New York State Comptroller
THOMAS P. DiNAPOLI

Town of Lockport

Asphalt Millings Inventory

2025M-55 | November 2025

Division of Local Government and School Accountability

Contents

Audit Results

Town of Lockport

Audit Objective	Audit Period
Did the Town of Lockport (Town) Highway Superintendent (Superintendent) properly safeguard and account for asphalt millings (millings) inventory and sales?	January 1, 2023 – September 24, 2024

Understanding the Audit Area

Millings are recycled asphalt pavement crushed into a smaller gravel-size rock. Millings are generally collected during road paving projects that require a certain depth of the existing road to be milled and removed before the road is paved. Millings may be used for certain projects as a cost-efficient alternative to other materials such as stone or gravel. For example, millings may be used to construct walking paths and for road maintenance, including road base, shoulders and pothole repairs. Millings may be screened to remove rocks and other particles allowing for a smoother project surface. Screened millings are typically more expensive than unscreened millings.

We observed one pile of screened and one pile of unscreened millings behind the Town highway garage that have a combined value of approximately $89,000. The piles consist of approximately 1,400 tons of screened millings, valued at approximately $60,000, and a similar size pile of unscreened millings, with a sale value of approximately $29,000. While unscreened millings were available for sale, if more screened millings are needed for Town projects, they can be screened. Therefore, the value of the unscreened millings is potentially more than the sale value.

Physical safeguards and strong and effective internal controls are required to help ensure all inventory is safeguarded and all inventory and sales of such materials are accounted for.

The Superintendent in office during the audit fieldwork was appointed on August 16, 2023. The former Superintendent was in office for the remainder of the audit period.

Audit Summary

The Superintendent did not properly safeguard and account for the millings inventory or unscreened millings sales. When the millings inventory is not properly safeguarded and accounted for and the collections from millings sales are not monitored, there is an increased risk of fraud, abuse and misuse of millings inventories and sales revenue that could occur and go undetected. In addition, because millings are a lower-cost alternative to stone and other materials used for roadway and other Town projects, officials may incur added costs if the Town's millings inventory is depleted. Specifically, the Superintendent did not:

- Ensure millings were physically secured and did not review surveillance camera footage (camera footage) to identify any potential issues related to the inventory of millings stored behind the highway garage.
- Develop procedures to ensure all millings from road projects were added to the Town's inventory or that the proper amount of millings sold and/or used for Town projects was removed from inventory.
- Maintain a perpetual inventory of millings – a record of the beginning balance, additions, reductions and ending balance. Therefore, he could not determine an accurate inventory of the millings the Town should have on hand.
- Update the sale price of millings in accordance with the current average market price, as required by the Town's surplus asphalt millings policy (Policy). As a result, 483 tons of unscreened millings that were sold for $929 should have been sold for $9,875 based on average market prices at the time of the sale, a difference of $8,946.
- Ensure all fees owed to the Town for millings sales were collected. Specifically, one invoice for the sale of unscreened millings to the Highway Clerk's (Clerk) family member that totaled $36 for 36 tons was not paid until we brought it to the Clerk's attention during our audit. The Clerk was solely responsible for collecting payment for the sale of millings without any oversight from the Superintendent.
- Establish written procedures that provide clear guidance to the individuals responsible for the various aspects of managing millings, including: maintaining perpetual inventory records, reconciling inventory records to physical inventory on hand, monitoring physical inventory safeguards such as video footage, maintaining detailed and accurate sale records, issuing invoices and duplicate receipts for sales, reconciling collection records to bank deposits, monitoring and updating the average market price of millings, identifying who is authorized and responsible for each procedure and monitoring for compliance.

Because there were no procedures or physical safeguards in place, and proper inventory records were not maintained and reconciled to physical inventory, officials could not ensure that all millings were accounted for. When the sales of millings are not sufficiently documented and reconciliations are not completed between sales, collections and deposit records, the Superintendent cannot verify that all funds owed were billed, received and deposited. In addition, because the Superintendent did not adjust the millings sales price to the current average market rate, the Town received significantly less revenue for millings sales. Furthermore, allowing one individual to control key processes and procedures without compensating controls increases the risk that errors or misappropriations could occur and remain undetected. The lack of internal controls over the millings inventory leaves a valuable Town material being left to possible misuse.

