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March 20, 2015

Eugene Milone, Supervisor
Members of the Board
Town of Schoharie
300 Main Street
Schoharie, NY 12157

Report Number: P4-14-7

Dear Mr. Milone and Members of the Board:

A top priority of the Office of the State Comptroller is to help town officials manage their resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support town 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 town assets.

In accordance with these goals, we conducted an audit of nine towns throughout New York State. The objective of our audit was to determine whether towns properly managed the condition of their roads. We included the Town of Schoharie (Town) in this audit. Within the scope of this audit, we examined the Town's road maintenance plan and work performed on the Town's roads for the period January 1, 2013 through March 1, 2014. We extended our scope back to 2009 in order to determine if their road maintenance plan was implemented. Following is a report of our audit of the Town. 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 report of examination letter contains our audit results specific to the Town. We discussed the findings and recommendations with Town officials and considered their comments, which appear in Appendix A, in preparing this report. Town officials generally disagreed with our recommendations. Appendix B includes our comment on issues raised in the Town's response. At the completion of our audit, we prepared a global report that summarizes the significant issues we identified at all nine towns audited.

Background and Methodology

The Town is located in Schoharie County, has a population of 3,205 and covers 29.8 square miles. The Town is governed by a five-member Board. The Town's Highway Superintendent is a separately elected official. The current Highway Superintendent took office in January 1996.

The Highway Superintendent is primarily responsible for the maintenance and repair of Town highways and bridges and the removal of obstructions caused by brush and snow. The Highway Superintendent generally has the power to hire, subject to appropriations established by the Board, and direct Highway Department employees for those purposes. The Town has 25 miles of roads which are all paved. Each year, the Board and Highway Superintendent sign an agreement (Agreement) for amounts to be spent for the repair and improvements of Town roads. The Town budgeted \$440,954 for the highway fund in 2014, of which \$198,000 is for road repair and maintenance.

To complete our objective, we interviewed Town officials, reviewed the Town's road maintenance plan (Plan) for adequacy and reviewed available information to verify that the Plan was implemented. We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS).

Audit Results

We found that the Town has generally managed its roads properly. While the Board did not adopt a formal Plan, the Highway Superintendent maintained an informal methodology to manage the Town's roads. To maintain the Town's inventory of roads at a level of quality deemed acceptable, the Highway Superintendent's methodology called for surface-treating roads every five years and paving them every 20 years. The surface treatment was implemented as planned. In addition, it appears the Town is providing proper funding to the Highway Superintendent. We project it will cost about \$51,000 to provide the proper repairs to the Town roads. The Town's 2014 adopted budget which includes \$198,000 for road repair and maintenance will fund this estimated financial liability.

We were not able to verify that the roads lasted 20 years because of the lack of long-term records. While the Highway Superintendent maintained annual reports which documented the type of road work performed for all 18 years of his term, highway officials did not ensure that their goals, methodologies and inventories were fully documented and that they included important details about road histories and conditions. Establishing clear goals and expectations, supported by the multiyear projection of maintenance and repair needs, would continue to ensure the Board is providing adequate funding for road maintenance and ensure taxpayers are adequately informed.

Road Maintenance Plan – A formal long-term schedule (Plan) should be created based on the goal, methodology and inventory that identify when roads will be worked on and how this work will be funded. The Board is responsible for the oversight and funding of this Plan. A good Plan starts with the Highway Superintendent and the Town Board determining a level of quality road conditions they deem as acceptable for travel within their Town.¹ Once such a goal is set, officials should develop a methodology for achieving that goal and a road inventory that includes essential information such as surface type, average daily traffic (ADT), road importance,² history of work done on the road and each road's current condition.

¹ Formally adopting a goal for the Plan will provide taxpayers transparency about the plans for roads, as well as a tool for communication between the elected Board and the Highway Department.

² The importance of a road is generally determined by the location of emergency services or other facilities, or locations with crucial transportation needs (e.g., commercial districts, schools).

