



# Town of Niskayuna Water Operations

## Report of Examination

Period Covered:

January 1, 2012 — March 31, 2013

2013M-328



Thomas P. DiNapoli

# Table of Contents

	<b>Page</b>
<b>AUTHORITY LETTER</b>	2
<b>EXECUTIVE SUMMARY</b>	3
<b>INTRODUCTION</b>	4
Background	4
Objective	4
Scope and Methodology	4
Comments of Local Officials and Corrective Action	5
<b>WATER OPERATIONS</b>	6
Receiver's Office	6
Receivable Control Account	8
Annual Audit	9
Recommendations	9
<b>APPENDIX A</b> Response From Local Officials	10
<b>APPENDIX B</b> Audit Methodology and Standards	14
<b>APPENDIX C</b> How to Obtain Additional Copies of the Report	16
<b>APPENDIX D</b> Local Regional Office Listing	17

# State of New York Office of the State Comptroller

---

## **Division of Local Government and School Accountability**

May 2014

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 Niskayuna, entitled Water 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 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*



## State of New York Office of the State Comptroller

---

# EXECUTIVE SUMMARY

The Town of Niskayuna (Town) is located in Schenectady County and has approximately 21,780 residents. The Town Board (Board) is the legislative body responsible for overseeing the Town's operations, finances and overall management. The Town Supervisor (Supervisor) is a member of the Board and serves as the chief executive officer and chief fiscal officer, responsible for disbursing and maintaining custody of Town money. The Receiver of Taxes and Assessments (Receiver) collects real property taxes and special assessments, water user fees and other charges and fees payable to the Town. The Town Comptroller (Comptroller) is the accounting officer and has the overall responsibility for the Town's accounting records. Although the Board is primarily responsible for the effectiveness and proper functioning of the Town's internal controls, the Supervisor and department heads also share the responsibility for ensuring that internal controls are adequate and working properly.

### **Scope and Objective**

The objective of our audit was to review the Town's internal controls over water operations for the period January 1, 2012 through March 31, 2013. Our audit addressed the following related question:

- Have Town officials established internal controls over water operations that are appropriately designed and operating effectively?

### **Audit Results**

Town officials provided little oversight of the Receiver's water function duties. For example, the Receiver failed to perform bank reconciliations and submit monthly reports to the Board. Additionally the Receiver deposited more than \$740,000 of water fees from two to six weeks late and remitted more than \$208,000 to the Supervisor from three to seven weeks after it was collected. Finally, the Comptroller did not record biannual water billings in the water receivable control account and failed to annually audit the Receiver's financial records and reports as required by law. As a result of these weaknesses, the Board did not have reasonable assurance that Town resources were adequately safeguarded, properly accounted for and used only for Town purposes.

### **Comments of Local Officials**

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 planned to initiate corrective action.

# Introduction

## Background

The Town of Niskayuna (Town) is located in Schenectady County and has approximately 21,780 residents. The Town Board (Board) is the legislative body responsible for overseeing the Town's operations, finances and overall management. The Town Supervisor (Supervisor) is a member of the Board and serves as the chief executive officer and chief fiscal officer, responsible for disbursing and maintaining custody of Town money. The Receiver of Taxes and Assessments (Receiver) collects real property taxes and special assessments, water user fees and other charges and fees payable to the Town. The Town Comptroller (Comptroller) is the accounting officer and has the overall responsibility for the Town's accounting records. Although the Board is primarily responsible for the effectiveness and proper functioning of the Town's internal controls, the Supervisor and department heads also share the responsibility for ensuring that internal controls are adequate and working properly.

The Town provides various services to its residents including law enforcement, street maintenance, lighting, sewer, drainage, parks and recreation programs and general government support. The Town also provides water services to 7,700 residential and commercial customers. The water fund's 2013 budgeted appropriations totaled approximately \$3.9 million and were funded by special assessments and user charges. During 2012 the Town's total water user fees (including special assessments) totaled approximately \$3.5 million.

## Objective

The objective of our audit was to review the Town's internal controls over water operations. Our audit addressed the following related question:

- Have Town officials established internal controls over water operations that are appropriately designed and operating effectively?

## Scope and Methodology

We examined the internal controls over water operations for the period January 1, 2012 through March 31, 2013.

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 is 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 planned 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 the 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.

