



# Town of Throop

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Highway Department

2021M-115 | May 2024

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# Report Highlights

## Town of Throop

### Audit Objective

Determine whether the Town of Throop (Town) Board (Board) and the Highway Superintendent (Superintendent) provided adequate oversight of the Highway Department's (Department) financial activities.

### Key Findings

The Board and Superintendent did not provide adequate oversight of the Department's financial activities. The Board and Superintendent did not:

- Prior to 2021, agree, in writing, to expenditures for highway repair and improvement as required. As a result, the Board's ability to sufficiently plan and budget for long-term road maintenance was diminished.
- Enter into written shared service agreements for projects conducted with surrounding towns or maintain records to track the costs related to these services to ensure taxpayer equity.

The Superintendent did not:

- Maintain a complete and up-to-date equipment inventory. As a result, the Board may not be able to sufficiently plan and budget for the replacement of highway equipment and there is an increased risk of equipment loss and misuse.
- Retain documentation related to scrap metal sales or account for sales totaling \$1,277.

### Key Recommendations

- Annually agree, in writing, on highway repair and improvement expenditures.
- Maintain a complete, accurate and up-to-date inventory of all Department assets.
- Establish written policies and procedures to safeguard cash receipts.

Town officials agreed with our recommendations and indicated they were initiating corrective action.

### Audit Period

January 1, 2017 – April 23, 2021

### Background

The Town, located in Cayuga County, is governed by an elected Board composed of four Board members and the Town Supervisor (Supervisor). The Board is responsible for the general oversight of operations and finances.

The Town has an elected Superintendent responsible for overseeing Department operations, including purchasing and budget monitoring in accordance with applicable statutes and Town policies and procedures.

Highway related expenditures are accounted for in the highway fund.

#### Department Quick Facts

2021 Appropriations	\$308,700
2021 Tax Levy	\$162,350
2017-2020 Shared Services Cash Receipts	\$201,050

# Highway Operations

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## How Should Officials Annually Plan for Department Operations?

New York State Highway Law (Highway Law), Section 284 requires the superintendent and board to annually agree, in writing, on expenditures related to the repair and improvement of highways, sluices, culverts, bridges and walks (Section 284 Agreement). This agreement can be useful when developing the annual budget and provides assurance that money appropriated for highway fund purposes will be expended as contemplated and agreed upon. Absent this agreement, there is no obligation for the town to pay related expenditures.

Highway Law Section 142 also requires the superintendent to annually submit to the board (by September 30th) a written inventory of highway machinery, tools and equipment. The report should include a recommendation for the machinery, tools and equipment that should be purchased and the probable cost of each. Additionally, town officials should establish long-term plans for highway equipment including a replacement plan.

A town may optimize its resources by entering into shared service agreements with other local governments. Shared service agreements provide opportunities for future savings or cost avoidance. These agreements should include an equitable allocation of costs and appropriate procedures to help ensure the long-term success of shared services.

When local governments agree to share services, the governing body of each participant is required to enter into a written agreement that defines the rights and responsibilities of each party. Additionally, town officials should implement procedures to ensure invoices for services provided are accurate, timely and include the necessary information for the local governments to reconcile and pay their bill.

## Officials Did Not Establish Required Department Plans and Appropriate Agreements

In May 2021, after we made Town officials aware of the need to adopt a Section 284 Agreement to expend related highway funds, the Superintendent and Board adopted an agreement. Before this date, no written agreements related to planned roadwork existed. Additionally, the Superintendent did not maintain or submit a complete and up-to-date comprehensive inventory to the Board, as required. The Superintendent told us that he was unaware of these requirements.

While the Superintendent maintained an inventory list that was updated periodically and included most of the Department's machinery, tools and equipment, the list generally lacked sufficient detail such as:

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... [T]he Superintendent did not maintain or submit a complete and up-to-date comprehensive inventory to the Board, as required.

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- A full description of each asset,
  - Serial number,
  - Purchase date,
  - Asset location,
  - Acquisition price, and
  - Remaining useful life.

