



Town of Chemung

Intermunicipal Consolidation Agreement

2022M-207 | April 2023

Contents

- Report Highlights 1**

- Intermunicipal Consolidation Agreement 2**
 - How Should Officials Monitor Costs Associated With an Intermunicipal Agreement? 2

 - Chemung Officials Did Not Adequately Monitor Highway Labor Costs 2

 - What Do We Recommend? 4

- Appendix A – Response From Town Officials 5**

- Appendix B – OSC Comment on the Town’s Response 6**

- Appendix C – Audit Methodology and Standards 7**

- Appendix D – Resources and Services 8**

Report Highlights

Town of Chemung

Audit Objective

Determine whether highway service labor costs associated with the Town of Chemung (Chemung) and Town of Ashland (Ashland) Intermunicipal Consolidation Agreement (Agreement) were monitored and equitable.

Key Findings

Chemung officials did not adequately monitor the Agreement's highway service labor costs. Officials did not establish procedures to evaluate labor costs by town. For example:

- Timecard information was not used to monitor labor costs for services provided to Ashland.
- Highway employees' timecards did not always identify their work location needed to allocate costs.

As a result, labor costs were not equitable, and Chemung could have incurred approximately \$23,000 in additional costs to provide services to Ashland. Had Chemung officials monitored costs associated with the Agreement, Chemung may have avoided incurring additional labor costs.

Key Recommendations

- Track labor hours worked for each town to determine Ashland's cost of services.
- Evaluate and analyze services being rendered on a quarterly basis.
- Annually document the evaluation of the Agreement's effectiveness.

Town officials generally agreed with our recommendations and have initiated or indicated they planned to initiate corrective action. Appendix B includes our comment on an issue that was raised in the Town's response letter.

Background

In accordance with the intermunicipal agreement between the Towns of Chemung and Ashland, both towns separately store, procure and maintain their own highway equipment, materials and supplies. Chemung provides the labor for Ashland's highway services in exchange for a monthly fee.

The Town of Chemung, located in Chemung County, is governed by an elected five-member Town Board (Board) including the Town Supervisor (Supervisor). The Board is responsible for the general oversight of the Town's operations and finances.

The elected Highway Superintendent (Superintendent) is responsible for overseeing all highway department operations including personnel, projects and highway related purchases of goods and services.

The Highway Department includes the Superintendent, Deputy Highway Superintendent and five full-time laborers.

Quick Facts

| Town Road Miles | |
|-----------------------------|---------------|
| Chemung | 56.0 |
| Ashland | 16.9 |
| 2022 – Chemung Highway Fund | |
| Appropriations | \$1.5 million |
| Tax Levy | \$306,006 |

Audit Period

January 1, 2021 – June 30, 2022

Intermunicipal Consolidation Agreement

How Should Officials Monitor Costs Associated With an Intermunicipal Agreement?

Town officials are responsible for monitoring costs associated with intermunicipal agreements and safeguarding resources. Sharing the cost of services between towns can be a cost-effective way to provide services. It is important to monitor all costs associated in delivering these services to ensure the services provided are equitable.

Town officials should comply with the Agreement between Chemung and Ashland that stipulates on a quarterly basis both towns agree to mutually analyze and evaluate the cost of services being rendered to Ashland. It also requires each year the Agreement is in effect, that town officials evaluate the effectiveness of the performed services. Town officials must establish procedures that provide a means for the Board to evaluate the cost of providing services and that the Agreement is beneficial to the towns.

