



Town of Ballston

Water Fund Financial Operations

2023M-60 | December 2023

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Report Highlights

Town of Ballston

Audit Objective

Determine whether the Town of Ballston (Town) officials provided adequate oversight of the water fund's financial operations.

Key Findings

Officials did not provide adequate oversight of water fund operations. As a result, delinquent accounts were not accurately relieved, and the Town lost revenue.

- Officials did not maintain an inventory or list of meters purchased and issued to track costs and ensure rates were applied consistently, and meters were accounted for.
- The water clerk (clerk) inaccurately relieved all 25 accounts we reviewed because she included \$3,784 that was not yet overdue.
- Officials did not reconcile water purchased or delivered with water used and could not account for water totaling \$300,000.
- To meet minimum purchase requirements, the Town paid the Town of Glenville \$135,000 for 38.5 million gallons of water it did not receive or use. Officials could have saved \$90,000 of this cost by monitoring water flow.
- We reviewed 20 accounts that were adjusted by \$586,014 and determined they were not reviewed, approved or supported.

Key Recommendations

- Develop and distribute written policies and procedures for billing, collecting, enforcing and adjusting water charges.
- Review unpaid water charges and annual relevy lists.
- Reconcile water delivered and water used.

Town officials generally agreed with our recommendations and have initiated, or indicated they planned to initiate, corrective action.

Background

The Town is located in Saratoga County and is governed by the Town Board (Board), which is comprised of a Supervisor and four Board members.

The Board is responsible for the general oversight of the Town's operations and finances. The Water Superintendent is responsible for the oversight of the Town's water operations.

The clerk is responsible for billing, collecting, enforcing and adjusting water charges for the Town's three water districts and 21 outside users. The Town's water sources come from the Town of Glenville and the Saratoga County Water Authority.

The Town bills water customers quarterly on March 31, June 30, September 30 and December 31 based on gallons of water used, with a minimum charge of \$15 per quarter.

Quick Facts

Population	11,800
Water Customers	3,651
2021 Water Charges	\$1,093,033
2022 Water Charges	\$1,540,182

Audit Period

January 1, 2021 – December 31, 2022

Water Fund Financial Operations

How Should a Town Board Provide Oversight of Water Fund Operations?

A town board (board) is responsible for effectively managing its town's water fund operations by establishing policies and procedures providing guidance and oversight for employees involved in billing, collecting, enforcing and adjusting water charges. These policies and procedures should provide for proper segregation of duties and access rights, so one employee does not control all aspects of a transaction (e.g. preparing and adjusting bills, collecting money, recording collections and making deposits). When segregating duties is not possible, the board should implement compensating controls, such as having a board member periodically review the work. Once established, the board should monitor compliance with its policies and procedures.

The board should also:

- Periodically request reports or reconciliations of receivables and delinquent accounts to verify accuracy and completeness and ensure a complete and accurate master list of customers and an inventory of purchased and issued meters is maintained.
- Annually audit, or cause to be audited, the books, records and documents of certain officers and employees responsible for receiving and disbursing money, as required.
- Annually establish the water usage rates to be charged to customers, as required by the Town's local laws,¹ and establish service connection fees and equipment charges, to be applied consistently.
- Ensure officials annually file a statement of unpaid water charges and penalties payable with a brief description of the owner's property with the Board, as required by local laws.
- Relevy bills that have not been paid by October 10 of each year by adding them to the Town's real property taxes that are levied on the Town's property owners and include an additional penalty of \$100 to be added to the relevied bill, as required by local laws.

The board or other authorized supervisory personnel should approve all billing adjustments prior to such adjustments being made. In addition, the board should establish procedures for periodic comparisons between volume of water delivered and total volume billed to ensure there are no unauthorized or unknown uses of water that are not being billed. After considering industry or town-established benchmarks for acceptable waste or loss, officials should investigate significant differences.

¹ All references to the Town's local laws relate to Local Law No. 6 of 2021.