## Water Operations

The Board is responsible for oversight of Town water operations. This responsibility includes ensuring that policies and procedures are in place allowing it to provide reasonable assurance to taxpayers that Town resources are safeguarded and accounted for properly. In addition, the Receiver should ensure that all collections are properly recorded, reported, deposited and remitted to the Supervisor. There should also be controls in place to ensure that adequate oversight of water operations is provided. Additionally, the Comptroller is responsible for maintaining accurate water-related accounting records and providing for an annual audit of the Receiver's books and records in accordance with Town Law.<sup>1</sup>

Town officials provided little oversight of the Receiver's water function duties. For example, the Receiver failed to perform bank reconciliations, did not deposit timely more than \$740,000 of water fees collected or remit more than \$208,000 to the Supervisor in a timely manner. Finally, the Comptroller did not accurately maintain the water receivable control account and failed to annually audit the Receiver's financial records and reports as required by law. As a result of these weaknesses, the Board did not have reasonable assurance that Town resources were adequately safeguarded, properly accounted for and used only for Town purposes.

### Receiver's Office

The Receiver is responsible for collecting and depositing water fees, maintaining accurate water receipt records, reporting the amounts collected and promptly remitting water fees. The Receiver is further required to ensure that all water money collected is deposited intact<sup>2</sup> and remitted to the Supervisor within specified timeframes.<sup>3</sup> Additionally, an up-to-date checkbook balance should be maintained and periodically reconciled with the bank account balance to ensure cash accountability. The Receiver should also prepare monthly reports listing all collections and remittances made to help Town officials verify their timeliness.

Our review of the Receiver's procedures disclosed deficiencies in the water records, bank reconciliations and reports as well as the

---

<sup>1</sup> Town Law requires a town comptroller to annually audit the records and reports of any town officer or employee who received or disbursed moneys on the town's behalf in the preceding year or to provide for such an audit.

<sup>2</sup> Money deposited should comprise the same amounts and form (cash or check) as was received.

<sup>3</sup> By law all money collected should be deposited within 24 hours from when it is received and should be remitted to the Supervisor by the 15th of the month following the month it is received.

timeliness of depositing and remitting water fees to the Supervisor. As a result, there is an increased risk that the Town may not be collecting all the water revenues to which it is entitled and the Board's ability to monitor the Town's water operations is diminished.

Records, Bank Reconciliations and Reports – Although the Receiver maintained cash receipts records and recorded check disbursements in the water checkbook register, she did not maintain a running cash balance in her accounting records or reconcile the bank account. She told us that it was difficult to reconcile the bank account because the Town recently began accepting credit card payments and the credit card processing vendor did not provide sufficient detail of credit card transactions. In addition, the Receiver's monthly reports to the Supervisor did not include any information related to water collections.

We performed a reconciliation as of March 31, 2013 and found no significant discrepancies. However, because the Board did not require the Receiver to include water collection information in her monthly reports, no such information was available to help monitor the timeliness of remittances to the Supervisor. Further, because the Receiver did not maintain complete and accurate water records and reconcile the bank account, there is an increased risk that errors or irregularities could occur, go undetected and remain uncorrected.

Depositing and Remitting – We reviewed 33 deposits, made up of collections received from biannually billed customers, totaling more than \$208,000 or about 12 percent of all of the deposits made.<sup>4</sup> While these collections were deposited intact, they were not deposited in a timely manner. The Receiver deposited these collections from three to seven weeks after they were recorded as received.

We also reviewed all eight deposits comprised of collections for the 2012 water bills from the two largest quarterly billed customers,<sup>5</sup> totaling more than \$740,000. Although these receipts were deposited intact, they were deposited from two to six weeks late. The Receiver told us that she does not deposit water collections on a daily basis due to the large volume of transactions.

Furthermore, the Receiver did not remit water fees collected to the Supervisor in a timely manner. We reviewed each of the six remittances to the Supervisor<sup>6</sup> containing collections from biannually

---

<sup>4</sup> Total receipts from biannually billed customers totaled more than \$1.8 million in 2012.

<sup>5</sup> Total receipts from quarterly billed customers totaled more than \$746,000 in 2012.

<sup>6</sup> Made in 2012 and 2013



billed customers, which totaled more than \$1.8 million. We found that five were remitted to the Supervisor from nine days to five months late. We also reviewed eight remittances for the two largest quarterly billed customers and found that three totaling \$350,537 were remitted to the Supervisor from two to four weeks late.

When funds are not deposited or remitted to the Supervisor in a timely manner, there is a greater risk for loss through errors, theft or misuse.

## **Receivable Control Account**

An effective internal control over unpaid water accounts includes using a water receivable control account, which if properly maintained contains summarized total billings and collections, account adjustments and unpaid balances for all customer accounts. A properly maintained control account allows Town officials to readily determine and reconcile the control account balance to the total balance of all the individual customer accounts. Periodically reconciling the control account with the individual customer accounts can provide a timely way to detect and correct recording errors and duplicate billings, verify adjustments, account for returned checks and verify that the total amounts billed, collected and remaining unpaid (receivable) agree.

