

Town of Seneca Falls

Town Hall Capital Project

FEBRUARY 2019



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

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Report Highlights

Town of Seneca Falls

Audit Objective

Determine whether the Board provided adequate oversight and management of the Town hall capital project.

Key Findings

- The Board established an initial amount to be used from its capital reserve for the project of nearly \$2.6 million. However, it did not prepare an itemized project budget and did not appropriately monitor the project. As a result, the Town incurred total project costs of approximately \$4.55 million.
- The Board did not appropriately approve 14 change orders totaling approximately \$265,000.
- The Board inadequately planned for the project, which resulted in the need to borrow \$885,000 from the Tax Stabilization Reserve to finance additional project costs.

Key Recommendations

- Approve an initial project cost and itemized capital project budget including all anticipated costs and financing methods, and require periodic financial reports that show actual revenues and expenditures compared to the approved budgets.
- Approve all change orders prior to the commencement of work.
- Ensure that the use of reserve funding sources for capital projects are in compliance with applicable statutes and regulations.

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

Background

The Town of Seneca Falls (Town) is located in Seneca County. The Town is governed by an elected Town Board (Board), which is composed of a Town Supervisor (Supervisor) and four Board members. The Board is responsible for the general management and oversight of the Town's financial operations. The Supervisor serves as the chief executive and chief fiscal officer.

In 2004, the former Town hall was destroyed in a fire caused by arson. For approximately 10 years, members of the Board contemplated different locations and arrangements for a new Town hall. In 2015, the Board approved contracts to build a new facility on Ovid Street to house both the Town offices and police department. Town offices and the police department were moved into the new facility after construction was completed in February 2017.

Quick Facts

Population	9,000
Total approved contracts for Town hall capital project	\$3.56 million
Total project costs (including contracts and other non-contractual costs)	\$4.55 million

Audit Period

January 1, 2014–July 10, 2018

Town Hall Capital Project

Following the arson that destroyed the former Town hall, Town officials temporarily relocated Town hall operations to a few different locations over the course of the next approximately 13 years. Between 2006 and 2008, the Town considered a joint facility with the former Village of Seneca Falls (Village), but could not reach a consensus with the Village. Such considerations became moot on March 16, 2010, when Village residents voted to dissolve the Village effective December 31, 2011. After the dissolution vote, discussions shifted to building a new facility that would accommodate both the Town offices and police department.¹ In 2011, the Board agreed on a plan to repair and renovate the former Town hall facility and passed a resolution, subject to permissive referendum,² to pursue that option. Residents exercised their right to the permissive referendum and rejected the proposed option to renovate the former Town hall. Subsequently, in 2012, the Town began evaluating other alternatives and locations with Town engineers. The Board approved bids in July 2015 to construct a new Town hall facility on Ovid Street that would accommodate both the Town offices and police department.

How Should the Board Oversee and Manage Capital Projects?

Capital improvement projects may be long-term and require large sums of money to acquire, develop and improve various facilities. The board is ultimately responsible for the oversight and management of the town's capital projects. Town officials should adequately plan and contract, monitor progress and implement necessary changes to ensure the project is completed in an adequate, timely and cost-effective manner. Further, the board should utilize competitive bidding to ensure the prudent and economical use of public money in the town's best interests when procuring capital projects. Initial estimated costs must be realistic so the town can properly plan financing and keep the taxpayers informed. The board should adopt resolutions authorizing the maximum estimated cost for the life of the project at its inception, as well as the sources of funding, and should prepare itemized project budgets. By doing so, the board will ensure transparency to the taxpayers, and will provide a means for project cost control and performance measurement. The board may provide additional appropriations for a capital project, as needed, by formally amending the budget. The board should approve any changes to project costs by using a change order, which formally alters the original contract. In addition, when issuing debt for capital projects, the board must ensure it follows applicable regulations and statutes.

