



Village of Stamford

Pool Capital Project Planning and Monitoring

2022M-204 | April 2023

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Report Highlights

Village of Stamford

Audit Objective

Determine whether the Village of Stamford (Village) Board of Trustees (Board) transparently planned and monitored the pool capital project (Project).

Key Findings

The Board did not transparently plan or sufficiently monitor the Project. As a result, total costs to complete the Project exceeded the grant revenues received by \$256,302 and contributed to the declining fund balance in the Village's general fund. The Board did not:

- Prepare a Project budget or ensure that a separate capital projects fund was set up to record Project revenues and expenditures.
- Ensure the Project was monitored and change orders were reviewed and approved.
- Competitively procure Project contracts and expenditures.

Key Recommendations

- Approve an initial detailed Project budget and ensure all actions are documented in the Board meeting minutes.
- Monitor project payments to ensure the contract terms are followed and not exceeded.
- Comply with statutory bidding requirements and the Village's procurement policy.

Village officials generally agreed with our findings and indicated they plan to initiate corrective action.

Background

The Village, located in the Towns of Stamford and Harpersfield in Delaware County, is governed by an elected five-member Board which consists of the Mayor and four Trustees.

The Board is responsible for the general management and oversight of Village operations and finances, including the planning and monitoring of capital projects.

The Mayor, as the Village's chief executive officer, is responsible for its day-to-day management under the Board's direction. The Clerk-Treasurer (Treasurer) is the Village's chief financial officer and is responsible for the Village's financial activities, including recording capital projects' revenues and expenditures.

Quick Facts

Expenditures	\$2.86 million
Grant Revenues	\$2.6 million
Funding Shortfall	\$256,302
Change Orders	
Total Amount	\$164,616
Number	14

Audit Period

November 21, 2019 – August 17, 2022

Pool Capital Project Planning and Monitoring

The Village's old pool was originally constructed in 1959 and had been deteriorating for years (Figure 1). The Village used a private foundation grant totaling \$2.6 million to construct a new Village pool (Figure 2), which opened July 2022.

FIGURE 1



Source: Cedarwood Engineering Services PLLC

FIGURE 2



Source: Village of Stamford

How Should a Board Transparently Plan and Monitor a Capital Project?

A village board should transparently plan and sufficiently monitor a capital project by providing oversight and management of capital projects, including ensuring that funding is authorized and sufficient to cover contractual costs. Proper planning requires a thorough understanding of the project's overall scope and cost. Initial estimated costs must be realistic so a village board can plan financing and inform taxpayers. Informing taxpayers about a capital project's planned costs and financing allows them to evaluate the financial stewardship of their elected representatives and to provide a basis for their own informed participation in project discussions where applicable.

Each capital project needs its own budget which is generally based on contractual costs and predetermined funding sources. Once a capital project budget has been established and the project has begun, the treasurer should properly record the budget and subsequent financial activities in a separate capital projects fund. Each project requires its own set of accounting records to document the project's complete financial history. To sufficiently monitor the project, a village board should receive and review monthly budget-to-actual financial reports to ensure funds are available for project expenditures, contracts are being followed and costs are within budget. Proper project monitoring reduces the risk of a project deficit that could negatively affect the village's fund balance.

With construction undertakings, changes or amendments are generally expected given the possibility of many unknown variables at the start of a project. Because a village board authorizes construction contracts, it should also monitor proposed changes to these agreements, known as change orders. Change orders should be presented to the village board for review and approval in a timely manner to ensure each change order is within the project's scope and approved before any additional work is started. A village board should document its review and approval of change orders in its meeting minutes and update the project's budget.

To help ensure estimated costs are realistic and in the best interest of taxpayers, goods and services for the project should be competitively procured. New York State General Municipal Law (GML) Section 103 generally requires a village board to solicit competitive bids for public works contracts costing more than \$35,000 and to publish advertisements for bids in a village's official newspaper with a statement of the time and place where all bids received will be publicly opened and read. Additionally, a village board's procurement policy governs the procurement of goods and services that are not subject to competitive bidding requirements. With certain exceptions, the procurement policy should require that alternative options for goods and services be secured by using either a request for proposals (RFPs) process or verbal or written quotes. The Village's procurement policy requires all documentation relating to competitive procurement be retained.

When the original contract is subject to competitive bidding and an agreed modification materially varies from the original contract specifications, an agreement by village officials and the contractor to modify the original contract may not occur without further competitive bidding. Otherwise, allowing for the modification places unsuccessful bidders and potential bidders at a material disadvantage because such bidders or potential bidders were not afforded an opportunity to compete on the amended agreement. Furthermore, a village board should ensure that all actions and proceedings are documented in official records to ensure transparency to taxpayers.