The report includes 11 recommendations that, if implemented, will improve the Town's safeguards and accounting for the millings inventory and sales. Town officials agreed with our recommendations and indicated they will take corrective action.

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and Office of the New York State Comptroller's (OSC) authority as set forth in Article 3 of the New York State General Municipal Law. Our methodology and standards are included in Appendix C.

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 the New York State 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.

Asphalt Millings Inventory: Findings and Recommendations

A highway superintendent (superintendent) is responsible for establishing internal controls over highway department consumable assets, such as millings, to ensure they are safeguarded against loss, waste and misuse. Although the superintendent can delegate these tasks, the superintendent remains responsible for ensuring the tasks are properly carried out and inventory and sales of such material is properly accounted for. This includes implementing physical controls to prevent unauthorized access and/or removal of millings and maintaining perpetual inventory records to properly account for the millings inventory and sales. Perpetual inventory records should include the beginning inventory balance, additions, reductions and ending inventory balance of millings and these records should be periodically reconciled to the physical inventory. The superintendent should monitor the millings inventory and individuals who have access to and/or account for the inventory and sale of the millings.

More details on the criteria used in this report, as well as resources we make available to town officials that can help officials improve operations (Figure 1), are included in Appendix A.

Finding 1 – The Superintendent did not safeguard the millings inventory or maintain proper inventory records.

The Superintendent did not ensure millings were physically secured behind any gates or entry access points. While there were surveillance cameras on the outside of the highway garage that record entry points to the highway yard where the millings inventory is maintained, the Superintendent told us he did not review the camera footage. The Superintendent also did not maintain or assign someone to maintain perpetual inventory records for millings because he was unaware that he should establish and maintain these records. Therefore, no records were maintained to document the beginning inventory balance, additions, reductions and ending inventory balance of the millings inventory. Because a perpetual inventory was not maintained, the Superintendent could not complete reconciliations to compare what should be on hand per inventory records to the actual amount of millings inventory at the highway garage.

We attempted to complete a perpetual inventory of millings by completing physical observations of what the Town had on hand for millings inventory and considering amounts added or used, but there was not sufficient evidence or support available to determine the correct amount that should have been in inventory or available and on hand.

Furthermore, the Superintendent did not establish a list of employees authorized to transport millings or time frames during which millings may be sold or removed from inventory. In addition, the Superintendent did not monitor or confirm that the total quantity of asphalt milled during road projects was added to the Town's millings inventory, or that amounts sold or used for Town projects agreed with what should have been removed from the inventory.

The Superintendent stated that he was looking into the possibility of installing gates and that he also trusted and relied on his employees' integrity to appropriately transport all millings back to the highway garage during road milling projects. The Superintendent stated he also relied on operators loading millings to record the accurate number of tons for each sale of millings. However, written procedures and monitoring are needed to ensure the proper amount of millings were added to and removed from the millings inventory.

The Town Supervisor (Supervisor), who is a Board member, told us he considered the millings a nuisance with minimal value that he did not see a need to secure or safeguard. However, the Board adopted a Policy, dated June 3, 2019, that requires the Superintendent to adjust the sale price of millings based on the current average market price indicating the Board was aware the millings were of value to the Town.

For example, although the Superintendent did not have an estimate for the amount of millings used for Town projects, we observed a pile of approximately 1,400 tons of screened millings at the highway garage that the Superintendent told us was ready to be used for Town projects, including pothole repairs, walking paths, driveway aprons and road shoulders. The Superintendent told us they have been using millings for these projects for around 20 years as they are a cost-effective alternative to materials such as crushed stone which was previously used for such projects. At the time of our audit, when used in place of crushed stone, the screened millings inventory had an approximate value of $60,000.

The Superintendent did not develop written procedures to properly safeguard the millings inventory or maintain proper inventory records. Because there were no procedures or physical safeguards in place, and proper inventory records were not maintained and reconciled to physical inventory, officials cannot ensure that all millings were accounted for. When millings are not safeguarded, there is an increased risk of fraud, abuse and misuse. Furthermore, if millings are not available for road and other projects, the Town may incur additional costs because the Superintendent would need to purchase materials for projects.

Recommendations

The Superintendent should:

1. Develop written procedures that provide clear guidance for various aspects of managing the millings inventory, including maintaining perpetual inventory records and identifying the individuals authorized and responsible for adding millings to and removing millings from inventory and monitoring physical safeguards (e.g., cameras and gates).