The Board Did Not Establish Adequate Controls Over Water Billing, Collection, Enforcement and Adjustment

The Board did not develop comprehensive written policies and procedures to establish controls over billing, collecting, enforcing and adjusting water charges. In addition, the clerk did not follow consistent practices, she performed her duties with little to no supervisory review, and the Board did not annually audit her records or request and receive any reports (e.g., reports of total amounts billed each quarter, adjustments and delinquent accounts) throughout the year. In addition, there was no separation of duties related to the key functions for billing and collecting water charges. The clerk:

- Prepared and printed bills,
- Collected and recorded payments,
- Set rates in the billing and collection software,
- Added new customers and maintained customer files,
- Adjusted customer accounts,
- Applied penalties to customer accounts, and
- Assisted the Comptroller's Office in preparing the list of unpaid customer accounts for relevy upon property taxes.

Because the clerk's duties were not segregated, there was no periodic reporting from the clerk to the Board, and no one was performing supervisory reviews of the clerk's work, errors or irregularities could occur without detection or correction. In addition, without comprehensive policies and procedures, there is an increased risk that inconsistencies will occur and officials may not understand their responsibilities.

The Clerk Did Not Consistently Bill New Customers

The clerk added 220 customers to the master list during our audit period. We reviewed 20 new customers to determine whether they were added to the master list upon receiving services, assessed and paid appropriate fees, billed correctly, and whether transactions were accurately recorded in customer accounts. While all 20 customers were added to the master list upon receiving services and were billed correctly each quarter, the clerk did not maintain documentation to determine whether the prices charged for new meters were accurate.

Although the Board is responsible for establishing water fees including the new meter fee, the clerk told us that she determines the new meter fees with the Water Superintendent's approval, which were set at the meter's cost plus \$125. However, she did not maintain documentation to support meter fees or approvals. In addition, the clerk and Water Superintendent did not maintain an inventory or

list of meters purchased and issued to track costs, and ensure rates were applied consistently and meters were accounted for. The 20 customers we reviewed were inconsistently charged for new meters. The inconsistent new meter rates charged to the 20 customers were:

- \$1,266 (one customer),
- \$713 (two customers),
- \$643 (eight customers),
- \$613 (two customers),
- \$409 (six customers) and
- \$397 (one customer).

The clerk and Water Superintendent did not provide us with an explanation for why an inventory was not maintained or for the inconsistent rates for new meters. However, the lack of Board-adopted policies and procedures related to new customer accounts and Board-established meter fees, along with the clerk performing duties without supervisory review, contributed to the failure to maintain an inventory and apply consistent fees for new meters. Without adequate policies and procedures and supervisory reviews, there is an increased risk that the clerk will continue to charge new customers inconsistent fees, and the Town could lose revenue or not cover the cost of the meters purchased.

The Clerk Inaccurately Releived Accounts

We reviewed 25 customers with unpaid accounts as of the 2022 relevy date to determine whether the accounts were properly releived and approved by the Board. The clerk inaccurately releived 11 accounts for amounts totaling \$2,401 because the clerk determined which accounts should be releived as of November 6 instead of October 10, per local law, and these accounts were not yet overdue. The clerk also incorrectly included \$1,383 that was not overdue for the other 14 accounts that were releived for amounts totaling \$6,865 and, because the clerk was not aware of the additional \$100 penalty, the Town lost revenue totaling \$1,400.

Because of these errors, we reviewed the complete 2022 relevy list. The clerk releived 529 customer accounts totaling \$157,486, including 270 unpaid accounts totaling \$37,301 that should not have been releived because the accounts were not overdue as of the relevy date (October 10, 2022). In addition, none of the releived accounts were assessed the \$100 penalty.

No one reviewed and approved the clerk's penalty assessments, and the Board did not receive, review or approve an annual statement of unpaid water

charges and penalties. Officials and employees told us they were unaware of the requirement to receive an annual statement of unpaid water charges and penalties. Because officials and employees were not aware of and did not follow the local laws, errors occurred and the Town lost revenue.