The Board Did Not Transparently Plan or Establish a Budget for the Project

The Board was not fully transparent to taxpayers about the Project's cost. The Board did not prepare a budget for the Project to disclose a breakdown of the planned cost or total financing. In June 2020, the Mayor issued a press release on the Village's website that stated that the expected cost of the pool was \$1.5 million and would be funded through grants from a private foundation. However, the Mayor and Board applied for and were approved to receive \$2.6 million in grant funding. The Board publicly approved a construction management contract totaling \$120,935 in February 2021. There were also two additional construction

To help ensure estimated costs are realistic and in the best interest of taxpayers, goods and services for the project should be competitively procured.

contracts totaling \$2.42 million in June 2021, which were not documented in the Board meeting minutes. Other than the press release, approval of the construction management contract and discussion documented in the Board meeting minutes that the costs may have exceeded the revenues by \$50,000, there was no other communication updating the public about the Project's cost or revenues.

The Board Did Not Monitor the Project

The Treasurer recorded the Project's financial activities in the general fund instead of a separate capital projects fund. Therefore, the Treasurer did not prepare adequate monthly financial reports that compared actual revenues and expenditures to Board-approved contracts. The Mayor attended the Project progress meetings without involving or providing work-status reports to the Board. The Board approved the Project's expenditures through general fund budget modifications and the general fund's abstracts (listing of claims). Without budget-to-actual reports and work-status reports, the Board was unable to monitor the Project's costs or status of the work as the Project progressed to ensure the Project was completed on time, within expected costs and sufficiently funded.

Furthermore, the Board did not approve any of the 14 change orders totaling \$164,616. Instead, the Mayor approved six change orders totaling \$123,149. The remaining eight change orders totaling \$41,467 were paid without any authorizing signature. Additionally, the Village overpaid the construction manager by \$14,065 through a voucher without the construction manager submitting a change order to amend the awarded contract amount. Furthermore, one of the change orders totaling \$66,190 for electrical services was not competitively bid. The Mayor stated that this was due to an issue with the original design resulting in additional unplanned costs. There was also \$144,500 in miscellaneous Project expenditures, including design and consulting fees, landscaping, tree removal, benches and tables that were only communicated to the Board through the abstracts.

As a result, the Project's total cost of almost \$2.86 million exceeded the grant revenues of \$2.6 million by \$256,302. Based on the Board meeting minutes, the Board was aware that the Project costs may have exceeded revenues by \$50,000. However, Board members were unaware of the total Project cost and the effect the Project costs had on the Village's finances. As of fiscal-year end May 31, 2022, due in part to the Project's funding shortfall, the Village's general fund balance had been reduced to approximately \$300,000. The Mayor told us the Village would be applying to the same private foundation that provided the Project's initial grant funding to cover the overruns, and if approved, the Village would hopefully receive this additional revenue by May 2023.

...[T]he Board did not approve any of the 14 change orders totaling \$164,616.

Because the Village received grant funding for the Project, the Board did not realize that it should have been involved in the Project’s planning and monitoring like any other capital project. The Board’s lack of adequate planning and monitoring of the Project decreased transparency to the taxpayers and contributed to the Village’s declining fund balance.

The Board Did Not Competitively Bid Project Goods and Services

The Board did not competitively procure Project expenditures. We reviewed all 14 purchases requiring competition totaling approximately \$2.84 million to determine whether they were awarded through a competitive process and properly approved by the Board (Figure 3). Four contracts totaling almost \$2.8 million for the Project’s construction, construction management and landscaping contracts required the Board to advertise for bids. Although three of these totaling over \$2.71 million had preliminary bid proposals on file, there was no evidence that any of them were publicly advertised, that sealed bids were publicly opened or that the Board approved the bids. The Mayor stated that they advertised for bids twice and both times no bids were received. However, he could not provide us with any documentation to verify this.

Figure 3: Project Purchases Requiring Competition

Type of Competition	Total Purchases		Complied with GML or Policy		Did Not Comply with GML or Policy	
	Number	Amount	Number	Amount	Number	Amount
Required Competitive Bids	4	\$2,776,809	0	\$0	4	\$2,776,809
Three Written Quotes or RFP	3	50,740	0	0	3	50,740
Two Verbal Quotes	7	12,788	1	3,560	6	9,228
Total	14	\$2,840,337	1	\$3,560	13	\$2,836,777

In addition, 10 purchases totaling \$63,528 required either written or verbal quotes in accordance with the Village’s procurement policy. While one purchase totaling \$3,560 contained the required two verbal quotes, officials were unable to provide documentation that they sought adequate competition for the remaining nine purchases totaling \$59,968 including pool design services, benches, tables with umbrellas, chairs, garbage cans and a plaque. An additional \$15,965 in expenditures for the Project did not need to be competitively purchased. Village officials stated that because the Village received grant funding, they did not know they needed to seek competition or follow the Village’s procurement policy.

The Board could have provided transparency by preparing a Project budget, monitoring the Project and competitively procuring contracts and expenditures so that Village taxpayers were aware of the Project’s total scope and initial costs and to help ensure the Project’s goods and services were procured in the best interest of the taxpayers.