2. Periodically review camera footage and consider implementing additional physical controls such as locked gates to limit access to the millings inventory.

3. Implement procedures to document and verify that the correct amount of millings are received after road milling projects and that the correct amount of millings are removed from inventory when millings are sold or used for Town projects.

4. Establish and maintain perpetual inventory records for millings, including the beginning inventory balance, additions, reductions and ending inventory balance for the millings inventory.
5. Periodically reconcile or assign someone to reconcile perpetual inventory records to inventory on hand and investigate any discrepancies.

Finding 2 – The Superintendent did not properly account for millings sales.

The Superintendent relied on the Clerk to manage certain aspects of millings sales, including billing and collecting for millings sales, and remitting collections for deposit to the Supervisor without providing adequate oversight. For example, the Superintendent did not complete any reconciliations or assign someone to complete reconciliations to verify that all fees owed to the Town for millings sales were collected. As a result, the Clerk did not properly account for the sale of 483 tons of unscreened millings totaling $929.

Specifically, the Clerk did not maintain detailed records documenting the sale of millings. For example, the Clerk did not issue duplicate receipts for any unscreened millings sales totaling $929 because she did not collect payment at the time the millings were sold and removed from Town property. Instead, she documented millings sales on invoices she generated. The Clerk also did not provide the Superintendent with any invoices or supporting documentation for the millings sales, nor did the Superintendent request this information. The Clerk was not aware of how to properly account for the millings sales and stated she has only ever recorded the sale of millings through invoicing.

We also determined that one invoice dated October 21, 2023 for the sale of unscreened millings totaling $36 was not paid as of March 4, 2024, until we brought it to the Clerk’s attention. The remaining invoices we were provided totaling $893 were paid and deposited intact (in the same amount and form – cash or check). The unpaid invoice was for the sale of unscreened millings to the Clerk’s family member. The Clerk was solely responsible for collecting payments for the sale of millings without any oversight from the Superintendent. After we notified the Clerk, the invoice was paid, more than four months after the invoice was created. Had the Superintendent reviewed millings sales and the Clerk’s records, this error would have been detected and corrected sooner.

Furthermore, the Superintendent also did not comply with the Policy to adjust millings prices to align with current average market rates. The Policy requires the Superintendent to notify the Board if average market prices for millings shift and to update the sale price of millings accordingly. Had the Superintendent adjusted the sale price of $1 to $2 a ton to the current average market price, which was $20 a ton, the Town could have potentially collected an additional $8,946 for the sale of unscreened millings documented by the Clerk.

The Superintendent relied on the Clerk to oversee all aspects of the millings sales and was not aware of his responsibility to provide oversight. The Superintendent also told us he knew of the Policy allowing the Highway Department to sell surplus millings, but he was not aware it was his responsibility to adjust the sale price of the millings.

The Superintendent did not establish any written procedures for accounting for millings sales such as issuing invoices and duplicate receipts, reconciling collection records to bank deposits and identifying who was responsible.

When the sales of millings are not sufficiently documented and reconciliations are not completed between sales, collections and deposit records, the Superintendent cannot verify that all funds owed were received and deposited. Furthermore, allowing one individual to control key processes and procedures without compensating controls increases the risk that errors or misappropriations could occur and remain undetected.

Recommendations

The Superintendent should:

6. Provide oversight of the Clerk responsible for millings sales to ensure complete and accurate records are maintained.
7. Ensure the Clerk issues duplicate receipts that include payment type (e.g., cash, check), payment amount, purpose of the payment, total millings purchased, date paid and who collected the funds for each millings sale.
8. Ensure all payments owed to the Town are collected prior to the millings being removed from Town property.
9. Reconcile millings invoices with the Clerk's records and bank deposits to ensure fees owed to the Town are collected and deposited and investigate any discrepancies.
10. Update the sale price of millings to the current average market price per the Policy.
11. Develop written procedures that provide clear guidance for managing and accounting for millings sales, including issuing invoices and duplicate receipts for sales, adjusting sales to the current average millings sale price, reconciling collection records to bank deposits and monitoring the procedures for compliance. The procedures should also identify who is responsible for carrying out each task while establishing proper segregation of duties so that one person does not control all key processes and procedures and establish compensating controls when proper segregation of duties is not possible.

