioned above are addressed by both the town and the project managing entity.

While we feel a great deal of time was spent planning this project and providing informational meetings to the public, we will look to improve upon governmental transparency to town residents for all future projects. We will address the various issues with our legal consul and auditors where appropriate to ensure that the Town of Newstead complies with these recommendations.

Sincerely,

David L. Cummings
Supervisor
Town of Newstead

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

During the initial assessment, we interviewed appropriate Town officials, performed limited tests of transactions, and reviewed pertinent documents, such as Town policies and procedures, Board minutes, and financial records and reports. 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 upon the reported objective and scope by selecting for audit the area we felt was most at risk. Our objective was to determine if the Town Board provided sufficient oversight and management of the Joint Highway Facility Project during the period January 1, 2008 to August 31, 2012. To accomplish our audit objective and obtain relevant audit evidence, our procedures included the following steps:

- We reviewed relevant provisions of the General Municipal and Local Finance Laws.
- We reviewed minutes of the Town Board and Planning Board, as well, as minutes and logs maintained by the construction management firm.
- We interviewed the Town Supervisor, Town Clerk, Town bookkeeper, Highway Superintendent, Village DPW Supervisor, Village Mayor, Town Attorney, Board members and members of the Joint Facility Committee.
- We reviewed the purchase contract to determine the terms and conditions of the real property acquisition. We also reviewed property tax records for the specific parcel to determine the equalization rate in effect at the time of purchase and the property's assessed value.
- We reviewed the feasibility studies and examined original bid specifications, bid addendum, and other documents provided by Town officials including the architect's proposal and drawings to determine the scope and size of the Project initially.
- We reviewed bidding documentation to verify if the Town properly advertised the Project and awarded contracts.
- We reviewed all construction contracts and interviewed Town officials to determine the process for submitting contractor invoices for payments. We then reviewed payments to determine that they agreed with contract terms and were properly supported.
- We examined change orders to verify that they had been properly approved and were supported by sufficient documentation.
- We examined vendor contracts for goods and services acquired for the Project and payment vouchers for the goods and services supplied.

- We reviewed the Code of Ethics to identify standards for conflicts of interests and interviewed Town officials to inquire about possible conflicts of interest.

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

APPENDIX C

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