



Town of Rotterdam

Water Rents

Report of Examination

Period Covered:

January 1, 2015 — June 30, 2016

2016M-347



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	1
INTRODUCTION	2
Background	2
Objective	2
Scope and Methodology	2
Comments of Local Officials	3
WATER RENTS	4
APPENDIX A Response From Local Officials	6
APPENDIX B Audit Methodology and Standards	8
APPENDIX C How to Obtain Additional Copies of the Report	9
APPENDIX D Local Regional Office Listing	10

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

December 2016

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 Rotterdam, entitled Water Rents. 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 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 Rotterdam (Town) is located in Schenectady County and has a population of approximately 29,000 residents. The Town provides various services to its residents, including road maintenance, snow removal, police, water and sewer. The Town's budgeted general fund appropriations for the 2016 fiscal year are approximately \$14.6 million, funded primarily by real property taxes and sales tax.

The Town is governed by an elected five-member Town Board (Board), which is composed of the Town Supervisor (Supervisor) and four Board members. The Supervisor serves as the chief executive officer and chief fiscal officer. The Board, along with the Town Comptroller, is responsible for overseeing Town operations and finances and the general management and oversight of the Town's fiscal matters.

The Town has three water districts and the Town's Department of Public Works (DPW) oversees the water operation. The DPW clerk prepares annual water bills based on usage and contracted rates for approximately 700 customers. The Receiver of Taxes (Receiver) prepares water bills based on a Board-approved flat rate for approximately 10,300 customers. The Receiver also collects payments for the water fees. The Town recorded a total of approximately \$1.1 million of metered and unmetered water revenue for the 2015 fiscal year.

Objective

The objective of our audit was to review the Town's water rent billing and collection procedures. Our audit addressed the following related question:

- Did Town officials design internal controls to ensure that water fees were properly billed, collected, deposited and recorded?

Scope and Methodology

We examined the Town's water rent billing and collection procedures for the period January 1, 2015 through June 30, 2016.

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. Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

**Comments of
Local Officials**

The results of our audit 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 findings.

Water Rents

The Board is responsible for designing internal controls to safeguard Town resources. The Board must design and implement policies and procedures that ensure that water user fees are properly billed, collected, deposited and recorded in the accounting records.

Town officials designed appropriate internal controls to ensure that water fees were properly billed, collected, deposited and recorded in the accounting records. Town employees prepared customer bills with the appropriate usage, billed at the appropriate rate and collected and deposited the customer payments appropriately. Finally, the Town Comptroller accounted for water revenue and collections accurately.

The Town has two cycles for billing water customers for out-of-district customers due in February and commercial and nonresidential customers due in June. In November and December, the DPW staff read the meters for approximately 250 out-of-district customers.¹ The meter readings are submitted to the DPW clerk, who prepares the bills. The bills are mailed to customers in January and are due in February. If the bills are not paid by the end of February, a one percent penalty is assessed per month. The Receiver collects the water fees for these customers and relieves any unpaid bills as of October 31 with a 10 percent penalty on the following year's property tax bills. In May, the DPW clerk prepares the bills for approximately 450 commercial and nonresidential customers that are based on DPW staff meter readings and contracted rates. In addition, the Receiver prepares bills for approximately 10,300 residential customers based on the flat rate for their water district. The Receiver collects the water fees for these customers in June and a \$1 penalty is added if the bill is paid in July. The Receiver relieves any unpaid bills after July with a ten percent penalty on the following year's property tax bills.

The Receiver deposits all water fee collections into the Town's bank account within three days of receipt. The Receiver compares cash receipts to the customer billing records to ensure collections agree to the amounts posted in the customers' accounts. The Receiver sends copies of the deposit slips and detailed customer reports to the Town Comptroller for entry into the accounting system on a daily basis or when the deposits are made.

We also selected² 12 metered customers' bills totaling \$14,860 in 2015 and 13 metered customers' bills totaling \$148,725 in 2016. We

¹ Out-of-district customers are residents who are located outside of the original water district or who receive water from the City of Schenectady and are billed through the Town.

² See Appendix B, Audit Methodology and Standards, for selection process.

also selected 25 flat rate customers' bills totaling \$2,675 in 2015 and 25 flat rate customers' bills totaling \$1,925 in 2016. Except for minor deficiencies that we discussed with Town officials, the customers were billed the correct amounts and the cash collections were deposited timely and intact in the Town's bank accounts and recorded in the accounting records. In addition, we selected 25 unpaid customer bills totaling \$1,810 in 2015 and found all of the unpaid amounts were properly relieved on the customers' 2016 property tax bills with the ten percent penalties properly calculated.

We commend Town officials for developing adequate controls over billing, collecting, depositing and accounting for water rents.

APPENDIX A
RESPONSE FROM LOCAL OFFICIALS

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

TOWN OF ROTTERDAM

Steven Tommasone, Supervisor
Evan Christou, Deputy Supervisor
Rick Larmour, Councilmember
Samantha Miller-Herrera, Councilmember
Joseph Villano, Councilmember



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December 15, 2016

[REDACTED]
NYS Office of the State Comptroller
Division of Local Government and School Accountability
One Broad Street Plaza
Glens Falls, New York 12801

Re: Town of Rotterdam-Response to Report of Examination of Water Rents

Dear [REDACTED],

The Town of Rotterdam is in receipt of the Preliminary Draft Report of the “Town of Rotterdam Water Rents Report of Examination”, for the period of January 1, 2015 through June 30, 2016. Thank you for the opportunity to review and respond to the Office of State Comptroller’s Preliminary Draft Report.

The Town of Rotterdam values and takes very seriously its responsibility to effectively and transparently manage the policies, procedures and financial transactions carried out by town personnel. Additionally, the town acknowledges the important fiduciary duty and responsibility owed to taxpayers in our community when collecting, managing and expending taxpayer funds.

The Town of Rotterdam has had the opportunity to review the report and the New York State Office of State Comptroller’s findings. The town is pleased our policies, practices and transaction records were found to be in compliance with relevant statutes and good business practices in providing accountability for our billings and collections for special water district users. We appreciate the thoroughness of the auditing process applied by your office to our special water collections program. It is gratifying to have our dedication to proper accounting and billing procedures recognized in the final report. The town is in agreement with the Office of the State Comptroller that there are “adequate controls over billing, collecting, depositing and accounting for water rents” and appreciates the comptroller’s office commending the Town of Rotterdam officials for these efforts.

The town will continue to focus on maintaining strong control procedures and documentation necessary to keep the town’s policies regarding not only water rents in compliance with accepted accounting and auditing practices, but all other funds as well.

We thank you and your staff for your efforts and welcome your advice, counsel and guidance.

Sincerely,

Steven A. Tommasone, Supervisor
Town of Rotterdam

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

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

- We interviewed Town officials and reviewed policies and procedures to gain an understanding of the water billing and collection process.
- We judgmentally selected 12 metered rate customer bills from 2015 and 13 metered rate customer bills from 2016 based on property location and billed amounts to determine if the customers were billed the proper amounts and if Town officials collected water revenues, deposited them in the Town's bank account and recorded the collections in the accounting records.
- We judgmentally selected 25 flat rate customer bills from 2015 and 25 flat rate customer bills from 2016 based on property location and billed amounts to determine if customers were billed the proper amounts and if Town officials collected water revenues, deposited them in the Town's bank account and recorded the collections in the accounting records.
- We judgmentally selected 25 unpaid 2015 customer bills based on the outstanding amounts and property locations, recalculated the ten percent penalties and determined if the appropriate amounts were relieved on the 2016 property tax bills.

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.

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