Appendix A: Profile, Criteria and Resources

Profile

The Town is located in Niagara County and governed by an elected five-member Board, including the Supervisor and four Board members. The Board is responsible for general oversight of Town operations and finances. The Superintendent is responsible for overseeing the Highway Department and plans, prepares, implements, coordinates and reviews the Highway Department's activities and operations for the Town, including safeguarding and accounting for highway equipment and materials, including millings. The Clerk performs various administrative duties including generating invoices and collecting payments for millings sales.

The Superintendent in office during the audit fieldwork was appointed on August 16, 2023. The former Superintendent was in office for the remainder of the audit period.

Criteria – Millings Inventory

A superintendent is responsible for implementing controls over highway department consumable assets, such as millings, to ensure they are appropriately accounted for and protected from loss, waste and misuse. The superintendent should ensure:

- Access to inventory is restricted and monitor such access. This includes implementing physical controls such as locked gates and surveillance cameras. The superintendent should determine and document who is authorized to access, add and/or remove millings inventory from town property.
- Perpetual inventory records that clearly document the amount of millings beginning inventory balance, amounts added or received, amounts used or sold and the ending inventory balance are maintained. These records should be periodically reconciled to physical inventory on hand and any material discrepancies should be investigated and resolved.
- Millings usage and sales records contain sufficient information such as transaction date, person moving/loading and receiving millings, total millings used or sold, the purpose of the usage (e.g., sale, walking path, road maintenance), and the cost of materials used or total funds received from sales.
- Usage and sales reports are periodically reviewed to verify accuracy and help ensure usage is reasonable and for appropriate town purposes. Any material discrepancies discovered should be investigated and resolved.
- Duplicate press-numbered receipts are issued for each sale of millings and should include payment type (e.g., cash, check), payment amount, purpose of the payment, total millings purchased, date paid and who collected the funds.
- Funds for the sale of millings are collected and deposited in a timely manner and intact, in the form received (e.g., cash, check). Collection records should be reconciled to deposits periodically and variances identified should be investigated in a timely manner.

- The sale price of millings is adjusted to the current average market rates in accordance with the Policy.
- Compliance with the Town's policies and procedures.

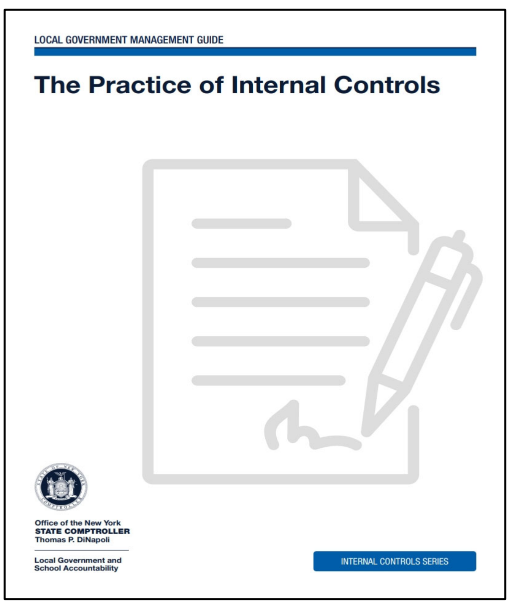
The superintendent should establish written procedures to clearly communicate these expectations and provide guidance for managing the town's millings inventory and sales. The procedures should also designate individuals responsible for each part of the process, while establishing proper segregation of duties so that one person does not control all key processes and procedures for millings inventory and sales. Where proper segregation of duties is not possible, establishing compensating controls including oversight is needed. Although the superintendent can delegate these tasks, the superintendent remains responsible for ensuring the tasks are properly carried out.

Additional Inventory Resource

Figure 1: OSC Publication

OSC *Local Government Management Guide* available on our website to help officials understand and perform their responsibilities over safeguarding and accounting for inventory.

The Practice of Internal Controls



https://www.osc.ny.gov/files/local-government/publications/pdf/the-practice-of-internal-controls.pdf

In addition, our website can be used to search for audits, resources, publications and training for officials: https://www.osc.ny.gov/local-government.

