



Town of Colden Highway Operations

Report of Examination

Period Covered:

January 1, 2016 – April 21, 2017

2017M-127



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	1
INTRODUCTION	2
Background	2
Objective	2
Scope and Methodology	2
Comments of Local Officials and Corrective Action	2
HIGHWAY OPERATIONS	4
Purchasing	4
Fleet Management	6
Recommendations	6
APPENDIX A Response From Local Officials	8
APPENDIX B Audit Methodology and Standards	11
APPENDIX C How to Obtain Additional Copies of the Report	12
APPENDIX D Local Regional Office Listing	13

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

November 2017

Dear Town Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and Town Board governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of the Town of Colden, entitled Highway Operations. This audit was conducted 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.

This audit's results and recommendations are resources for local government officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Town of Colden (Town) is located in Erie County and has approximately 3,200 residents. It is governed by an elected five-member Town Board (Board), which is composed of a Town Supervisor (Supervisor) and four council members. The Board is responsible for the general management and control of the Town's financial affairs and establishing internal controls over financial operations. The Supervisor and various department heads share the responsibility for supervising and managing the Town's daily operations.

The Town provides various services to its residents, including street maintenance, snow removal and general government support. These services are financed mainly by real property taxes and assessments, sales tax and State aid. The Town's 2017 budgeted appropriations for all funds are approximately \$2.4 million.

The Highway Superintendent (Superintendent) is a separately elected official who is responsible for overseeing highway department operations including maintaining Town roads and procuring goods and services for highway purposes. The highway department's 2017 budgeted appropriations total approximately \$800,000.

Objective

The objective of our audit was to review highway department operations. Our audit addressed the following related question:

- Did the Highway Superintendent properly control highway purchases, and did the Board properly oversee the highway department's financial activities?

Scope and Methodology

We examined the highway department's records, reports and purchases for the period January 1, 2016 through April 21, 2017.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report.

Comments of Local Officials and Corrective Action

The results of our audit and recommendations have been discussed with Town officials, and their comments, which appear in Appendix A, have been considered in preparing this report. Town officials generally agreed with our recommendations and indicated they plan to initiate corrective action.

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 forwarded 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 this plan available for public review in the Town Clerk's office.

Highway Operations

The Superintendent and Board are responsible for ensuring that the highway department (department) operates efficiently and effectively. An important part of the Board's responsibility is to establish, implement and monitor procurement policies to help ensure that the Town obtains goods and services of the required quantity and quality at competitive prices and to protect against favoritism, extravagance and fraud.

The Board did not ensure that the Superintendent complied with the Town's procurement policy when making highway department purchases. As a result, the Superintendent made purchases without soliciting bids or quotes as required, which resulted in the Town paying \$8,800 more than necessary for a dump truck and purchasing \$32,000 in road materials without obtaining competitive bids. In addition, the Superintendent did not obtain quotes for \$27,000 in tool and auto part purchases. The Board did not adopt a fleet management policy, and the Superintendent did not keep up-to-date maintenance logs for the department's fleet of vehicles and equipment.

Purchasing

General Municipal Law (GML) requires that competitive bids be solicited for commodity contracts over \$20,000 and public works contracts over \$35,000. The Town's procurement policy requires purchases between \$500 and \$3,000 (combined for the year by vendor) to have three written quotes, between \$3,000 and \$10,000 to have a request for proposals (RFP) and three written quotes, and purchases over \$10,000 to be competitively bid. However, purchases made from a New York State Office of General Services contract or through a county contract are exempt from competitive bidding. When procuring goods through State or county contracts, Town officials are responsible for ensuring that the prices paid for those goods are in accordance with the contracts.

The Superintendent is responsible for complying with procurement policies and procedures and GML requirements and for obtaining the appropriate number of quotes or bids when necessary. The Board must ensure that all quotes and bid documentation are included with claims so that it can determine whether purchases comply with the Town's procurement policy and GML bidding regulations and are legitimate Town expenditures.

The Board did not ensure that quotes and bid documentation were attached to all highway department claims. As a result, the Board was unaware that the Superintendent had not properly bid or obtained quotes for highway purchases.

We reviewed all highway department purchases of road materials, fuel, vehicles and parts totaling more than \$420,000 made during our audit period and found that \$359,000 required competitive bidding (purchases greater than \$10,000) and \$61,000 required three written quotes (purchases between \$500 and \$3,000).

Competitive Bidding Required – Of the \$359,000, the Superintendent properly bid purchases totaling \$261,000. However, of the remaining \$98,000, a dump truck purchase totaling \$66,000¹ and stone purchases totaling \$32,000 were not properly bid. The Superintendent told us that in both instances he thought he had complied with the procurement policy and GML because he made the purchases through county contracts.

Although the Town purchased the dump truck from a vendor on a county contract, it paid \$8,800 more than the county contract price. In addition, the stone was purchased from a vendor who did not win the county bid for that type of stone, but the Town paid the county pricing for the stone. The stone purchased was covered under another county contract and should have been obtained from the vendor that had won that contract.

Written Quotes Required – Of the \$61,000, the Superintendent obtained the appropriate number of quotes for purchases totaling \$34,000. However, he did not obtain quotes for the remaining purchases totaling \$27,000, which included \$15,800 in auto parts and \$4,500 in various tools.

We reviewed available State and county contracts for \$8,200 of the auto parts and all the tools and found that the Town could have saved approximately \$1,200 for the auto parts and \$1,100 for the tools had it purchased them through the contracts. For example, if the Town had purchased snowplow and wing shoes from a State contract, it could have saved \$670. Also, if it had purchased snowplow rubber blades from a county contract, it could have saved \$600.