The Superintendent also did not update the inventory list for a payloader that was traded in the prior year to offset the cost of a new payloader. In addition, Town officials did not establish long-term plans related to the Department, including an equipment replacement plan.

As a result, the Board was unable to sufficiently plan and budget for long-term road maintenance and replacement of highway equipment costs. Without an up-to-date inventory and related equipment replacement plan, there is an increased risk of loss, misuse and obsolescence with no formal plan or budget to fund a replacement.

Town officials entered into verbal agreements with the Town of Sennett in which the Department would pave, plow and sand agreed-upon sections of road located in the Town of Sennett in exchange for financial compensation to the Town. However, according to Town and Town of Sennett officials, a written agreement formalizing the scope of services, time frame, and compensation schedule was never established. Therefore, without a written agreement, the Board was unable to ensure whether the \$30,385 in compensation received from the Town of Sennett for 2017 through 2020 was properly recorded and comprised the total amount to which the parties agreed to.

The Department also periodically conducted joint projects, such as road work, with surrounding towns to use multiple towns' equipment and complete projects more efficiently. These shared services were performed without written agreements, and records were not maintained to track the costs related to these joint projects to ensure taxpayer equity.

While intermunicipal cooperation can be mutually beneficial, without adequate written agreements, the intentions of the Town and related parties are unclear and may result in the Town incurring unintended costs.

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## **How Should a Board Ensure the Superintendent's Department Cash Collections Are Properly Safeguarded?**

To ensure cash collections are adequately safeguarded, a board should adopt a written town-wide cash receipts policy that establishes a clear and consistent process requiring all departmental collections be secured before deposit and adequately documented. This process should include retaining documentation for all collections showing the source, date, amount, form (i.e., cash or check) and purpose. Furthermore, Town Law Section 123 requires the board to annually audit the books and records of all town officers or employees that collect or disburse money. This audit should include reconciling departmental collection records to the bank statements to identify recordkeeping errors or patterns indicative of fraud.

## **The Board Did Not Ensure the Superintendent's Department Cash Collections Were Properly Safeguarded**

The Board did not adopt a written cash receipts policy or procedures over collections. Department employees collected cash from the sale of scrap metal (such as snowplow shoes, shoulder machines, and other miscellaneous metals) accumulated by the Town and remitted the cash collected to the Superintendent. The Superintendent did not maintain a record of scrap metal collections or retain a copy of a receipt for the cash collected before remitting cash to the Supervisor for deposit. Also, when the Superintendent remitted cash to the Supervisor, the Supervisor did not provide the Superintendent with a receipt for these funds. However, the Supervisor did not record or deposit any cash collected from the sale of scrap metal during the four-year audit period. In addition, the Superintendent said the Supervisor would allow him to keep some of the cash collected for scrap metal to pay for coffee and doughnuts on occasions where intermunicipal crews were assisting on a job. However, no records were maintained to support how much cash he was allowed to retain. The Superintendent had receipts to support some food purchases; however, there was no indication of who the purchases were for or what the business need was.

Because Town officials were unable to provide any documentation pertaining to scrap metal sales, we requested a detailed accounting of all payments made to the Town for scrap metal from the scrap metal dealer, which totaled \$1,277.

Without adequate cash collection policies and procedures, officials and staff did not have appropriate guidance for collecting, recording or safeguarding cash receipts. Additionally, the Board did not ensure that an annual audit was performed of the books and records of all cash collecting departments, further increasing the risk of misappropriation.

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## What Do We Recommend?

The Board and Superintendent should:

1. Annually agree, in writing, on a Section 284 Agreement.
2. Establish long-term plans for highway equipment including a replacement plan.

The Board should:

3. Establish written policies and procedures related to cash collections.
4. Ensure written agreements are in place for shared services documenting the agreed-upon scope, time frame and compensation.
5. Perform an annual audit of, or retain an independent public accountant to audit, all cash collecting departments.