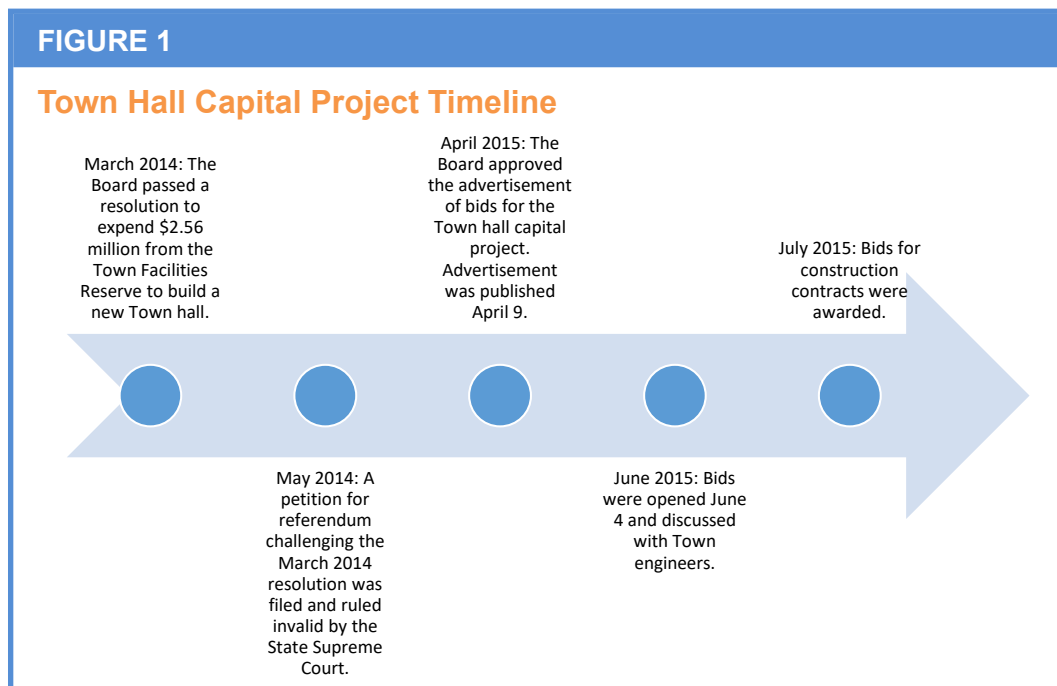
The Board Did Not Adequately Oversee and Manage the Town Hall Capital Project

The Board did not establish and approve a total estimated project cost or itemized project budget, and did not ensure that all project-related expenditures were

¹ Prior to dissolution, the police department was a Village department. However, subsequent to dissolution, the decision was made to maintain this service Town-wide.

² A permissive referendum is a public vote to approve or reject a Board-established resolution.

appropriately recorded within the capital project fund. The Board approved the use of \$2.56 million from the Town Facilities Reserve³ towards the construction of a new Town hall in March 2014. Following this Board action, the residents filed a petition for referendum in May 2014. The Board ultimately challenged the petition, and the State Supreme Court ruled that the petition was invalid.⁴ Consequently, the Board did not hold a public vote on the project. In January 2015, the Board transferred the \$2.56 million from the Town Facilities Reserve to the capital project fund. The Board approved advertising for bids in April 2015. The bids were advertised on April 9 and due on June 4, which was also when they were opened. After consultation with the Town engineers, the Board awarded the construction contracts on July 7, 2015 (Figure 1).



The Board approved \$3.56 million in construction contracts in July 2015, including those for general, mechanical, plumbing and electrical.⁵ Town officials were unable to provide us with the original bid documents for these project contracts. The Town’s engineer provided us with a matrix that documented all respondents to the multiple project contract components. However, without the original bid documentation, we were unable to conclude whether the contracts were actually awarded to the lowest bidder or based on best value. Initially, approved contract costs were approximately \$1 million more than the \$2.56 million the Board

³ A capital reserve fund established in 2009.

