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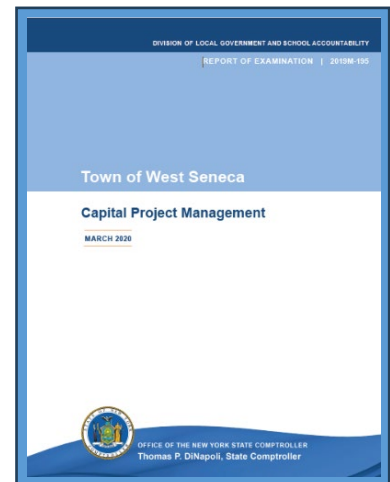
April 2025

Gary A. Dickson, Town Supervisor
Members of the Town Board
Town of West Seneca
1250 Union Road
West Seneca, NY 14224

Report Number: 2019M-195-F

Dear Town Supervisor Dickson and Members of the Town Board:

One of the Office of the State Comptroller's primary objectives is to identify areas where local government officials can improve their operations and provide guidance and services that will assist them in making those improvements. The Office also works to develop and promote short-term and long-term strategies to enable and encourage town officials to reduce costs, improve service delivery and to account for and protect their town's assets. In accordance with these objectives, we conducted an audit of the Town of West Seneca (Town) to assess the Town's Capital Project Management. As a result of our audit, we issued a report, dated March 2020,¹ identifying certain conditions and opportunities for the Town Board's (Board) and Town Supervisor's (Supervisor) review and consideration.



To further our policy of providing assistance to local governments, we revisited the Town to review progress in implementing our recommendations. Our follow-up review was limited to interviews with Town personnel and inspection of certain documents related to the issues identified in our report. Based on our limited procedures, the Board and Supervisor have not implemented corrective actions. Of the four recommendations, none were implemented. As a result, the Board has continued to limit transparency and not properly plan and manage the Town's capital projects or clearly inform taxpayers and residents of each project's scope and estimated cost. Board members were unable to provide reasonable explanations for their lack of corrective action.

Recommendation 1 – Prepare, Approve and Amend Itemized Budgets

The Board should prepare and approve an itemized budget and amend and update it as the project plan changes.

¹ <https://www.osc.ny.gov/local-government/audits/town/2020/03/06/town-west-seneca-capital-project-management-2019m-195>

Status of Corrective Action: Not Implemented

Observations/Findings: The Board either did not prepare and/or approve an itemized budget or amend and update it as the project plan changed. We reviewed seven capital projects with expenditures totaling approximately \$24.7 million. All seven projects were initiated after our last audit and expenditures were incurred during the period March 19, 2020 through December 19, 2024. While the Town Engineer (Engineer) prepared itemized budgets for two of the projects totaling approximately \$14.4 million, the Board did not approve these budgets. Additionally, no budgets were prepared or approved for the other five capital projects with expenditures totaling over \$10.3 million.

The Engineer stated that he did not prepare budgets for these projects because generally he would only prepare an itemized budget for large capital projects for which the Town planned to borrow money. He stated that the projects that did not have an itemized budget were either funded with budgeted appropriations or with a small grant the Town received specifically for the project. However, although one of the five projects was financed with debt, officials did not have an itemized budget. Regardless of the project's financing source and in the interest of transparency, the Board should approve itemized project budgets and include them in the meeting minutes to inform taxpayers and residents about a project's scope, planned costs and funding sources.

The Board did not receive or review monthly budget-to-actual reports. The Engineer stated he did not provide the Board with budget status reports because this information was included in the monthly "Application and Certification for Payment" (pay application) which was submitted to the Board to review and approve prior to payments being issued to vendors. The pay application included the original contract amount and any approved change orders for each vendor. However, without an approved budget including financing sources and total projected costs (which may include pay applications for multiple vendors and other costs such as engineering that do not have pay applications) Board members would have difficulty monitoring the project and would be unable to make informed decisions regarding unexpected costs or other project changes.

For example, the Board adopted a bond resolution on March 22, 2021 for a water main replacement project with a maximum estimated cost of approximately \$1.6 million. On December 18, 2023, the Board approved the final pay application for the primary contractor for a total contract cost of approximately \$1.1 million which included change orders totaling \$39,000. Without comparing the total project costs with a budget or reviewing all related project payments and pay applications, it appeared that the project was under budget. However, when we reviewed the project's other pay applications and the total combined expenditures, the project's total cost was approximately \$2.1 million and exceeded the approved budget of \$1.6 million by approximately \$500,000.