Officials Did Not Reconcile Water Delivered With Water Used

Officials did not perform reconciliations between water delivered from the Town of Glenville and the Saratoga County Water Authority and water used by customers. The Supervisor, Comptroller and Deputy Comptroller told us they were unaware that reconciliations were not being performed.

We performed reconciliations for all eight quarters in our audit period. During this period, the Town of Glenville and the Saratoga Water Authority delivered 530 million gallons and the Town billed 475 million gallons to customers. As a result, 55 million gallons of water delivered, valued at \$300,000, was unaccounted for. The Water Superintendent could not explain this variance.

In addition, the Town contractually agreed to purchase minimum amounts from each water source. Regardless of the amount of water delivered, the Town must purchase 91.3 million gallons of water annually from the Town of Glenville and 300,000 gallons daily from Saratoga County Water Authority. The Town paid the Town of Glenville \$135,000 for 38.5 million gallons of water not delivered because it did not meet contractual minimum purchase requirements in 2021.

The Water Superintendent told us that, after receiving the 2021 water invoices, he adjusted the flow from the two water sources to ensure delivery from each source met contractual minimum purchase requirements. However, if he had performed routine reconciliations and made this adjustment in a timely manner, the Town could have met the requirements for both water sources and saved \$90,000 in 2021.

These variances went undetected because the Board did not develop policies and procedures to ensure reconciliations were performed and did not provide oversight. Without reconciliations, the Town is not able to adjust delivery sources to optimize cost savings, monitor water loss or detect unauthorized or unknown uses of water.

The Board Did Not Review and Approve Adjustments

During our audit period, the clerk made 867 adjustments in the billing and collection software without any review or approval. In addition, she did not

maintain support for adjustments. For the 20 adjustments totaling \$586,014 we reviewed:

- One adjustment increased a bill by \$11,200.
- Nineteen adjustments decreased bills by \$574,814.

None of the adjustments were reviewed, approved or supported. While the clerk told us that adjustments were for meter reading errors, malfunctioning meters and fee reductions when customers provided meter readings late, without support, Town officials had no assurance that the adjustments were appropriate.

This occurred because officials did not maintain supporting documentation or designate an individual to review and approve adjustments to ensure they were appropriate. Officials could help ensure adjustments are appropriate, in part, by developing policies and procedures for adjusting water customer bills and accounts. In addition, officials did not limit the clerk's billing and collection software access rights or establish compensating controls. The clerk has full access rights to adjust accounts in the billing and collection software without any independent review or approval. Without supporting documentation, review and approval for adjustments, the Town cannot ensure adjustments are reasonable and for appropriate purposes, increasing the risk of improper adjustments and lost revenue.

What Do We Recommend?

The Board should:

1. Develop and distribute written policies and procedures to provide adequate guidance for billing, collecting, enforcing and adjusting water charges. Policies and procedures should address adding new customers, reconciling water usage, maintaining adequate support, and necessary reviews and approvals.
2. Establish clear meter fees, provide established rates to responsible officials and employees, and ensure responsible officials and employees are aware of and follow local laws and policies.
3. Annually review and approve the list of relieved water accounts by comparing it to a delinquent customer account report from the billing and collection software to ensure delinquent accounts are properly relieved.
4. Review and approve, or designate someone independent of the billing and collection process to review and approve, all adjustments made to customer accounts and ensure they are adequately documented.

Town officials should:

5. Regularly reconcile water delivered with water used to determine whether significant deficiencies exist and correct identified issues.
6. Monitor water delivered from the Town of Glenville and the Saratoga Water Authority and adjust usage to optimize cost savings.
7. Segregate duties over billing, collecting, enforcing and adjusting water charges. If it is not practical to segregate duties, officials should establish appropriate compensating controls, such as increased management review.
8. Review access rights within the billing and collection software and ensure rights are consistent with developed policies and segregated duties.

