



Town of Glen

Water and Sewer Operations

2023M-167 | March 2024

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Report Highlights

Town of Glen

Audit Objective

Determine whether the Town of Glen (Town) officials properly managed water and sewer fund financial operations.

Key Findings

Town officials did not properly manage water and sewer fund financial operations. The Board did not adopt the water and sewer rates that were charged to customers or audit the Clerk's records and water and sewer bills and meter readings were not independently reviewed for accuracy. As a result, officials and customers have no assurance that water and sewer bills and account balances are accurate.

- Of the 306 bills we reviewed, 73 (24 percent) were inaccurate because the Clerk made mathematical errors totaling \$30,258 and did not record customer payments in a timely manner and accurately.
- The Clerk made 12 unsupported adjustments totaling \$1,981 to 4 customer accounts without any review or approval.
- The bookkeeper did not record amounts billed totaling \$592,956 for water and sewer services in the accounting records and sewer revenue was overstated by \$152,023 as of December 31, 2022.

Key Recommendations

- Ensure the Board adopts the water and sewer rates.
- Request and review monthly billing reports and review and approve all adjustments made to customer accounts.
- Record payments in a timely manner, maintain control accounts and periodically reconcile control accounts with billing records.

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

Audit Period

January 1, 2022 – April 30, 2023

Background

The Town, located in Montgomery County, is governed by an elected five-member Board including the Town Supervisor (Supervisor). The Board is responsible for the general oversight of Town operations and finances and a bookkeeper assists the Supervisor with maintaining the accounting records.

The Town provides water and sewer services to Town residents and businesses. There are two water districts and two sewer districts. Both water districts and sewer district one are billed based on metered usage, while sewer district two is billed based on estimated monthly usage. The Town's water source comes from the Village of Fultonville.

The Town Clerk (Clerk) is also the water and sewer clerk and is responsible for maintaining customer accounts, issuing monthly bills, collecting and adjusting water and sewer charges and applying penalties. The water and sewer superintendent oversees water and sewer operations and records monthly usage for the Clerk to generate bills.

Quick Facts

2022 Revenues	
Water	\$290,168
Sewer	\$126,904
Commercial Customers	
Water	14
Sewer	12
Residential Customers	
Water	3
Sewer	4

Water and Sewer Fund Financial Operations

How Should Town Officials Manage Water and Sewer Fund Financial Operations?

A town board is responsible for managing the town's water and sewer fund operations and providing oversight for employees involved in billing, collecting and adjusting water and sewer charges. A board should establish policies and procedures to guide employees performing billing, collection and adjustment functions and provide for proper segregation of duties 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, a town board should implement controls, such as having a town board member periodically review the employee's work. Once established, a town board should monitor compliance with its policies and procedures.

A town board should also:

- Periodically request reports or reconciliations of receivable control accounts and delinquent accounts to verify accuracy and completeness. A receivable control account is used to record the uncollected portion of amounts billed that are not considered delinquent.
- 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 by New York State Town Law Section 123.
- Establish rates for all water and sewer charges, as required by the Town's Water and Sewer Regulations (regulations).
- Review monthly bills to ensure established rates are used and customers are accurately billed.

In addition, a town board, or other authorized supervisory personnel, should approve all billing adjustments prior to adjustments being made.

The Board Did Not Provide Adequate Oversight for Water and Sewer Billing, Collection and Adjustments or Establish Policies and Procedures

The Clerk did not follow consistent practices when billing, collecting and adjusting water and sewer charges. She performed her duties with little to no supervisory review, and the Board did not comply with Town Law Section 123 by annually auditing her records or requesting and receiving any reports (e.g., reports of total amounts billed each month, adjustments and delinquent accounts) throughout the year. Furthermore, there was no segregation of duties related to the key functions for billing, collecting and adjusting water and sewer charges.

The Clerk:

- Prepared and printed bills,
- Collected and recorded payments,
- Adjusted and applied penalties to customer accounts, and
- Added new customers and maintained customer files.

The Clerk did not periodically report the water and sewer funds' financial operations to the Board, and no one was performing supervisory reviews of or annually auditing the Clerk's work. In addition, the Board did not develop policies and procedures for responsibilities related to billing, collecting and adjusting water and sewer charges. Without adequate oversight and policies and procedures, there is an increased risk that errors, inconsistencies or irregularities could occur without detection or correction.