What Do We Recommend?

The Board should:

1. Approve an initial project cost and detailed budget for the life of a project that includes all anticipated costs and financing methods.
2. Explain all Board actions and proceedings in the Board meeting minutes to ensure the project scope is transparent to taxpayers.
3. Require the Treasurer to provide and then review monthly budget-to-actual reports.
4. Review and approve all change orders.
5. Monitor project payments to ensure that contract payment terms are followed and not exceeded.
6. Consult with legal counsel and take appropriate action regarding the overpayment to the construction manager.
7. Properly procure goods and services in accordance with applicable statutes and its procurement policy and ensure relevant documentation is retained.
8. Improve its understanding of planning, overseeing and managing a capital project to ensure proper compliance with laws and reporting and monitoring of project activity by reviewing our publication Capital Projects Fund available at <https://www.osc.state.ny.us/files/local-government/publications/pdf/capital-projects-fund.pdf>.

The Treasurer should:

9. Maintain complete and accurate accounting records in appropriate funds.
10. Provide the Board with monthly financial reports comparing the project budget-to-actual revenues and expenditures.

Appendix A: Response From Village Officials



Village of Stamford

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TDD: 800-662-1220

March 28, 2023

The Mayor, Board of Trustees, Treasurer and Staff of the Village of Stamford appreciate the time and effort made by the Audit Team to help the Village perform at a higher-level during Capital Project Planning. (Pool Capital Project Planning and Monitoring 2022M-204)

It is to be noted that all members of the Village government are truly doing their best to do what is right for the taxpayers of the Village of Stamford.

The Audit Team made the recommendations listed below:

The Board should:

- 1. Approve an initial project cost and detailed budget for the life of a project that includes all anticipated costs and financing methods.*
- 2. Explain all Board actions and proceedings in the Board meeting minutes to ensure the project scope is transparent to taxpayers.*
- 3. Require the Treasurer to provide and then review monthly budget-to-actual reports.*
- 4. Review and approve all change orders.*
- 5. Monitor project payments to ensure that contract payment terms are followed and not exceeded.*
- 6. Consult with legal counsel and take appropriate action regarding the overpayment to the construction manager.*
- 7. Properly procure goods and services in accordance with applicable statutes and its procurement policy and ensure relevant documentation is retained.*
- 8. Improve its understanding of planning, overseeing and managing a capital project to ensure proper compliance with laws and reporting and monitoring of project activity by reviewing our publication Capital Projects*

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202-720-6382 (TDD)



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The Treasurer should:

- 9. Maintain complete and accurate accounting records in appropriate funds.*
- 10. Provide the Board with monthly financial reports comparing the project budget-to-actual revenues and expenditures.*

In consideration of these recommendations, The Village has taken or intends to take the following measures to improve operations:

1. The Village will gather, create as necessary, and utilize project management tools as necessary for the given scale of a project. These tools will be drawn from the publication Local Government Management Guide – Capital Projects Fund (financial), and the Project Management Body of Knowledge (physical project management), among others, to allow the Board to successfully guide a project from concept to completion.
2. The Village will do a more thorough job of documenting discussions, decisions, milestones etc. related to capital projects.
3. To improve transparency, appropriate communications to the project stakeholders, i.e. taxpayers, will be provided at project milestones and when major changes dictate.

Robert Schneider, Mayor of Village of Stamford

March 28 '23

Date

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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 Village officials and reviewed Board meeting minutes and other preliminary planning documents including grant award letters and Project vouchers to develop a Project timeline.
- We interviewed Village officials and reviewed Board meeting minutes to determine whether the Board adopted a resolution that established and identified the Project, authorized the maximum estimated cost and established how the Project would be financed and to determine whether Village officials prepared an itemized budget and accounted for the Project in a separate fund.
- We interviewed Village officials and reviewed Board meeting minutes, weekly jobsite meeting reports and monthly financial reports the Treasurer provided to the Board to assess the adequacy of Project monitoring.
- We reviewed all 61 Project payments totaling \$2.86 million to determine whether they were properly authorized and included on the Board-approved abstracts (listing of claims). We compared payment terms to actual payments to determine whether the Village paid the proper amounts to all contractors.
- We reviewed all 14 change orders totaling \$164,616 to determine whether they were properly authorized and whether competition was sought for material Project changes, as applicable.
- We compared the total cost of the Project to the grant revenues received to determine the amount not covered by the grants. We then analyzed the effect of the unplanned Project expenditures on the Village's general fund balance.
- We reviewed all 19 Project purchases totaling \$2.86 million, which consisted of 14 purchases totaling \$2.84 million that required competition. We reviewed the Village's adopted procurement policy and procedures and examined available bid documentation to determine whether the purchases were made in accordance with Village policy and applicable statutes.

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 the Village Clerk-Treasurer's office.

Appendix C: 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

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

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Contact

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