⁴ The petition did not require signers to affirm their correct residence next to their names, and the witnesses did not attest that each person who signed the petition properly identified themselves.

⁵ \$2.6 million for general, \$386,203 for mechanical, \$135,900 for plumbing and \$427,400 for electrical

approved to expend from the Town Facilities Reserve. In addition, 14 change orders totaling approximately \$265,000 were also paid due to project overruns. We did not identify, and were not provided with, evidence to support that the Board reviewed or approved these change orders, as appropriate. Amounts paid in relation to construction contracts totaled \$3.8 million.⁶ Further, due to requested design changes (e.g., safety modifications for the police department), engineering fees for the project were \$132,545 greater than originally anticipated.

We also reviewed all project expenditures accounted for in the capital project fund, along with the general and highway funds, and found approximately \$383,000 in additional expenditures of which there was no evidence of prior consideration by the Board or Town officials while planning for the project (Figure 2). These expenditures included the purchase and demolition of a home located on the property adjacent to where the Town hall was to be constructed and a full-time Clerk of the Works. Further, a formal appraisal was not done on the property purchased for demolition. Town officials stated that the purchase price for the property was based on an updated assessment⁷ of the property performed in September 2015. However, the Town paid \$95,421 for this property, or approximately \$30,000 (47 percent) above its updated 2015 assessed value of \$64,000.

Figure 2: Additional Project Expenditures

Expense	Total Spent
Project Manager (Clerk of the Works)	\$218,532
Bridge Street Real Property Purchase	\$95,421
Bridge Street Real Property Demolition (Town Highway Labor Cost and Tree Removal)	\$7,451
Information Technology and Communication Systems Installation	\$20,711
Moving and Final Cleaning Services	\$12,048
Legal Services	\$10,534
Window Treatments	\$8,584
Office Furniture	\$4,710
Security and Fire Safety Systems	\$3,100
Water and Sewer (Including Town Labor)	\$1,986
Total	\$383,077

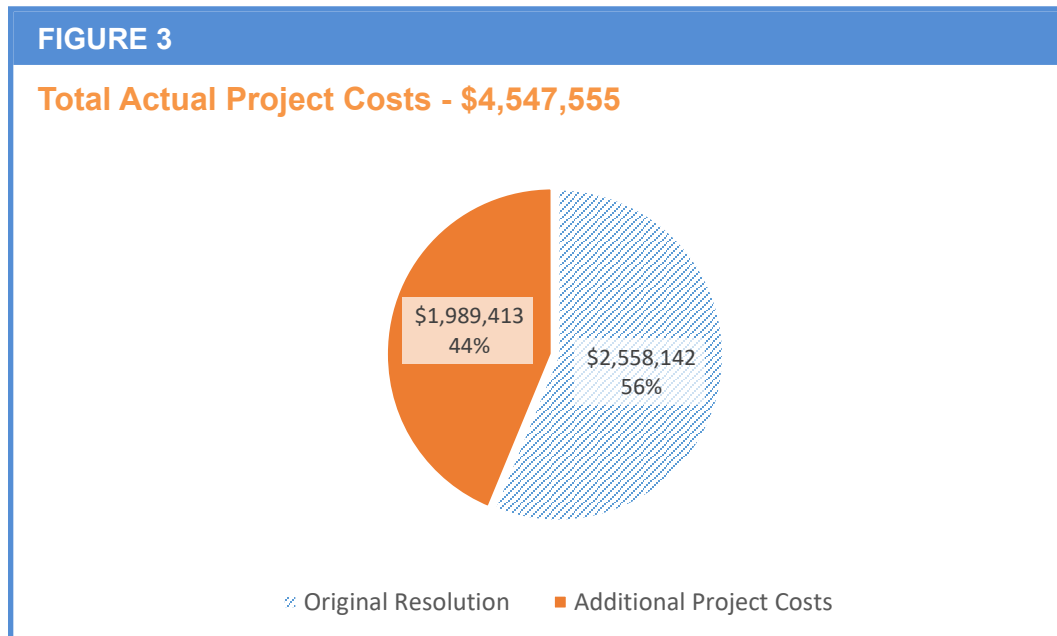
When the anticipated project funds were exhausted during the initial construction process, the Board determined it would need to seek additional funding sources to complete the project. Therefore, in 2015, rather than borrowing from outside sources, the Board passed resolutions to utilize approximately \$1.1 million of available fund balance and borrow an additional \$885,000 (to be paid back over