The Board Did Not Adopt the Water and Sewer Rates Charged to Customers

The Board adopted regulations on December 11, 2017 with rates for both water and sewer districts. However, the Clerk charged customers rates that did not agree with the Board-adopted rates. The Supervisor provided us with a spreadsheet of the rates charged and, along with the bookkeeper, told us rates were increased by the former Supervisor in 2020 and the minimum charge for sewer district two was also increased in 2023.

The bookkeeper and Supervisor told us they were not aware of the requirement from the Town's regulations that rates must be adopted by the Board. In addition, the rates entered into the system by the former Supervisor for 2022 and by the bookkeeper for 2023 were not reviewed. When rates are not adopted by the Board and are entered into the system without review, Board members and customers lack assurance that the rates charged are accurate and appropriate.

The Clerk Did Not Accurately Bill Customers or Manage Customer Accounts

We reviewed all 306 water and sewer bills for the 19 customers during our audit period. For the bills reviewed, 73 (24 percent) were inaccurate with errors totaling \$30,258. The errors included:

- Nineteen bills included previous billed amounts totaling \$14,617 that had been paid in a prior cycle.
- Fourteen bills included incorrect account balances with variances totaling \$5,407. Specifically, amounts due for the billing cycle totaled \$10,056 while the amounts due on bills totaled \$15,463.

-
- Twenty-three bills included penalties totaling \$5,276 that were not owed.
 - Thirteen bills with errors totaling \$3,898 for five customers were based on inaccurate usage.
 - Four bills with minimum charges totaling \$1,060 were inaccurately generated for a customer that was already billed for actual usage.

The Clerk made mathematical errors when calculating the usage from the meter readings recorded by the water and sewer superintendent. She told us the billing software erroneously applied penalties and other past due amounts that she was unable to correct prior to sending out bills. Instead, she included a letter with the bills stating that the penalties are inaccurate and should not be paid. However, past due amounts were also included on bills and caused incorrect balances because the Clerk did not record payments accurately or in a timely manner.

In addition to the Clerk not recording payments timely and not addressing concerns with the billing software, errors occurred because no one independently reviewed bills or meter readings for accuracy. As a result, officials and customers have no assurance that bills and account balances are accurate.

...[E]rrors occurred because no one independently reviewed bills or meter readings for accuracy.

The Board Did Not Review and Approve Adjustments or Designate an Individual to Review and Approve Adjustments

During our audit period, the Clerk made 12 adjustments totaling \$1,981 to four customer accounts. Eight of the 12 adjustments increased customer account balances by \$1,040 and the remaining four adjustments decreased customer account balances by \$941. The adjustments were made without any review or approval and the Clerk did not maintain support for the following adjustments:

- Nine adjustments totaling \$1,225 lacked descriptions to determine what the adjustments were for.
- Three adjustments totaling \$756 included descriptions for correcting penalty errors.

However, the Clerk asked the software vendor to void the three penalty-error adjustments because they were not accurate. Without support, the Board has no assurance that the adjustments were appropriate.

The lack of review and approval of adjustments occurred because the Clerk did not maintain supporting documentation and the Board did not designate an individual to review and approve adjustments to ensure they were appropriate. The Board could help ensure adjustments are appropriate, in part, by developing policies and procedures for adjusting customer bills and accounts. Without supporting documentation and review and approval for adjustments, officials

cannot ensure adjustments are reasonable and for appropriate purposes, increasing the risk of improper adjustments, excess charges and lost revenue.

The Bookkeeper Did Not Maintain Control Accounts

The bookkeeper did not record amounts billed for water and sewer services in the accounting records. Because control accounts were not maintained, we compared total water and sewer collections to deposits and the accounting records to determine whether recorded water and sewer revenues were accurate. The bookkeeper inaccurately recorded a payment of \$297,564 from the general fund for a 2019 loan the sewer fund made to the general fund as sewer charges revenue, instead of as a reduction of a loan receivable balance. While the payment accurately included \$16,486 in sewer charges revenue, after the bookkeeper made a correcting journal entry to reclassify \$129,055, sewer revenue was still overstated by \$152,023 as of December 31, 2022. In addition, the bookkeeper incorrectly recorded revenue from water charges totaling \$14,189 as interest which understated water revenues and overstated interest earned.

The Supervisor and bookkeeper could not provide a reasonable explanation for why they did not maintain receivable control accounts or accurately record the loan repayment and revenues from water charges. Without control accounts and accurate recording of transactions, officials lack useful information that could help keep track of amounts owed, reconcile unpaid accounts with recorded revenues, ensure accuracy of recorded revenues and assist with budgeting.

What Do We Recommend?