The Highway Superintendent had his own expectations for the quality of the road surfaces in the Town. He employed a routine of applying surface treatments every five years for the roads to last 20 years, regardless of ADT or road importance, before needing to be reconstructed. The Board was aware of the Highway Superintendent's approach to managing the Town's road infrastructure, but did not officially adopt such plans and ensure that the taxpayers were properly informed.

The Town's inventory of roads was a complete list of Town roads and showed each road's surface type. However, the inventory did not show the type of work (surface treatment or reconstruction), years that road work had been performed, ADT, importance or current condition of the roads. Although the inventory did not document when each road was last worked on, the Highway Superintendent kept annual reports on file documenting work location, type of work performed and cost of materials. However, because this information is not in a centralized inventory, it is difficult to determine what roads are next in accordance with the methodology without going back through years of annual reports. In addition, the Highway Superintendent developed an annual schedule of repairs titled the "Work Scope" report instead of a long-term schedule forecasting repairs for the entire inventory.

The Highway Superintendent told us his inventory did not include ADT or importance because he believed his visual inspection of road conditions each year was a better indication of what work needed to be performed than these factors. In addition, he did not create a long-term schedule because the Board has provided necessary funding based on his annual budget requests. While a visual inspection is useful in assessing the current surface conditions, consideration of ADT and importance will provide additional insights to underlying risks that may not be revealed with just a visual inspection.

Without a formally established, comprehensive Plan – which should not be constrained by the annual agreed-upon costs for road maintenance, per the Agreement, but instead reflect the full life cycle and costs of the road inventory – neither the Board nor taxpayers can be assured that Town money is being spent in the most responsible manner. For example, a comprehensive Plan would show the Board and taxpayers the total annual cost to repair Town roads every five years, regardless of a given road's ADT. A proper inventory and associated records help support the continuance of a properly developed Plan. This becomes especially important when there is turnover in the Highway Superintendent position. Moreover, a long-term Plan enables the Board to plan for proper funding of future improvements.

Monitoring and Implementation – Monitoring the Plan consists of periodically assessing the condition of the roads to determine if changes are needed to the schedule, and then reviewing the annual Agreement between the Highway Superintendent and the Board to ensure it agrees with the road work listed on the schedule. Implementation of the Plan involves both the Highway Superintendent and the Board ensuring that the work was done to the roads as planned and that any discrepancies are fully explained.

The Highway Superintendent told us he assessed annually the condition of the roads for defects and created the annual Work Scope report for the current year based on this assessment, in line with his established practices and methodology. However, he documented his assessments on roads that were in need of repair, not on all roads. Without a documented long-term plan, the Board

could not ensure the annual Agreement was in the best interests of the Town's road inventory and taxpayers.

We determined that road work done was consistent with the Highway Superintendent's preventive maintenance portion of his stated approach because the records clearly documented maintenance was performed on all the roads over the last five years. However, we were unable to determine if the roads lasted 20 years before reconstruction because the records do not include a centralized inventory that captured the last year a road was reconstructed.³

We surveyed the physical condition of all 25 miles of roads within the Town in May 2014 using information provided by the Cornell Local Roads Program.⁴ This information included various types of techniques that could be used to bring the roads to a defect-free condition. We chose the technique (i.e., rehabilitation, overlays, surface treatment) that would fix all the noted defects. We then calculated an estimated financial liability by applying the average cost⁵ of methodologies within each technique (i.e., cold mix asphalt, chip seal) that our towns used to the number of miles that we deemed needed work. We determined the Town would need to spend approximately \$51,000 to repair all Town roads. This estimated financial liability⁶ represents the funds necessary in order to have the roads free of observable defects. Of this liability, approximately \$3,000 includes paving which would make the roads brand new, while \$48,000 includes preventive and routine maintenance which would allow defects to be temporarily fixed and extend the life of the road. The Highway Superintendent and Board may determine that a level of quality less than defect-free is acceptable. In that case, the amount of work required may be less. If Town officials decide that having their roads defect-free is an unattainable or unnecessary goal, they should establish a level of service for their roads and adjust this liability figure accordingly. The adopted budget for the 2014 fiscal year provides funding of \$198,000. Therefore, the Board has been providing funding needed to implement the Highway Superintendent's informal methodology and, as a result, the Town is able to keep up with its road maintenance.