Recommendation 2 – Ensure Transparency to Taxpayers

The Board should ensure all Board action and proceedings are recorded in the official Board minutes to ensure transparency to taxpayers.

Status of Corrective Action: Not Implemented

Observations/Findings: While the Board generally approved change orders and cost increases, officials did not include itemized budgets in the meeting minutes for any of the seven projects we

reviewed. As discussed in Recommendation 1 observations/findings, itemized budgets were only prepared for two capital projects with expenditures totaling approximately \$14.4 million, and when we reviewed the Board meeting minutes and agenda packets, none of the seven projects we reviewed were included for public review. These projects included the highway facility improvements project, budgeted for \$4 million, and a sewer-related project, budgeted for \$15 million.

In the Town's corrective action plan (in response to our recommendations in our audit report), the Supervisor stated that the Town is dedicated to ensuring public support and involvement in decision-making for large capital projects. The plan indicated that the Town would strengthen its internal controls surrounding the capital project process and ensure full transparency to the public by requiring a "Capital Project Initialization Form" prior to beginning a project and a "Capital Project Completion Form" at the conclusion of the project. These forms were to include key project details such as a description of the project scope, an itemized proposed budget that identifies funding sources for the project, and the final project cost. The forms were to be included as an agenda item at a Board meeting and any related Board actions such as cost or scope changes would be documented in the meeting minutes.

We also noted for the seven capital projects we reviewed, the Supervisor did not submit a Capital Project Initialization Form or Capital Project Completion Form to the Board or include it in the agenda for any of the projects we reviewed. The Supervisor stated that officials did not need to use these forms because none of the capital projects were significant enough to warrant their use because the projects were not major "ground-up" construction projects like the community center and library project (the subject of our original audit). However, the corrective action plan did not specify that these forms would only be used for "ground-up" construction projects and officials did not take any other action to ensure key details relating to the projects such as itemized costs and financing sources were documented in meeting minutes or to help ensure taxpayers and residents were aware of all the ongoing capital projects or the associated costs.

Regardless of whether the project is a "ground-up" construction project, the capital projects we reviewed were all capital asset acquisitions or construction projects that extended beyond one year and involved significant costs. If Town officials no longer wish to use these forms to document key project details in the meeting minutes, then an appropriate alternative should be implemented to promote transparency and help ensure taxpayers and residents are well informed.

Ultimately, officials cannot help ensure transparency to taxpayers and residents if they do not maintain itemized budgets and accurate financial information. Also, proper transparency allows taxpayers and residents to evaluate the financial stewardship of their elected representatives and provides them with a basis for informed participation in project discussions, where applicable.

Recommendation 3 – Ensure Accurate Budgets Are Available for Bond Resolutions

The Board should ensure that accurate cost estimate schedules or budgets are available in connection with the bond resolution.

Status of Corrective Action: Not Implemented

Observations/Findings: The Board did not ensure accurate cost estimate schedules or budgets were prepared or available to support adopted bond resolutions. From 2021 through 2024, the Board

adopted six bond resolutions with a total estimated cost of \$33.6 million.² While Town officials prepared budgets for five of the six bond resolutions adopted, only one budget was included in the agenda packet and available for public review and it was incomplete.³ Also, officials were unable to provide us with the watermain replacement project budget to support a bond resolution totaling approximately \$1.6 million.

Regarding the bond resolutions, we also determined the following:

- In 2022, the Board adopted two bond resolutions, totaling \$3.3 million, for road improvement and highway equipment expenditures. The Director of Finance (Director) stated that she accounted for these expenditures in the highway fund instead of the capital projects fund because this was what was done in the past. However, the acquisition, construction or improvement of capital assets should only be accounted for in a local government's operating fund when the project is being financed by the operating fund which was not the case for these projects.
- In 2022, the Board adopted a bond resolution for \$1.8 million to purchase machinery and apparatus for construction and maintenance in the Town. In a correspondence to the Board, dated February 1, 2022, the Highway Superintendent estimated a cost between \$1.8 million and \$2 million for the purchase of nine new single-axel dump trucks equipped with snowplows and wing blades. However, as of December 31, 2024, the Town had purchased six trucks and a loader with a snowblower attachment totaling nearly \$1.5 million or three less dump trucks than officials had estimated to purchase with the funds. Furthermore, the Director stated that these purchases were not charged to the capital projects fund because the Town had always charged road work and equipment expenditures to the highway fund.