⁶ \$2.8 million for general, \$398,880 for mechanical, \$137,503 for plumbing and \$482,267 for electrical

⁷ Based on sales of properties of similar lot sizes, condition, location, living areas and age.

a period of five years with interest) from the Tax Stabilization Reserve to fund the remaining project costs.

Overall, the Board did not provide adequate oversight and management of the Town hall capital project, including not receiving or requesting periodic progress reports which detailed the project's financial status. As a result, the project ended up costing approximately \$4.55 million,⁸ which is almost \$2 million more than the amount initially approved from the capital reserve (Figure 3).



Consequently, the actual costs necessary to construct the new Town hall were not transparent to the Board and the public.

What Do We Recommend?

When overseeing and managing future capital projects, the Board should:

1. Approve an initial project cost and detailed capital project budget for the life of the project that includes all anticipated costs and financing methods, and require periodic financial reports that show actual revenues and expenditures compared to the approved budgets.
2. Ensure capital projects are appropriately procured in accordance with policy and applicable statutes, and that relevant documentation is maintained.
3. Approve all change orders prior to the commencement of work.

⁸ Construction costs: approximately \$3.83 million, engineering fees: \$333,445, additional expenditures: \$383,077

Appendix A: Response From Town Officials



Town of Seneca Falls

130 Ovid St. Seneca Falls NY 13165

January 22, 2019

Edward V. Grant, Jr., Chief Examiner
Rochester Regional Office
16 W. Main Street
Suite 522
Rochester, NY 14614-1608

Dear Mr. Grant,

As Supervisor for the Town of Seneca Falls, I am hereby submitting my formal response to the recent OSC Audit Report. I am in agreement with the findings of the Audit Report. If the Town undertakes any Capital Projects in the future the Town Supervisor will select a special committee for the purpose of overseeing the project. The appointed committee will convene at least once per month with the project manager and the engineers to oversee the expenditures, review any change orders as well as review any cost overruns. The committee will also be instructed to submit a report to the full Town Board for review and vote by the full Board.

If any further information is needed please feel free to contact me at my office at the Town Municipal Building.

Gregory P. Lazzaro
Town Supervisor, Town of Seneca Falls
(315) 568-0940

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 interviewed Town officials regarding policies and procedures related to the establishment of the Town hall capital project.
- We interviewed Town officials to determine their process for monitoring the Town hall capital project.
- We reviewed the Town's procurement policies and procedures.
- We reviewed monthly Board meeting minutes relevant to the Town hall capital project.
- We reviewed newspaper articles and correspondence for information relevant to the Town hall capital project.
- We reviewed and summarized all capital project fund expenditures related to the Town hall capital project.
- We examined available bid documentation to determine whether the Town hall capital project was procured in accordance with Town policy and applicable statutes.
- We examined construction contracts and change orders for adequacy and evidence of approval.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). 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.

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 Town 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/localgov/regional_directory.pdf

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

www.osc.state.ny.us/localgov/costsavings/index.htm

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

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

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

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

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

www.osc.state.ny.us/localgov/planbudget/index.htm

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

www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.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/localgov/finreporting/index.htm

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

www.osc.state.ny.us/localgov/researchpubs/index.htm

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

www.osc.state.ny.us/localgov/academy/index.htm

Contact

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www.osc.state.ny.us/localgov/index.htm

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

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