Chemung Officials Did Not Adequately Monitor Highway Labor Costs

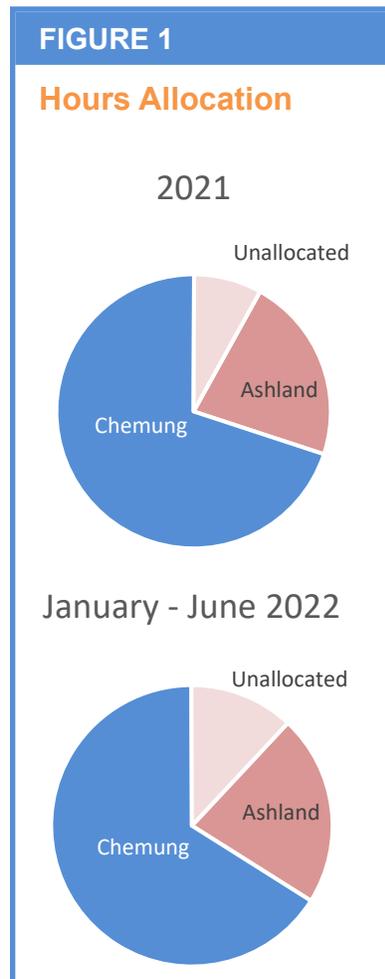
Chemung officials did not adequately monitor costs associated with the Agreement to ensure the labor costs were equitable between the two towns. Chemung officials maintained payroll reports and employee benefit records for all highway employees and officials. Although each highway employee was responsible for completing a timecard which included hours worked, accruals charged and activities completed, Chemung officials did not use this information to adequately analyze or evaluate the services provided to Ashland.

Because Chemung officials did not regularly evaluate the services provided to each town, we analyzed all highway employee timecards for the audit period to determine the number of hours worked at each town. We then multiplied the percentage of time worked at each town by the total highway labor costs¹ to determine the cost of labor for the hours spent in each town. While most timecards identified the location where the activity was completed, 1,450 of the hours reported (approximately 9 percent) did not contain sufficient detail specifying which town received the service.

¹ Labor costs included: Superintendent salary, highway laborer salaries and the employer's payments for: health insurance, retirement contributions, payroll taxes, unemployment insurance and workers' compensation insurance.

- For 2021, highway employees' timecards recorded 9,913 hours worked with total highway labor costs totaling \$585,157. Of these hours, 6,978 (approximately 70 percent) were allocated to work performed in Chemung, 2,185 (approximately 22 percent) were allocated to work performed in Ashland, and 750 (approximately 8 percent) were undeterminable (Figure 1). Based on the time allocation of at least 22 percent of the work performed in Ashland, its share of highway labor costs equaled at least \$129,005. During 2021, Ashland paid Chemung \$127,200, resulting in additional costs of \$1,805 for Chemung.

- For the first six months of 2022, highway employees' timecards recorded 5,804 hours worked and with estimated highway labor costs totaling \$319,135. Of these hours, 3,827 (approximately 66 percent) were allocated to work performed in Chemung, 1,277 (approximately 22 percent) were allocated to work performed in Ashland, and 700 (approximately 12 percent) were undeterminable (Figure 1). Based on the time allocation of at least 22 percent of the work performed in Ashland, its share of highway labor costs equaled at least \$70,233. During the first six months of 2022, Ashland paid Chemung \$69,048, resulting in additional costs of at least \$1,185 for Chemung.



As a result, Chemung incurred additional costs to provide services to Ashland totaling at least \$2,990 during our audit period. However, the additional costs for the Town are likely greater due to the 1,450 undeterminable hours, costing \$82,750, of which a portion could be attributable to Ashland. If the unallocated labor cost was allocated based on the ratio of allocated hours, then Chemung's total additional labor costs for work completed in Ashland during the audit period, would be approximately \$23,000.

The Superintendent told us he estimated the overall time dedicated to Ashland was approximately 30 percent and he did not attempt to determine whether the services provided were equitable. He told us tracking exact time for services provided to each town was not feasible and he prioritized completing projects as

opposed to record keeping. However, highway employees were already tracking over 90 percent of their hours on timecards which indicated the town where the work was performed.

Alternatively, when we asked the Supervisor whether the labor costs were equitable, he estimated Chemung would generate \$27,577 of revenue in 2022 from providing services to Ashland. However, the Supervisor's calculation did not account for the actual labor cost to provide highway services to Ashland.