Our review of the Town's central accounting procedures for maintaining the receivable control account disclosed the following deficiencies:

- The Comptroller did not maintain an accurate receivable control account. While the Comptroller recorded quarterly water billings, he did not record any of the biannual water billings in the receivable control account. Instead, the Comptroller recorded metered water sales when the Receiver remitted the collected amounts to the Supervisor and only made entries in the receivable control account at year-end when he recorded the amount of unpaid water accounts to be relieved.<sup>7</sup>
- Although Water Department staff made numerous billing adjustments to the biannually billed customer accounts, they did not provide this information to the Comptroller. As a result, he was unable to record the adjustments in the receivable control account.

The Comptroller stated that he was unable to make the appropriate entries in the receivable control account because Water Department

---

<sup>7</sup> Overdue water accounts remaining unpaid at the end of the year are added to the next year's real property tax roll based on the delinquent water account list provided by the Water Department.

staff did not provide him with the necessary information. Without an accurate and complete receivable control account balance, meaningful reconciliations could not be performed. As a result, Town officials do not have reasonable assurance that water operation accounting records are accurate. Additionally, the lack of complete accounting records and reconciliations increases the risk that errors and irregularities may occur and not be detected and corrected.

## **Annual Audit**

The Comptroller is responsible for annually auditing the Receiver's books and records. An important part of this examination is reviewing the Receiver's reconciliation of billed water fees with the adjustments, payments and amounts relieved. Such reconciliations can help reduce the risk that errors or irregularities will occur, go undetected and remain uncorrected.

The Comptroller did not audit the Receiver's financial records and reports for 2012 nor was a reconciliation completed. We performed a reconciliation as of March 31, 2013 and found no significant discrepancies. However, without an annual audit the Board does not have reasonable assurance that Town resources are being adequately safeguarded, properly accounted for and used only for Town purposes.

## **Recommendations**

1. The Receiver should:
  - Maintain an up-to-date checkbook balance,
  - Prepare monthly bank reconciliations,
  - Include water collections in the monthly reports for the Supervisor and
  - Deposit and remit all water fees collected in a timely manner.
2. Water Department staff should provide the Comptroller with all the information necessary to accurately record all water billings and account adjustments in the water receivable control account.
3. The Comptroller should accurately maintain a water receivable control account, periodically reconcile it with the individual customer accounts and promptly investigate and resolve any differences.
4. The Board should ensure that the Comptroller performs the required annual audit of the Receiver's records and reports.

**APPENDIX A**  
**RESPONSE FROM LOCAL OFFICIALS**

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



## TOWN OF NISKAYUNA

One Niskayuna Circle • Niskayuna, New York 12309-4381  
Phone: (518) 386-4503 • Fax: (518) 386-4592

TOWN COUNCIL  
Liz Orzel Kasper  
Julie M. McDonnell  
Denise Murphy McGraw  
John A. Della Ratta

JOE LANDRY  
Supervisor

May 20, 2014

Jeffrey P. Leonard, Chief Examiner  
Office of the State Comptroller  
One Broad Street Plaza  
Glens Falls, NY 12801-4396

Dear Mr. Leonard:

Please accept this as our official response to the report of examination for the period of January 1, 2012 through March 31, 2013, and as the corrective action plan offered by the Town of Niskayuna.

Over a period of several months you interviewed Town officials, performed limited tests of transactions, and reviewed pertinent documents such as adopted policies and procedures and financial records to determine if the system of internal controls established by Town officials was appropriately designed and operating effectively. Your thorough evaluation of the control environment, financial condition, budgeting, records and reports, cash management, cash receipts and disbursements, purchasing, claims processing, payroll and personnel services, billed services, justice court, real property taxes and information technology resulted in the selection of water operations for further audit testing. Although you offered four recommendations to enhance our procedures and controls already in place you "found no significant discrepancies."

We believe that our responses to your four recommendations will serve to strengthen the already sound financial condition of the Town, and will provide additional safeguards against potential misuse of Town resources.

Recommendation One:

The Receiver of Taxes should maintain an up-to-date checkbook balance, prepare monthly bank reconciliations, include water collection in the monthly reports for the Supervisor, and deposit and remit all water fees collected in a timely manner.

Response: The Receiver of Taxes has been advised of her responsibility to maintain an up-to-date checkbook balance. The receiver utilizes on-line access to obtain bank balance information.