The Board should:

1. Develop policies and procedures to provide guidance for billing, collecting, recording and adjusting water and sewer charges.
2. Annually audit, or cause to be audited, the Clerk's records.
3. Adopt the water and sewer rates and ensure the Board-adopted rates are charged to customers.
4. Request and review monthly billing reports from the Clerk to ensure meter readings and amounts billed and due are accurate, or assign these duties to someone independent of the billing process.
5. 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 the adjustments are adequately documented.

The Clerk should:

6. Record payments in a timely manner.

The bookkeeper should:

7. Maintain water and sewer receivable control accounts and perform periodic reconciliations between control accounts and billing records to ensure bills and revenues are properly recorded.

Appendix A: Response From Town Officials

Supervisor Timothy Reilly
Councilmembers Ronald C. Crewell
Rosalie Farina
Russell J Kelly, Jr.
Susan Whiteman

Town Clerk Roxanne Douglass
Superintendent of William Beddig
Highways



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March 20, 2024

Chief Examiner of the OSC Regional Office

1 Broad Street Plaza
Glens Falls, NY 12801

RE: 2023M-167

Chief Examiner,

I am in receipt of your draft audit report for the Town of Glen Sewer and Water Districts via email on February 21, 2024 and the subsequent meeting with the examiners from OSC.

I have reviewed and discussed the draft report with the Town of Glen Town Board as well as all relevant employees.

I appreciate your time and accept the findings in your draft report and will forward our corrective action plan with this response.

Respectfully,

✓ Timothy Reilly ✓
Town of Glen Supervisor

Supervisor Timothy H. Reilly
Council Members Ronald C. Crewell
Russell J. Kelly, Jr.
Rosalie S. Farina
Susan P. Whiteman
Town Clerk Roxanne Douglass
Superintendent of William H. Beddig
Highways



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March 20, 2024

Office of NYS Comptroller
Division of Local Government & School Accountability
110 State Street 12th Floor
Albany, NY 12236

RE: 2023M-167

Office of State Comptroller,

We have reviewed and discussed the draft audit report received via email by the Town of Glen Supervisor on February 21, 2024.

The following is the corrective action steps that have been implemented based on your findings.

1-The Board did not provide adequate oversight for water and sewer billing, collection and adjustments or establish policies and procedures.

Based on your recommendations the town of glen is adopting updated policies and procedures providing improved oversight and audit of billing, collecting and recording for the water and sewer department.

2-The Board did not adopt water and sewer rates charged to customers.

Based on your recommendations we have added the adoption of all water and sewer rates to the yearly organizational meeting agendas in January.

3-The clerk did not accurately bill customers or manage customer account.

Based on your recommendations the town board has appointed an administrator for water and sewer. The Administrator reviews accounts after the meter reads have been entered, assigns penalties for those accounts that are late, reviews the bills after the clerk processes them and reconciles with the Village for accuracy of voucher payments to the village as well as accuracy of the billing to the Town of Glen customers. The clerk has 3 days to process all payments.

4- The board did not review and approve adjustments or designate an individual to approve adjustments.

Based on your recommendations the board appointed an administrator for sewer and water during the August 2023 town board meeting to oversee the clerk and all assigned duties.

5-The bookkeeper did not maintain control accounts.

Based on your recommendations the bookkeeper will implement GASB guidelines and reconcile on a monthly basis.

The audit was a learning experience that allowed the Town of Glen to implement policy and procedures as well as to form a corrective action plan to correct practices that needed attention. The Town of Glen sewer and water employees were made aware of practices that they were not aware that were being done incorrectly. The Town of Glen employees will continue to work together with the software company to correct any issues.

Respectfully,

Timothy Reilly ✓

Town of Glen 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. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed Town officials and employees and reviewed Town policies, Board minutes and resolutions, rates in the billing software and various water and sewer reports and other documentation to gain an understanding of the Town's procedures related to billing, collecting, recording and adjusting water and sewer charges and determine the rates charged to customers and whether the rates were approved by the Board.
- We reviewed all 306 water and/or sewer bills during our audit period to determine whether bills were accurately prepared with the correct usage, rate and balances due.
- We reviewed all 19 active customer accounts during our audit period to determine whether penalties were properly added for unpaid accounts and whether customer accounts were relieved in accordance with Board policy.
- We reviewed all water and sewer collections and deposits totaling \$589,161 during our audit period to determine whether revenue was properly recorded.
- We reviewed all 12 billing adjustments made during our audit period to determine whether they were reviewed, approved, supported and appropriate.

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>

Local Government and School Accountability Help Line: (866) 321-8503

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