Appendix A: Response From Town Officials



TOWN OF BALLSTON

323 Charlton Road, Ballston Spa, NY 12020
MAIL TO: P.O. Box 67, Burnt Hills, NY 12027

December 11th, 2023

Supervisor Eric Connolly
Town of Ballston
323 Charlton Road
Ballston Spa, NY 12020

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, NY 12236

To Whom It May Concern,

This letter shall serve as the Town of Ballston's response to the Water Fund Financial Operations Report of Examination 2023M-60 and includes our Corrective Action Plan. My administration and the Town Board agree with the report.

Corrective action has been underway since most findings were brought to our attention immediately upon detection by your team during their impressive fieldwork. Development and implementation of countless best practices have already occurred thanks to your agency's dedication of valuable resources. With respect to Water Fund Financial Operations, further improvements are required to adequately address key recommendations:

1. Develop and distribute written policies and procedures for billing, collecting, enforcing and adjusting water charges.

Implementation Plan of Action: Complete the ongoing development of policies and procedures specifying step-by-step instructions to accurately invoice, collect, enforce, and adjust water charges for operating and maintenance. This will include updates to relevant local laws to expand on improvements made via Local Law 1 of 2023, effective in July. Expected completion date is prior to Q4 2024. The person responsible shall be the Town Comptroller in collaboration with the Water Superintendent.

2. Review unpaid water charges and annual relevely lists.

Implementation Plan of Action: Develop a standard process to review unpaid water charges and approve the annual relevely of water charges via Town Board resolution. This was completed in 2023 via Resolution 23-212. Documentation of a step-by-step verification process and streamlined



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323 Charlton Road, Ballston Spa, NY 12020

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reporting techniques remain necessary. Our goal is to have both in place by Q4 2024. The person responsible shall be the Water Superintendent in collaboration with the Town Comptroller.

3. Reconcile water delivered and water used.

Implementation Plan of Action: Track and reconcile gallons of water purchased with water invoiced to detect abnormalities and optimize the source and cost of supply. Reconciliations have occurred monthly since January 2023. Development and distribution of step-by-step monthly procedures remains necessary. Our goal is to complete this by Q4 2024. The person responsible shall be the Water Superintendent in collaboration with the Town Comptroller.

Sincerely,

Eric Connolly

Town Supervisor

Appendix B: Audit Methodology and Standards

We conducted this audit 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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed officials and reviewed policies, local laws, Board minutes and financial records and reports to gain an understanding of the Town's procedures relating to billing, collecting, enforcing, adjusting and reconciling water charges, and any associated effects of deficiencies in those procedures.
- We reviewed Board minutes and resolutions to determine whether the Board adopted the water rates charged to customers.
- We selected 35 customer accounts to review and determine whether metered consumption was properly billed at the Board-approved rate, and whether the bills and payments were correctly recorded. We randomly selected 30 customer accounts and used our professional judgment to select five officials and employees involved in water fund operations.
- We randomly selected 20 new customer applications to determine whether they were added to the master list, billed for each quarter and assessed new customer fees in accordance with local law, and whether bills and payments were properly recorded in customer accounts.
- We randomly selected 10 unpaid customers for quarters three and four of 2021, and quarters one and two of 2022, for a total of 40 customers, to determine whether penalties were properly assessed in accordance with local law.
- We randomly selected 25 customer accounts that were unpaid as of August 5 and October 10 of 2022 to determine whether the accounts were relieved in accordance with local law.
- We selected all eight quarters in our audit period to determine whether reconciliations between water usage/billed reports and water delivered bills were completed. We also performed reconciliations for each quarter.
- We used our professional judgment to select 20 adjustments based on adjustment codes and dollar amount. We selected the highest adjustment values from bill reversal, bill void, miscellaneous adjustment and penalty adjustment categories for all water districts.

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

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.

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 provided 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 the CAP available for public review in the Town Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.ny.gov/local-government/publications

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.ny.gov/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.ny.gov/local-government/publications

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.ny.gov/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.ny.gov/files/local-government/publications/pdf/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.ny.gov/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.ny.gov/local-government/publications

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.ny.gov/local-government/academy

Contact

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<https://www.osc.ny.gov/local-government>

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