

Town of Groton

Highway Department Asset Accountability

DECEMBER 2022



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Town of Groton

Audit Objective

Determine whether the Town of Groton (Town) officials adequately safeguarded and accounted for Highway Department (Department) assets.

Key Findings

Town officials did not adequately safeguard and account for Department assets.

- Officials did not maintain an up-to-date inventory, perform periodic physical inventories, obtain Board approval for all disposals or dispose of Department assets in accordance with the Town's capital asset policy.
- Sixteen assets with costs totaling \$35,701 could not be located.

Key Recommendations

- Update the capital asset policy to include procedures for controls over assets costing less than \$5,000, procedures for adding new assets and necessary detailed information to properly identify Department assets.
- Conduct periodic physical inventories.
- Ensure the bookkeeper follows the requirements set forth in the Town's capital asset policy and procedures for the sale, transfer or disposition of unused assets.

Town officials generally agreed with our recommendations and have initiated, or indicated they plan to initiate corrective action.

Background

The Town is located in Tompkins County and includes the Village of Groton within its borders.

An elected five-member Town Board (Board), which is composed of the Town Supervisor (Supervisor) and four Board members, is responsible for the general management of operations and finances including developing a capital asset policy, overseeing asset management and ensuring the policy is followed.

An elected Highway Superintendent (Superintendent) is primarily responsible for the maintenance and repair of Town roads and highway equipment.

The Supervisor appointed a bookkeeper who is the designated asset manager responsible for updating the Town's asset listing.

Quick Facts

Highway Department Assets Purchased During the Audit Period	\$343,251
2022 Highway Fund Town-Wide Appropriations	\$944,401
2022 Highway Town-Outside-Village Fund Appropriations	\$709,000
Population	5,746

Audit Period

January 1, 2019 – February 28, 2022

Highway Department Asset Accountability

How Should Officials Adequately Safeguard Highway Department Assets?

A town board (board) and highway superintendent have a shared responsibility for instituting controls over highway department capital assets to ensure they are protected against the risk of loss, waste and misuse.

A board should establish a capital asset policy that defines what is considered a capital asset and establishes the minimum dollar value of assets to be tracked for the various types of assets, including highway department assets. For higher-risk assets such as hand tools, which are portable, a lower-dollar threshold might be desirable. The policy should describe procedures for inventory recordkeeping, including specific information for identification of highway department assets (e.g., serial number, make or model) and how assets will be labeled, such as using asset tags with an identification number affixed to the asset. The policy should also state the recommended periodic inventory process and methods for highway department asset disposal. The board should assign an asset manager responsible for maintaining the asset listing and ensuring items can be properly identified.

A town highway superintendent (superintendent) is required to provide a written inventory of all such machinery, tools, implements and equipment, indicating each asset along with its value, and the estimated cost of all necessary repairs needed to the board on or before September 30th each year. In addition, the asset listing should include recommendations as to what machinery, tools, implements and equipment should be purchased including the probable cost of each item. The superintendent should periodically reconcile the asset list to the physical inventories and provide the reconciliation to the board.

In accordance with New York State Highway Law Section 142 and the Town's capital asset policy (policy), the board must approve selling or disposing of surplus or obsolete highway machinery, tools, implements and equipment. The superintendent should sell or dispose assets in the manner approved by the board and maintain adequate documentation to account for any sales or disposals. Planning for future needs and replacements is easier if disposals are made in accordance with a board-approved asset disposition policy.

Officials Did Not Always Adequately Safeguard Highway Department Assets

The Town's policy defines a capital asset as an item that has a useful life of at least two years and costing \$5,000 or more for equipment, defines which assets to be tracked, defines procedures for the transfer and disposition of assets, requires physical inventories to be done every five years and requires the bookkeeper to provide current asset listings to the departments. Additionally,

the policy designates the bookkeeper as the Town's asset manager, including Highway Department (Department) assets, and requires department heads to report any disposals and provide proceeds collected from sales of assets to the bookkeeper.

However, the policy lacks controls over high-risk Department assets costing less than \$5,000, procedures for adding new assets to the asset listing and guidance describing the necessary information to be included on the listing for the identification of specific assets such as the serial number, model and asset tag number. Generally, non-capital assets costing less than \$5,000 were being added to the capital asset listing.

Although the bookkeeper provided an asset listing to us dated March 19, 2022, he did not provide current asset listings to the Department as required by the policy and, therefore, nobody performed a physical inventory of Department assets. The bookkeeper and other Town officials told us they did not know when the last physical inventory was conducted or the last time a current asset listing was provided to the Department. In addition, the bookkeeper did not ensure the asset listing was up to date and accurate. The bookkeeper and Superintendent also did not ensure that assets were properly tagged.

Additionally, the Superintendent did not maintain accurate and up-to-date inventory of all Department assets and provide it to the Board annually as required. Furthermore, previous Superintendents¹ did not notify the bookkeeper of the disposition of assets by including necessary information to ensure the asset listing could be properly updated.

Assets Costing \$5,000 or More – We selected 15 pieces of equipment, each with a cost of \$5,000 or more, from the asset listing to determine whether they were in the Town's possession. We were able to locate three items. Of the 12 remaining items, we could not specifically identify six items because they lacked sufficient information from the asset listing (i.e., model or serial number), and we found evidence that three items were sold at auction. Department employees told us that the remaining three missing pieces of equipment – a traveling asphalt plant purchased in 1979, a mower purchased in 1993 and a plow purchased in 2005 – with reported costs totaling \$22,444 – were either sold for scrap material or they were unsure what happened to the items. However, they were unable to provide documentation to support these items were approved for disposal or disposed of in accordance with the Town's capital asset policy.