The Supervisor told us he did not consider using timecards to determine the cost of labor hours for Ashland because he believed timecards would not contain a sufficient level of detail to identify which town received services. However, for over 90 percent of the timecards, the location was documented and the information was sufficient for us to use to estimate the labor hours applicable to each town.

Without establishing procedures that ensure an evaluation of labor hours by town, the Superintendent is unable to provide the Board with the records necessary to adequately monitor the Agreement. Had Chemung officials regularly monitored costs associated with the Agreement, Chemung may have avoided incurring additional costs. Additionally, monitoring of timecard details for completeness and accuracy will ensure the Board has the appropriate tools to determine whether the Agreement is beneficial.

What Do We Recommend?

The Superintendent should:

1. Track labor hours by town and evaluate the services provided to each town.
2. Provide a report to the Board on a quarterly basis of the labor hours for each town.

Town officials should:

3. Monitor the tracking of labor hours by town to ensure complete and accurate records exist.
4. Collectively, on a quarterly basis, analyze and evaluate the labor hours for the services provided to Ashland and annually evaluate the Agreement's effectiveness, as required by the Agreement.
5. Document the review and evaluation of the Agreement's effectiveness in the Board meeting minutes.

Appendix A: Response From Town Officials

Town of Chemung
48 Rotary Rd. Ext
Chemung, NY 14825

March 23, 2023

Re: NYS Comptroller's Audit Report

The Town of Chemung has received the draft audit report from the office of the NYS Comptroller regarding our Inter-Municipal Agreement with the Town of Ashland for highway services. This report indicates that the Town of Chemung *may* be losing money via this agreement, because we *could* be expending more labor hours than we are being compensated for. This determination was developed by the examiners by using a statistical analysis formula.

After my review of these findings, I could agree that these findings could potentially be accurate. However, due the fact that the percentage of labor hours expended in Ashland is merely an estimate that could be over-stated by several percentage points, it is also likely that Chemung is in fact cash positive in this agreement.

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|-------------------------|
| See Note 1 Page 6 |
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I have always used a much different calculation to measure the fiscal viability of the agreement. When the agreement was first implemented Chemung added one full-time crew member to our payroll to accommodate the added workload. Additionally, we increased the salary of our highway superintendent by \$16,000 to account for that position's added workload. For the two years in question, the total costs for these two payroll additions equaled about \$105,000 and \$106,000 respectively. Chemung received \$124,000 and \$127,100 respectively for those two years. Using this formula, Chemung netted \$19,000 and \$21,000.

Having said all of this, I do appreciate your office's point of view and the method by which your calculations were generated. As a result, the Town of Chemung will increase our efforts to more closely monitor our labor hours expended in Ashland to help insure that we are being correctly compensated. Corrective action to follow.

Sincerely, 

George Richter, Town Supervisor
Town of Chemung

Appendix B: OSC Comment on the Town's Response

Note 1

The Town of Chemung's available time records support that the Town expended a minimum of \$2,990 in extra labor costs in Ashland. Officials did not maintain sufficient records to determine actual labor costs. It is in the residents' best interest for officials to determine whether the Agreement is equitable: officials should establish procedures to evaluate and monitor the labor costs.

Appendix C: 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 Chemung officials and reviewed the Agreement to gain an understanding of the arrangement between Chemung and Ashland.
- We interviewed Chemung officials and requested supporting calculations to determine whether and how they were monitoring the terms of the Agreement to determine whether it was effective and equitable.
- We reviewed revenue reports and bank statements to determine the revenue received from Ashland each year of the audit period.
- We reviewed payroll records including benefits to determine the labor costs related to highway employees and the Superintendent.
- We reviewed highway employee timecards to determine a percentage of time allocated to each town during the audit period. This percentage was applied against the overall labor cost to determine a cost of labor for each town. We then used the payments received from Ashland to determine whether Chemung received enough revenue to cover the cost of labor for Ashland's highway services.

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.

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 Town Clerk's office.

Appendix D: 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

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Contact

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