The Receiver of Taxes has been advised of her responsibility to prepare a monthly bank reconciliation. Although the Receiver was verifying on-line that deposits were being posted properly she did not complete formal bank reconciliation.

The Receiver of Taxes has been advised of her responsibility to include water collection in monthly reports provided to the Supervisor. Although she had been providing a monthly report to the Supervisor, it had not been the practice of prior Receiver's to include the water collections in the monthly report and she continued the ongoing practice.

The Receiver of Taxes has been advised of her responsibility to deposit and remit all fees collected, including water fees, to the Supervisor no later than the 15<sup>th</sup> of the following month of which they were collected.

Recommendation Two:

The Water Department staff should provide the Comptroller with all the information necessary to accurately record all water billings and account adjustments in the water receivable control account.

Response: The Water Department bills residential customers on a semi-annual basis and bills corporate customers on a quarterly basis. The Water Department was regularly providing the quarterly corporate billing details to the Comptroller and he was recording this information in a water receivable control account. The Water Department was advised of their responsibility to also provide the semi-annual water billings and account adjustments to the Comptroller to allow him to maintain an accurate record of all water receivables.

On April 22, 2014 the Town Board adopted a resolution acknowledging the current semi-annual residential water billing in addition to the quarterly corporate water billing that was provided by the Water Department. This new ongoing procedure will also include adjustments to customer accounts as recommended by the Public Works Committee.

Recommendation Three:

The Comptroller should accurately maintain a water receivable control account, periodically reconcile it with the individual customer accounts and promptly investigate and resolve any differences.

Response: The Comptroller has been utilizing the water receivable account for the quarterly corporate water billings provided by the Water Department and has reconciled them each quarter, and also utilized the water receivable control account for year-end unpaid water consumption amounts also provided by the Water Department. The recently established procedure of the Town Board adopting a resolution establishing the water billing warrant first occurred on April 22, 2014 and was promptly recorded in the water receivable control account and will continue to be recorded as provided going forward.

On April 22, 2014 the Town Board also approved a reconciliation of water rents charged and collected for the calendar year 2013. The Comptroller has been advised of his responsibility to promptly investigate and resolve any differences identified in the annual reconciliation.

Recommendation Four:

The Board should ensure that the Comptroller performs the required annual audit of the Receiver's

records and reports.

Response: The Comptroller has been advised of his responsibility to perform an annual audit of the Receiver's records and reports. This audit will be forwarded to the Town Board and will include the tasks referred to in the response to recommendation number three above, along with a review of the controls in place and procedures utilized by the Receiver of Taxes.

Sincerely,

Joe Landry  
Supervisor

## APPENDIX B

### AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to determine if the system of internal controls established by Town officials was appropriately designed and operating effectively. To accomplish this, we performed an initial assessment of internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: control environment, financial condition, budgeting, records and reports, cash management, cash receipts and disbursements, purchasing, claims processing, payroll and personnel services, billed services, justice court, real property taxes and information technology.

During our initial assessment, we interviewed Town officials, performed limited tests of transactions and reviewed pertinent documents such as adopted policies and procedures and financial records and reports. Further, we reviewed the Town's internal controls and procedures over the computerized financial databases to help ensure that the information produced by such systems was reliable.

After reviewing the information gathered during our initial assessment, we determined where weaknesses existed and evaluated those weaknesses for inherent control risks. We then decided on the reported objective and scope by selecting for audit those areas most at risk. We selected water operations for further audit testing.

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

- We interviewed Town officials and staff to gain an understanding of the Town's water billing, collection, recording and reporting process.
- We reviewed Board minutes to determine if water billings and billing adjustments were approved.
- We reviewed the Receiver's check register, all check images, bank statements and monthly reports for our audit period.
- We traced the totals and details for each October 2012 transaction to validated deposit slips and the Receiver's bank statements to determine if the biannually billed collections were properly deposited.
- We traced all paid quarterly bills (for 2012 use) for the two largest quarterly billed customers to validated deposit slips and the Receiver's bank statements to determine if these collections were properly deposited.
- We compared the dates on the Receiver's remittance checks with the collection dates for both 2012 biannual billing periods and all the quarterly billing periods for the two largest quarterly billed customers to determine if these collections were remitted to the Supervisor in a timely manner.

- We reviewed journal entries, ledgers, biannual billing reports, quarterly water bills and check images to determine if billings and collections were posted to the accounting records in a proper and timely manner.