Because the Board did not ensure that it reviewed all claim documentation for highway purchases, it was unaware that the Superintendent was not always complying with the Town's procurement policy and GML bidding regulations when making purchases. As a result, the Town has an increased risk that it may obtain substandard goods and services at excessive costs.

¹ The purchase included a truck and dump body with a combined sales price of \$66,494. The Town paid the vendor \$46,744 after deducting a \$19,750 trade-in allowance it received for its used dump truck.

Fleet Management

The Board should adopt a fleet management policy to establish guidelines for the acquisition, use, replacement and disposal of vehicles and equipment and to identify the records to be maintained. Pertinent records include daily use logs, fuel usage records and costs of parts and labor to repair each vehicle and piece of equipment during its service life. These records form the basis for tracking costs, determining when vehicles or equipment should be replaced and ensuring that parts and repairs purchased are appropriate and necessary.

The Board did not adopt a fleet management policy, and the Superintendent did not maintain key records, such as daily use logs and maintenance logs documenting vehicle and equipment repair costs. The Town's fleet included two pickup trucks, four dump trucks, three plow trucks, one loader, one roller, one excavator, one tractor, one chipper and one high-pressure jetting and vacuuming system.

Although there were no daily use and maintenance records, we were able to review the fuel logs and invoices for parts and repairs to determine some use levels. We reviewed the fuel logs and available invoices for 15 vehicles and pieces of heavy equipment. While mileage was not tracked for one vehicle, the amount of fuel usage suggests that it was routinely used. However, the 1986 plow truck recorded only nine miles in 2016 with minimal fuel usage and maintenance costs, which suggests the vehicle was not used on a routine basis. The Superintendent told us it was a spare plow truck that was used only when one of the main trucks was not functioning.

Without detailed use and maintenance logs, the Town does not have a clear indication whether its vehicles and/or equipment are being fully used, its fleet is larger than necessary or whether parts and services purchased are for appropriate Town purposes.

Recommendations

The Board should:

1. Ensure that all quotes and bid documentation are included with highway department claims.
2. Ensure that the Superintendent complies with the Town's procurement policy and GML bidding requirements.
3. Adopt a fleet management policy.

The Superintendent should:

4. Solicit competition for purchases through the use of bids, RFPs or quotes as required by the procurement policy.

5. Review documentation to verify that the Town obtains correct State and county contract pricing.
6. Ensure purchases from county contracts are made from the vendors to whom the contract was awarded.
7. Keep records of daily vehicle use and comprehensive maintenance records listing cumulative costs of parts and labor for each vehicle during its service life.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

The local officials' response to this audit can be found on the following pages.

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October 27, 2017

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To Whom It May Concern:

Dear Jeffrey D. Mazula,

The Town of Colden appreciates the efforts of the Comptroller's office to identify opportunities for improving Highway Operations.

The audit for Town of Colden Highway Operations effectively covered the period January 1, 2016 through April 21, 2017 and was conducted with a focus on the question, "Did the Highway Superintendent properly control highway purchases, and did the Board properly oversee the highway department's financial activities?" The Supervisor, Superintendent and the Board would like to thank the Office of the State Comptroller for the professional way the audit was carried out, and appreciates the issues brought to our attention that impact efficiency and effectiveness of the Highway Department. We offer the following written responses to the audit report:

Recommendations for the Board:

Recommendation—Ensure that all quotes and bid documentation are included with highway department claims.

Response—Increasing the controls for documentation regarding quotes and bids from the Superintendent will allow the department to work together to ensure unification for highway operations.

Recommendation—Ensure the Superintendent complies with the Town's procurement policy and GML bidding requirements.

Response—The Board is initiating a stricter policy of checks and balances that will provide a more comprehensive department of Highway Operations. This will contribute to unity and agreement between the Board and Superintendent.

Recommendation—Adopt a fleet management policy.

Response—The Board is in the process of adopting a fleet management policy, which reflects efficiency and uniformity among the vehicles being used for municipal services.

Recommendations for the Superintendent:

Recommendation—Solicit competition for purchases using bids, RFP's or quotes as required by the procurement policy.

Response—The use of Bids, Requests for Proposals and quotes will be properly used to ensure all the stages prior to purchase have been fulfilled.

Recommendation—Review documentation to verify that the Town obtains correct State and County contract pricing.

Response— Although the Supervisor, Superintendent and the Board believes that buying from a State approved vendor was the correct way to purchase it was found that may be incorrect. The Supervisor was unaware he had to recheck the prices that were already approved by the State bid system. Internal controls will be stricter to confirm proper pricing and contracts for vendors.

Recommendation—Ensure purchases from county contracts are made from the vendors whom the contract was awarded.

Response—Purchases will be more thorough with a stricter system of internal controls to ensure the purchases are made from the correct vendors.

Recommendation—Keep records of daily vehicle use and comprehensive maintenance records listing cumulative costs of parts and labor for each vehicle during its service life.

Response—Daily records are being modified for each vehicle in the department to ensure a complete and comprehensive costs of parts, mileage and labor for the vehicles.

The Board, Superintendent and Supervisor will be responsible to ensure that these measures are taken. We are committed to improving the Town's operations and internal controls. We agree with the State Comptroller's audit and recommendations. Actions to address these issues will be taken immediately.

Sincerely,

James DePasquale
Supervisor, Town of Colden

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We documented relevant laws and regulations and Board policies and procedures and interviewed Town officials to gain an understanding of the Town's highway operations.
- We reviewed highway purchases, aggregating like items and purchases by vendor, to determine whether bids and/or quotes were obtained in accordance with the Town's procurement policy and compared the price paid to the authorized prices of contracts or bid results.
- We reviewed inventory records, available maintenance records, fuel logs and insurance costs to determine the costs of operating the department's fleet of vehicles and equipment.

We conducted this performance audit in accordance with 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.

APPENDIX C

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