Recommendation 4 – Maintain Complete and Accurate Accounting Records and Provide the Board with Monthly Reports

The Supervisor should ensure complete and accurate accounting records are maintained and provide the Board with monthly reports comparing actual revenues and expenditures to budgeted amounts.

Status of Corrective Action: Not Implemented

Observations/Findings: The Director provided the Board with monthly reports showing actual revenues and expenditures, but because there were no adopted budgets, the reports did not provide a true budget-to-actual comparison. Consequently, the Board would not be able to effectively monitor capital projects by ensuring financing sources were sufficient to fund expenditures or that project costs were in line with expected total project costs.

The Director stated that budgetary information for capital projects was not provided to the Board in the past. However, she agreed that including the budgeted amount would help Board members monitor capital project activity more effectively. The Board should review the monthly budget-to-actual reports to properly monitor project spending and prevent cost overruns.

2 The bond resolutions reviewed do not correspond to the seven capital projects noted in our observations/findings for Recommendations #1 and #2.

3 One bond resolution contained budgets for three water districts. However, only one of these budgets was included in the agenda packet.

The Supervisor and the Board did not ensure the Director maintained complete and accurate accounting records for capital project activities. For example, the December 2024 monthly report for a park pavilion capital project included expenditures totaling over \$4.4 million. A Board member stated that the Town demolished and replaced the pavilion in the park and installed an accessible sidewalk and path in 2021. He did not know why the December 2024 monthly report showed expenditures that exceeded \$4.4 million for this project. The Director determined that over \$4.3 million was accounted for incorrectly in the pavilion capital project instead of the highway building capital project and the correct cost of the pavilion capital project was approximately \$127,000. However, when we reviewed the December 2023 monthly report, one year earlier, we identified that the same error was included. Therefore, we question whether the Board reviewed these reports because if Board members had, they might have identified such a large error.

Neither the Director nor the bookkeeper reconciled the 2024 accounting records with the capital projects bank statements. The Director and bookkeeper both confirmed that they did not perform bank reconciliations because they could not record the 2024 beginning balances in the Town's financial software until the 2023 records were closed. At the time of our review, the 2023 accounting records were not closed because they were waiting for the certified public accountant (CPA) to recommend year-end adjustments.

Because bank reconciliations were not up to date, we reviewed the most recent capital projects bank reconciliation dated December 31, 2023. The combined capital projects trial balance on December 31, 2023 reported approximately \$489,000 in net cash. However, two capital projects bank statements only showed a total of over \$171,000 or \$318,000 less than cash reported in the accounting records. As a result of our inquiry, the Director transferred approximately \$318,000 from the operating fund to the capital projects fund on December 18, 2024 to reconcile the cash. On December 27, 2024, the Supervisor filed and certified the accuracy of the 2023 Annual Financial Report (AFR) and reported total capital projects cash of approximately \$5 million. The Director did not provide us with documentation or an explanation for the \$318,000 difference. Furthermore, the 2023 trial balance for the capital projects fund showed negative cash balances indicating that expenditures were incurred for a project without money available to fund project expenditures.

Due to the deficiencies with the capital projects records, the 2023 AFR was not filed with OSC until December 27, 2024 or eight months after the filing deadline. Additionally, the 2023 financial statements and management letter had not been released as of the end of our fieldwork on January 23, 2025, or more than one year after the fiscal year end. A representative from the Town's CPA stated that the delay was attributed to obtaining timely information from Town officials and the deficiencies with the capital projects records. Subsequent to the end of our fieldwork, the Town's audited financial statements were released on February 5, 2025.

Additionally, the 2022 AFR reported capital projects expenditures totaling approximately \$8.1 million. However, the 2022 capital projects fund combined trial balance reconciliation had a balance totaling \$2.6 million in expenditures. The Director also provided us with the capital projects cash disbursements report totaling \$766,000 for 2022. The Director did not provide us with an explanation or documentation to account for the \$5.5 million difference. The Supervisor stated that the 2022 expenditures reported in the AFR would likely need to be restated and the Director provided us with the draft CPA audited financial statement report stating that the capital projects fund balance would need to be restated by \$3.4 million of which \$3.1 million was cash.