The Superintendent should:

6. Maintain appropriate records related to cash collections.
7. Annually provide the Board with a written inventory of machinery, tools and equipment and a recommendation for the machinery, tools and equipment that should be purchased and the probable cost of each.
8. Maintain records to track costs related to shared service projects to ensure taxpayer equity.

# Appendix A: Response From Town Officials

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Office of the State Comptroller  
Division of Local Government and School Accountability  
Rochester Region  
16 W Main St- Suite 522  
Rochester NY 14614

April 27, 2024

With regard to the following audits:

- 2021M-115 (Town of Throop Highway Department)

The town of Throop hereby accepts this report in its entirety.

See below responses to the recommendations contained within the report:

The Board and Superintendent should:

1. Annually agree, in writing, on a Section 284 Agreement. – The town currently does this.

2. Establish long-term plans for highway equipment including a replacement plan. – This will be implemented by December, 31, 2024

The Board should:

3. Establish written policies and procedures related to cash collections. – The town board has implemented a cash handling policy.

4. Ensure written agreements are in place for shared services documenting the agreed-upon scope, time frame and compensation. – All shared service agreements will be presented to the board for formal review and acceptance going forward.

5. Perform an annual audit of, or retain an independent public accountant to audit, all cash collecting departments. – The town has engaged with an independent auditor for an annual audit of all town financial activities.

Town of Throop  
7471 Robinson Road, Auburn, NY 13021  
315.252.7373

The Town of Throop is an Equal Opportunity Employer





The Superintendent should:

6. Maintain appropriate records related to cash collections. – This will be implemented immediately.
7. Annually provide the Board with a written inventory of machinery, tools and equipment and a recommendation for the machinery, tools and equipment that should be purchased and the probable cost of each. – The highway superintendent currently does this.
8. Maintain records to track costs related to shared service projects to ensure taxpayer equity. - The highway superintendent currently does this.

We are committed to implementing these recommendations and improving our financial practices to better serve the residents of the Town of Throop. If you have any further questions or require additional information, please do not hesitate to contact us.

Sincerely,

Eric Ridley  
Town Supervisor  
Town of Throop, NY

Town of Throop  
7471 Robinson Road, Auburn, NY 13021  
315.252.7373

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## Appendix B: Audit Methodology and Standards

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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. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed Town officials to gain an understanding of the Town's highway operations, including policies and procedures, purchasing, internal controls over assets, cash receipts and shared services.
- We reviewed Board meeting minutes and interviewed Town officials as it related to the Section 284 Agreement.
- In March 2021, we discussed the Town's shared service arrangements with officials from the Town of Sennett to confirm the amounts paid and verbal nature of the agreements.
- We reviewed accounting records, bank statements and deposit compositions for the audit period to identify any cash collected for scrap metal sales. In addition, we obtained a detail of payments made to the Town for scrap metal, from the vendor known to us, and reviewed accounting and bank records to determine whether the payments were appropriately and accurately deposited and accounted for.
- We reviewed the most current inventory of Department assets to determine whether it contained highway machinery, tools, implements and equipment and relevant information related to the listed assets (e.g., make, model, acquisition cost and estimated value).

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.

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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

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### **Regional Office Directory**

[www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf](http://www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf)

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

[www.osc.ny.gov/local-government/publications](http://www.osc.ny.gov/local-government/publications)

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

[www.osc.ny.gov/local-government/fiscal-monitoring](http://www.osc.ny.gov/local-government/fiscal-monitoring)

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

[www.osc.ny.gov/local-government/publications](http://www.osc.ny.gov/local-government/publications)

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

[www.osc.ny.gov/local-government/resources/planning-resources](http://www.osc.ny.gov/local-government/resources/planning-resources)

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

[www.osc.ny.gov/files/local-government/publications/pdf/cyber-security-guide.pdf](http://www.osc.ny.gov/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.ny.gov/local-government/required-reporting](http://www.osc.ny.gov/local-government/required-reporting)

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

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

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## Contact

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<https://www.osc.ny.gov/local-government>

Local Government and School Accountability Help Line: (866) 321-8503

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