THOMAS P. DiNAPOLI
COMPTROLLER

GABRIEL F. DEYO
DEPUTY COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY
Tel: (518) 474-4037   Fax: (518) 486-6479

February 28, 2014

Nicholas J. Bartilucci, Chairman
Members of the Board of Water Commissioners
Jericho Water District
125 Convent Road
Syosset, NY 11791

Report Number: 2013M-395

Dear Mr. Bartilucci and Members of the Board of Commissioners:

One of the Office of the State Comptroller's primary objectives is to identify areas where local government officials can improve their operations and provide guidance and services that will assist them in making those improvements. Our goals are to develop and promote short-term and long-term strategies to enable and encourage local government officials to reduce costs, improve service delivery, and to account for and protect their entity's assets.

In accordance with these goals, we conducted an audit of the Jericho Water District (District) for the period January 1, 2012 through September 30, 2013 which addressed the following question:

- Has the District billed and collected water usage charges in an accurate and timely manner?

The results of our audit have been discussed with District officials and their comments, which appear in Appendix A, have been considered in preparing this report.

Background and Methodology

The Jericho Water District is located in the Town of Oyster Bay in Nassau County. The District covers a 37-square-mile area and serves a population of about 58,000. The District's total revenue for the 2012 fiscal year was approximately $9.5 million, which was generated primarily from water usage charges and real property taxes. The District's 2012 expenditures totaled approximately $9 million, which were funded primarily with water rents and real property taxes.

An elected three-member Board of Commissioners (Board), comprising a Chairman, Secretary and Treasurer, governs the District. The District's Business Manager and Superintendent are responsible for the general management of the District's operations, under the Board's direction. The District's Water Conservationist is responsible for monitoring water meter readings for reasonableness and investigating significant discrepancies.

We examined the internal controls over the District's water usage charges for the period January 1, 2012 through September 30, 2013. We interviewed District officials, Board members and other key employees, and we reviewed financial records and Board minutes. Our audit found areas in need of improvement concerning information technology controls. Because of the sensitivity of this information, certain vulnerabilities are not addressed in this report but have been communicated confidentially to District officials so they could take corrective action.

We conducted this performance audit in accordance with generally accepted government auditing standards. 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.

Audit Results

The Board is responsible for the oversight and effective management of water operations, including ensuring that water user charges to District customers are billed, collected, deposited, and recorded accurately and in a timely manner. The Board fulfills this responsibility in part by instituting appropriate internal controls, including the establishment of policies and procedures to ensure bills are prepared accurately and in a timely manner.

The District has generally billed and collected water usage charges accurately and in a timely manner. The District's billing clerks and Water Conservationist are responsible for ensuring that the information contained in water readings and bills is accurate and complete. Billing clerks download water meter readings[1] from the meter reading software into the District's accounting software, which automatically calculates the current bills based on metered usage, rates, penalties and unpaid amounts from prior bills. Before the billing clerks generate and print the bills, the Water Conservationist analyzes metered usage for accuracy and reasonableness, based on customers' past water consumption, and flags any unreasonable readings for investigation. After making any necessary adjustments to the meter readings, she authorizes the billing clerks to release the bills. Minor billing adjustments can be made by the billing clerks or the Business Manager, with more significant adjustments requiring Board approval.[2] Each month, the Business Manager reconciles the metered usage to the water bills to ensure billing accuracy.

---

[1] District field workers, overseen by the Superintendent, read customers' water meters using wireless meter readers to determine customers' water usage. The data is then automatically transferred into the District's meter reading software.

[2] The billing clerks can waive late penalties up to $10, or the Business Manager up to $50. Larger penalties or other types of adjustments require approval by the Board.

The District billed more than $13 million during our audit period. We selected August 2012 as a representative month within our audit period, because it is a summer month that would typically reflect some of the highest usage. In August 2012, the District billed more than 6,250 accounts a total of approximately $1.5 million. We reviewed the water accounts for key District employees and accounts with negative or zero balances, penalty assessments and billing adjustments. We also randomly selected a sample of five accounts to assess the accuracy of bills and reviewed all accounts with late payments that were not assessed late fees.

We found that, except for minor discrepancies that we discussed with District officials, all customers were accurately billed, penalties calculated correctly, and late fee waivers and billing adjustments were generally made in accordance with District policies and properly authorized by a designated official.

Sincerely,

Gabriel F. Deyo

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

Note: We have redacted reference to sensitive information that was communicated confidentially to District officials.

Jericho Water District Est. 1923

NICHOLAS J. BARTILUCCI, *Chairman*
ANTHONY J. CINCOTTA, *Secretary*
THOMAS A. ABBATE, *Treasurer*
PETER F. LOGAN, *Superintendent*
KATHLEEN CANNON, *Business Manager*

February 24, 2014

Mr. Ira McCracken, Chief Examiner
Division of Local Government and School Accountability
State of New York
Office of the Comptroller
State Building Office
Hauppauge, New York 11788

RE: Report of Examination 2013M-395
January 1, 2012 to September 30, 2013
Information Technology Security Control letter

Dear Mr. McCracken:

The Board of Commissioners of the Jericho Water District acknowledges receipt of the preliminary draft findings of your audit of the District covering the period of January 1, 2012 through September 30, 2013 as well as your Information Technology Control Letter. The Commissioners, Business Manager and Superintendent have reviewed the report and control letter for accuracy. During the exit conference with your staff, we mutually agreed upon minor changes to the letter and all is now in order.

Turning to the audit itself, the Commissioners were quite pleased that, except for minor comments, your office made no audit findings and or recommendations with respect to the District's accounting records and internal control policies.

███
███
███
███ Please consider this letter to be our Audit Response
and Corrective Action Plan.

The District would like to take this opportunity to thank your audit staff for conducting themselves in a professional and courteous manner which greatly facilitated successful completion of the audit process.

Very truly yours,

Nicholas J./Bartilucci, Chairman
Board of Water Commissioners
Jericho Water District

KEC\kc