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

### HOW TO OBTAIN ADDITIONAL COPIES OF THE REPORT

To obtain copies of this report, write or visit our web page:

Office of the State Comptroller  
Public Information Office  
110 State Street, 15th Floor  
Albany, New York 12236  
(518) 474-4015  
<http://www.osc.state.ny.us/localgov/>

**APPENDIX D**  
**OFFICE OF THE STATE COMPTROLLER**  
**DIVISION OF LOCAL GOVERNMENT**  
**AND SCHOOL ACCOUNTABILITY**

Andrew A. SanFilippo, Executive Deputy Comptroller  
Gabriel F. Deyo, Deputy Comptroller  
Nathalie N. Carey, Assistant Comptroller

**LOCAL REGIONAL OFFICE LISTING**

---

**BINGHAMTON REGIONAL OFFICE**

H. Todd Eames, Chief Examiner  
Office of the State Comptroller  
State Office Building - Suite 1702  
44 Hawley Street  
Binghamton, New York 13901-4417  
(607) 721-8306 Fax (607) 721-8313  
Email: [Muni-Binghamton@osc.state.ny.us](mailto:Muni-Binghamton@osc.state.ny.us)

Serving: Broome, Chenango, Cortland, Delaware,  
Otsego, Schoharie, Sullivan, Tioga, Tompkins Counties

**BUFFALO REGIONAL OFFICE**

Jeffrey D. Mazula, Chief Examiner  
Office of the State Comptroller  
295 Main Street, Suite 1032  
Buffalo, New York 14203-2510  
(716) 847-3647 Fax (716) 847-3643  
Email: [Muni-Bufferalo@osc.state.ny.us](mailto:Muni-Bufferalo@osc.state.ny.us)

Serving: Allegany, Cattaraugus, Chautauqua, Erie,  
Genesee, Niagara, Orleans, Wyoming Counties

**GLENS FALLS REGIONAL OFFICE**

Jeffrey P. Leonard, Chief Examiner  
Office of the State Comptroller  
One Broad Street Plaza  
Glens Falls, New York 12801-4396  
(518) 793-0057 Fax (518) 793-5797  
Email: [Muni-GlensFalls@osc.state.ny.us](mailto:Muni-GlensFalls@osc.state.ny.us)

Serving: Albany, Clinton, Essex, Franklin,  
Fulton, Hamilton, Montgomery, Rensselaer,  
Saratoga, Schenectady, Warren, Washington Counties

**HAUPPAUGE REGIONAL OFFICE**

Ira McCracken, Chief Examiner  
Office of the State Comptroller  
NYS Office Building, Room 3A10  
250 Veterans Memorial Highway  
Hauppauge, New York 11788-5533  
(631) 952-6534 Fax (631) 952-6530  
Email: [Muni-Hauppauge@osc.state.ny.us](mailto:Muni-Hauppauge@osc.state.ny.us)

Serving: Nassau and Suffolk Counties

**NEWBURGH REGIONAL OFFICE**

Tenneh Blamah, Chief Examiner  
Office of the State Comptroller  
33 Airport Center Drive, Suite 103  
New Windsor, New York 12553-4725  
(845) 567-0858 Fax (845) 567-0080  
Email: [Muni-Newburgh@osc.state.ny.us](mailto:Muni-Newburgh@osc.state.ny.us)

Serving: Columbia, Dutchess, Greene, Orange,  
Putnam, Rockland, Ulster, Westchester Counties

**ROCHESTER REGIONAL OFFICE**

Edward V. Grant, Jr., Chief Examiner  
Office of the State Comptroller  
The Powers Building  
16 West Main Street – Suite 522  
Rochester, New York 14614-1608  
(585) 454-2460 Fax (585) 454-3545  
Email: [Muni-Rochester@osc.state.ny.us](mailto:Muni-Rochester@osc.state.ny.us)

Serving: Cayuga, Chemung, Livingston, Monroe,  
Ontario, Schuyler, Seneca, Steuben, Wayne, Yates Counties

**SYRACUSE REGIONAL OFFICE**

Rebecca Wilcox, Chief Examiner  
Office of the State Comptroller  
State Office Building, Room 409  
333 E. Washington Street  
Syracuse, New York 13202-1428  
(315) 428-4192 Fax (315) 426-2119  
Email: [Muni-Syracuse@osc.state.ny.us](mailto:Muni-Syracuse@osc.state.ny.us)

Serving: Herkimer, Jefferson, Lewis, Madison,  
Oneida, Onondaga, Oswego, St. Lawrence Counties

**STATEWIDE AUDITS**

Ann C. Singer, Chief Examiner  
State Office Building - Suite 1702  
44 Hawley Street  
Binghamton, New York 13901-4417  
(607) 721-8306 Fax (607) 721-8313