Recommendations

1. The Highway Superintendent should maintain a more comprehensive and accurate road inventory that includes ADT, road importance, previous maintenance work by section and current condition of the roads.
2. The Board should adopt a formal long-term Plan that includes a goal for the quality of Town roads and a methodology for achieving that goal.
3. The Highway Superintendent should develop a long-term schedule based on the goal, methodology and inventory that shows when each road will be worked on and how this work will be funded.

³ As noted in the "Audit Results" section, although long-term records were not maintained, the Highway Superintendent did maintain annual reports for the last 18 years which document the type of road work performed.

⁴ The Cornell Local Roads Program (CLRP) is a Local Technical Assistance Program Center sponsored by the Federal Highway Administration and the New York State Department of Transportation providing training and technical assistance to local highway and public works officials in New York State.

⁵ The average cost range is +/- 20 percent.

⁶ This liability figure uses CLRP pricing which is derived from statewide average of costs for materials, labor and equipment. To derive the Town's actual liability, Town officials should adjust this figure based on their actual costs.

4. The Highway Superintendent and the Board should ensure that the annual Agreement is in compliance with the long-range Plan, and any deviations from the Plan should be explained.

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. 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.

We thank the officials and staff of the Town of Schoharie for the courtesies and cooperation extended to our auditors during this audit.

Sincerely,

Gabriel F. Deyo
Deputy Comptroller

APPENDIX A

RESPONSE FROM TOWN OFFICIALS

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

Eugene A. Milone
Supervisor
Pamela Foland
Clerk/Collector
Dan Weideman
Highway Superintendent

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Alan Tavenner
Richard A. Sherman
Matt Brisley
James P. Schultz
Town Council Members
Kenneth C. Knutson
Frederick Kennedy, Sr.
Town Justices

9/9/14

IN RESPONSE TO REPORT # P4-14-7

I STARTED AS AN EMPLOYEE IN 1989 , BECAME HIGHWAY SUPERINTENDENT IN 1996 NOW 18 + YEARS. MY PREDECESOR HANDED ME A SHORT STACK OF DOCUMENTS ABOUT 12 PCS. AND THOSE WERE THE HIGHWAY FILES. IT WAS CLEAR WE SHOULD HAVE BETTER DOCUMENTATION. IN 1996 WE STARTED WITH AN EXPEDITURE OF FUNDS AGREEMENT TO BE FOLLOWED THE NEXT YEAR WITH A WORK SCOPE, A COMPLETE LISTING OF THE HIGHWAY DEPARTMENTS INTENTIONS FOR WORKING ON THE TOWN ROADS. AN AGREEMENT WHICH COMPLETELY LISTS ROAD NAMES AND #S, SECTIONS, CONDITIONS, LENGTHS AND REASONS FOR WORK, REVEIUED AND SIGNED BY THE HWY. SUPT. AND TOWN BOARD , THEN BLESSED BY THE TOWNS ATTORNEY AND SHARED WITH THE TOWNS OFFICIAL PAPER . AT YEARS END IT WAS FOLLOWED BY A COMPREHENSIVE / SUMMARY OF ALL COMPLETED ROAD WORK SHOWING RELATED EXPENDITURES STAYING WITHIN THE TOWNS ALLOCATION OF FUNDING.