Appendix B: Response From Town Officials

SUPERVISOR
MARK C. CROCKER

SUPERINTENDENT OF HIGHWAYS
JAMES E. ROOK

TOWN CLERK
JUDITH A. NEWBOLD

TOWN OF Lockport ESTABLISHED 1824

COUNCIL MEMBERS
DARLENE S. DICARLO
PATRICIA DUFOUR
THOMAS J. KEOUGH
PAUL W. SIEJAK

TOWN ATTORNEY
THOMAS D. SEAMAN

[redacted]

Office of the State Comptroller

295 Main Street, Suite 1032

Buffalo, NY 14203-2510

[redacted]

After a very thorough debrief on 8 October, 2025, on the initial report of findings on your 2024 Audit for the Town of Lockport's Building Department and the Highway Office, **we accept your report.**

We have already addressed most of the issues mentioned in your report. We look forward to your final report.

Sincerely,

Mark Crocker

Town of Lockport Supervisor

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Appendix C: Audit Methodology and Standards

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 obtained an understanding of the internal controls in place for the millings inventory, how the millings inventory was accounted for and the process for collections from the millings sales by interviewing the Superintendent, Clerk and Board members; reviewing the Policy; reviewing records obtained from the Clerk; and completing physical observations of the millings inventory.
- We interviewed the Superintendent and Clerk to determine what support they maintained for the millings inventory, including sales, use, additions from new road milling projects and the inventory on hand at the time of our review and reviewed the sales documentation provided.
- We attempted to complete a perpetual inventory of millings by completing physical observations of what the Town had on hand for millings inventory and considering amounts added or used, but there was not sufficient evidence or support available to determine the correct amount that should have been in inventory or available and on hand.
- We completed physical observations to determine the approximate amount of screened millings on hand that were to be used for Town projects. We calculated the approximate length, width and height of the millings piles at the Town. We used a conversion calculator to then convert the calculations into total cubic yards by multiplying the total cubic yards by 1.5 to get the total tonnage.
- We interviewed the Superintendent to determine the alternative materials the Highway Department would use if millings were not available. To determine the cost savings to the Town by using millings for Town projects instead of alternative materials, we requested cost information for the alternative materials from three different companies and compared the average cost for the materials from the three companies to the cost of the millings, as calculated above.
- We interviewed the Superintendent to gain an understanding of how he would determine the current average market rates for millings. As a result, we calculated the current average market rate for unscreened millings using the Internet to search for “asphalt millings for sale in WNY.” We then compared the resulting current average market rate for millings in the Western New York area to the Town’s sale price of unscreened millings. We then calculated the revenue variance by comparing the sales revenue using Town rates to the sales revenue using the current average market rates.
- We reviewed all invoices provided by the Clerk for the unscreened millings sales totaling $929 and compared them to bank statements, deposit slips and canceled checks to determine whether all payments were deposited intact and followed up on any discrepancies.

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.

Contact

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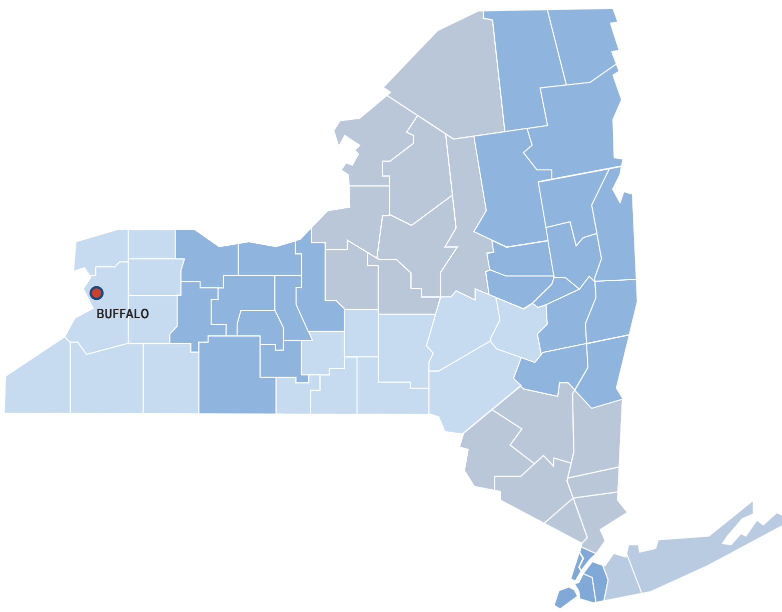

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