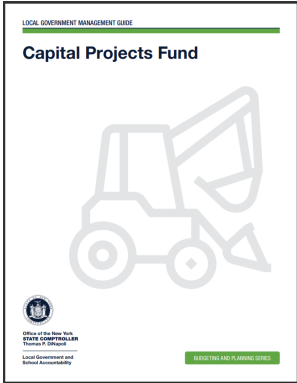
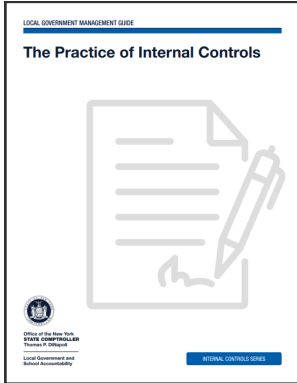
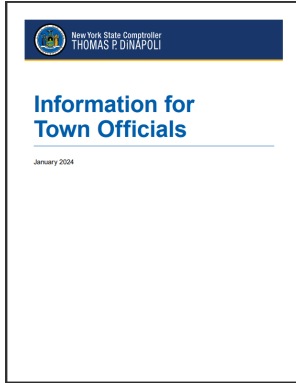
We also compared the disbursement records with the check images to determine whether the records were reliable. We reviewed 20 disbursements totaling over \$10.5 million from 2020 through 2024. We were unable to verify one disbursement totaling \$885 because the check was not yet issued at the time of our inquiry. As a result of our inquiry, the account clerk typist identified 13 checks totaling over \$9,000 that were recorded in the records but not issued because of a software malfunction. However, when checks are recorded in the software but not issued, those financial records are unreliable.

We also determined that the Director did not properly record capital projects expenditures. For example, according to the Highway Superintendent, the Town incurred over \$70,000 in labor costs for work performed by highway department employees related to the highway facility renovations as of October 19, 2024. However, these expenditures were charged to the highway fund instead of the capital projects fund because the Director and Highway Superintendent stated that they were not additional expenditures as the employees were already working for the Town on a full-time basis. However, if a local government uses its own employees and equipment for a capital project, the project should be charged for these costs. The manner in which the project and the contributing fund(s) are charged depends on whether the services were intended to be treated as an in-kind contribution to the project or as a reimbursable cost.

In summary, with the exception of one itemized budget available for public review, all four of the recommendations in our prior audit were not implemented. The Supervisor blamed the prior CPA for not bringing the deficiencies to his attention after the 2022 external audit. However, the CPA management letter, dated August 25, 2023, identified negative balances in the capital projects fund indicating that expenditures were incurred for a given project without amounts budgeted to pay for them.

The Supervisor stated that corrective action had not been implemented, in part, due to turnover in key positions and the Town did not have a full-time Director for over a month during 2023. While the Town had three different Directors from 2020 through current, the Supervisor has been in the position since January 2020, and as the chief fiscal officer, he is responsible for monitoring and providing sufficient oversight of the Director's duties.

For additional guidance, Town officials should refer to the Office of the State Comptroller's guidelines on capital projects, bank reconciliations, and duties of the Town Supervisor (Figure 1).

Figure 1: OSC Publications		
OSC <i>Local Government Management Guides and publications</i> available on our website to help officials understand and perform their responsibilities.		
<i>Local Government Management Guide (LGMG) – Capital Projects Fund</i>	<i>LGMG – The Practice of Internal Controls</i>	<i>Information for Town Officials:</i>
		
<i>Access this publication at:</i> https://www.osc.ny.gov/files/local-government/publications/pdf/capital-projects-fund.pdf	<i>Access this publication at:</i> https://www.osc.ny.gov/files/local-government/publications/pdf/the-practice-of-internal-controls.pdf	<i>Access this publication at:</i> https://www.osc.ny.gov/files/local-government/publications/2020/pdf/information-for-town-officials.pdf

During our review, we discussed the basis for our recommendations and the operational considerations relating to these issues. We encourage Town officials to continue their efforts to fully implement our recommended improvements.

Thank you for the courtesies and cooperation extended to our auditors during this review. If you have any further questions, please contact Melissa A. Myers, Chief of Municipal Audits of our Buffalo Regional Office at (716) 847-3647.

Sincerely,

Robin L. Lois, CPA
Deputy Comptroller