IT SHOULD BE RECOGNIZED BY THE TOWNS WORK SCOPE AND COMPLETED ROAD CONSTRUCTION / SUMMARY DOCUMENTS THAT THE TOWNS ROADS ARE MAINTAINED ON A CYLICAL BASIS AND SHOWS A CONSISTANT PATH , TIME AND AGAIN. A CLEAR METHODOLOGY OF HOW IT'S ROADS SHOULD BE MAINTAINED.

THE HWY. SUPT. AND TOWN BOARD HAVE ALWAYS SHARED AND EXPRESSED ITS INTENTIONS FOR IT'S ROAD WORK AND THE DIRECTION OF IT'S ACCOMPLISHMENTS AND FUTURE PATH. WE HAVE A SMALL ROAD SYSTEM WITH LESS THAN 400 ADT , WE SEE NO USE IN TRACKING ADT AT THIS TIME. IT SHOULD BE RECOGNIZED THAT THE TOWNS ROAD SYSTEM IS BAR NONE OTHER THAN IT'S TOKEN (1) POTHOLE LEADING OUT FROM THE MIX LN. QUARRY. ALL OF OUR TOWN ROADS SHARE EQUAL IMPORTANCE AS WE ALL SHARE IN THE FINANCIAL COST.
WHY SHOULD ANYONE HAVE TO TRAVEL A LESSER QUALITY ROAD?

THE TOWNS LONG TERM PLAN IS TO BE PROACTIVE NOT REACTIVE. TO BE REACTIVE IS LESS COST EFFECTIVE. TAX CAPS AND MANDATES WITH NO RELIEF DON'T ALLOW FOR ERROR MARGINS. EVERY DOLLAR NEEDS TO BE SPENT CORRECTLY. PROVIDING FUNDING FROM GAS TAX REVENUE NEEDS TO BE ADRESSED. GUIDELINES, SPREAD SHEETS AND FORMATTING CRITERIA BY GOVERNING OVERSIGHT AGENCIES SEEM ILLUSIVE. MOST HWY. SUPT'S HAVE NO SECRETARIAL STAFF OR FUNDING FOR SUCH AND ARE MOST GENERALLY WORKING IN THE FEILD WITH THERE EMPLOYEES. CHIPS OVERSIGHT SHOULD BE INITATED TO MAKE SURE THE MONIES ARE SPENT CORRECTLY BY MUNICIPALITIES, WHICH WOULD LESSEN ROAD FAILURE.

I BELIEVE THIS TOWN HAS ACHIEVED ITS LONG TERM GOAL, WE DON'T HAVE THE 22% DIRT ROADS THAT WE ONCE HAD 18 YEARS AGO. WE HAVE ALL SURFACE TREATED ROADS. WHILE YOUR RECOMMENDATIONS MAY BE VALID FOR CERTAIN MUNICIPALITIES, I DISAGREE THAT A LONGER TERM SCHEDULE IS NECESSARY HERE. ROAD PRACTICES AND PRODUCTS CHANGE FREQUENTLY AND SHOULD BE USED IN SPECIFIC WAYS TO MANAGE EACH MUNICIPALITIES UNIQUE SITUATION. YOUR AGENCY SHOWS LITTLE PRAISE FOR OUR SMALL MUNICIPALITIES ACHIEVEMENTS.

See
Note 1
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WE INVITE YOU TO COME TRAVEL ON OUR BETTER THAN GOOD ROADS.

DANIEL WEIDEMAN

HIGHWAY SUPERINTENDENT
TOWN OF SCHOHARIE

APPENDIX B

OSC COMMENT ON THE TOWN'S RESPONSE

Note 1

Our report acknowledges that the Town has generally maintained its roads properly and provided adequate funding. We also state that the Highway Superintendent maintained annual reports which documented the work location, type of work performed and cost of materials. However, these and other factors were not reflected in a current, centralized inventory, which would provide a valuable reference for analyzing the life cycle of roads and for planning accordingly. An extended plan is not intended to replace annual assessments of road condition, but – if routinely monitored – to help evaluate the effectiveness of repair/maintenance activities over the years and determine future needs.