Assets Costing Under \$5,000 – We selected 20 pieces of equipment, each costing less than \$5,000, from the asset listing to determine whether they were in

¹ The current Superintendent was elected in January 2022 and therefore did not dispose of any assets during the audit period.

the Town's possession. We could not specifically identify six items because they lacked sufficient information from the asset listing (i.e., model number or serial number), and we found evidence that one item was sold at auction. Department employees believe the remaining 13 missing pieces of equipment were either sold for scrap material, broken and discarded, or they were unsure what happened to them. The items missing included:

- a lawn mower,
- battery chargers,
- a post hole digger,
- several chainsaws,
- an air compressor,
- a generator and
- a pressure washer.

These missing assets were purchased between 1961 and 2005 and had listed costs totaling \$13,257.

In addition, we selected 12 pieces of equipment from new purchases made between 2019 and 2021 to determine whether they were in the Town's possession and included on the asset listing. We could specifically identify 10 of the pieces of equipment in the Town's possession, but we could not specifically identify the other two items because they lacked sufficient information (i.e., model number or serial number) on the invoices. Eleven of the 12 items were not included on the asset listing.

Although we were provided three receipts for scrap material sales, totaling \$2,536, and verified that these receipts were deposited, we could not determine which individual items were sold for scrap material because Town officials did not identify the specific items sold, nor did the previous Superintendents seek or obtain the required Board approval for the disposals.

The Superintendent told us he was unaware of the statutory requirements regarding a written inventory. Additionally, the Board did not adequately establish or implement certain procedures for oversight of these Town assets, including procedures for adding and disposing of unneeded Town assets. As a result, there is an increased risk that assets could be lost, stolen or sold without detection.

What Do We Recommend?

The Board should:

1. Update the capital asset policy to include procedures for controls over assets costing less than \$5,000, for adding new assets, and listing the necessary detailed information to properly identify Department assets.
2. Ensure the bookkeeper follows the capital asset policy and procedures for the sale, transfer or disposition of unused assets.
3. Ensure officials comply with the policies and procedures for conducting physical inventories periodically.

The Superintendent should:

4. Maintain accurate and up-to-date inventory of all Department assets which details date of purchase, cost of equipment and estimated useful life and provide it to the Board annually.
5. Obtain Board approval prior to selling or disposing of unneeded equipment.
6. Ensure all sales of equipment and scrap material, including proceeds, and dispositions of assets are timely reported to the bookkeeper.

The bookkeeper should:

7. Conduct physical inventories and provide a current asset listing to the departments every five years as required by the capital asset policy.
8. Ensure the asset listing is timely updated for purchases and dispositions.

The bookkeeper and Superintendent should:

9. Ensure all assets are properly tagged.

Appendix A: Response From Town Officials

TOWN OF GROTON

Supervisor (607) 898-5102
Donald F. Scheffler

Town Clerk (607) 898-5035
Robin Cargian, RMC

Town Board Members
Richard Gamel
Sheldon C. Clark
Brian Klumpp
Crystal Young



Town Justices (607) 898-3711
Paul Lang

Code Official (607) 898-4428
W. Rick Fritz

Supt. of Highways (607) 898-3110
Ellard Keister

Fax Number (607) 898-3086
Web Site www.townofgrotonny.org

101 Conger Boulevard, PO Box 36, Groton, NY 13073

In response to the audit done on the Town of Groton Highway Department Asset Accountability report the town has chosen to do the following. We will be updating the current asset list as it stands. In addition to that the town will be adding handheld tools such as but not restricted to chainsaws, tamps, grade lasers, and specialty shop tools. The highway department has currently been keeping track of all auctioned off items and reporting that directly straight to the board for approval, along with the received payments given directly to the supervisor. All accountability and tracking have been resolved over the last year. The board will bring up lowering the asset policy to 1,500\$ as a written mark, leaving the smaller specialty items up to the department heads. A yearly physical inventory will be preformed by the highway department of their assets.

Highway Superintendent
Ellard Keister



Town Supervisor

Appendix B: Audit Methodology and Standards

We conducted this audit 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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We reviewed the Town's capital asset policy to gain an understanding of controls related to Town assets.
- We interviewed Town officials to gain an understanding of highway operations, internal controls over assets, purchasing activities and general oversight of highway activities.
- We reviewed the Town's asset listing to determine which Department assets were included on the listing and whether the listing was accurate and up to date.
- We judgmentally selected a sample of 15 Department assets each costing more than \$5,000 and 20 Department assets each costing less than \$5,000 from the asset list and toured the Department to determine whether the assets were in the Town's possession and properly tagged. We selected the 15 assets based on higher cost, and we selected the 20 assets because of portability and risk of theft or abuse.
- We reviewed canceled check images and purchase invoices to judgmentally select 12 assets purchased during our audit period and toured the Department to determine whether the assets were in the Town's possession, properly tagged and included on the asset listing. We selected these assets because they are easily portable and could be subject to a higher risk of theft or abuse.
- We traced money received from sales of equipment and scrap material from original receipts to cash receipts journals, Town bank deposit slips and bank statements to determine whether money received from the sale of equipment and scrap material was properly deposited into Town bank accounts.

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.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

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 provided to our office within 90 days, pursuant to Section 35 of 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 the CAP available for public review in the Town Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/local-government/publications

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/local-government/publications

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/local-government/publications

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/local-government/academy

Contact

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