



# Town of Rutland

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## Water and Sewer Charges

**2025M-30 | June 2025**

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# Report Highlights

## Town of Rutland

### Audit Objective

Determine whether the Town of Rutland (Town) Town Clerk (Clerk) properly billed water and sewer charges.

### Key Findings

The Clerk did not properly bill water and sewer charges. We identified a total of \$8,823 in billing errors that resulted in \$4,634 in overcharges to customer accounts and \$4,189 in undercharges.

Of 81 customer account billing adjustments tested for 2022 and 2023, 80 adjustments totaling \$57,083 were not reviewed or approved by the Town Board (Board) and 41 of these adjustments totaling \$5,808 had no documented reason or support for the adjustments. In addition:

- The Board did not formally authorize all billing rates charged by the Town and it did not develop and adopt written policies and procedures to provide guidance on water and sewer billings and account adjustments.
- No one independent of the billing process reviewed quarterly billing reports to help ensure meter readings, estimated readings and amounts billed were accurate.
- Without proper oversight and review of the billing process, there is an increased risk that errors will continue to occur, and customers will not be billed the correct water and sewer charges.

### Recommendations

The audit report includes 12 recommendations that, if implemented, will help the Board and Clerk improve the water and sewer billing process.

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

### Audit Period

January 1, 2022 – December 19, 2024. We extended our review of certain customer account billings as far back as September 2016.

### Background

The Town is located in Jefferson County and is governed by the elected five-member Board, including the Town Supervisor (Supervisor). The Board is responsible for the Town’s general oversight and management, including oversight of water and sewer district operations and finances. (See Appendix A for details on water and sewer operations.)

The Supervisor serves as the chief fiscal officer and is responsible for the Town’s day-to-day operations. The clerk to the Supervisor (Supervisor’s clerk) assists the Board in determining annual water and sewer billing rates.

The Clerk was appointed by the Board as the water and sewer clerk, and is responsible for maintaining customer accounts, issuing quarterly bills, collecting and adjusting water and sewer charges and applying penalties.

| Quick Facts                  |           |
|------------------------------|-----------|
| Population                   | 3,038     |
| Water and/or Sewer Customers | 636       |
| 2023 Billing Totals          |           |
| Water District               | \$286,950 |
| Sewer District               | \$341,938 |
| Total                        | \$628,888 |

# Water and Sewer District Billing

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The Clerk served as water and sewer clerk until November 14, 2024. Subsequently, the Board appointed the Deputy Town Clerk to take over as water and sewer clerk, retroactively effective from October 1, 2024.

## How Should Water and Sewer Charges Be Properly Billed?

A town board (board) is responsible for managing a town's water and sewer district operations and providing oversight of individuals responsible for billing and adjusting water and sewer charges. The board must authorize rates for all water and sewer charges and it should establish written policies and procedures that provide guidance to individuals involved in the billing process.

When water billings are based on metered water use, it is important to have controls in place to help ensure the accuracy of the recorded water use and generated bills. For example, town personnel should periodically compare each user's water consumption (from metered use) to the prior period to identify abnormalities that should be addressed. In addition, the board should ensure that someone reviews the billing register and other reports (e.g., high/low reports, unread meter report) before bills are sent to the customers. If adjustments are needed to estimate water use or change water readings or other billed amounts, the board or other authorized supervisory personnel should approve the adjustments before they are made, and ensure proper documentation is maintained to support the reasons for the adjustments.

## The Board Did Not Formally Establish All Billing Rates

The Board adopted water and sewer district codes<sup>1</sup> which prescribed how the charges were to be assessed on customer accounts. To supplement the codes, the Board adopts annual resolutions with changes to the water and sewer rates to be effective the following calendar year. During our review of the bills, codes and adopted rates in our audit period, we identified the following:

- The Clerk billed customers \$52 per equivalent dwelling unit (EDU) for capital charges that did not agree with the water district code which shows a rate of \$51 per EDU. According to the Supervisor's clerk, the Town has billed \$52 per EDU for water capital charges for a number of years. However, officials were unable to provide a Board resolution showing that the Board increased the rate.
- The Clerk billed customers \$4.20 per 1,000 gallons of water usage in the June and September 2023 billing periods<sup>2</sup> which did not agree with the 2022 Board resolution that set a 2023 water usage rate of \$3.95 per 1,000 gallons. The Supervisor and Deputy Supervisor told us the Board discussed this rate change mid-year due to the Village of Black River increasing the water supply rate, but there was no documentation in the Board meeting minutes to show that the Board authorized the rate increase.

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<sup>1</sup> The water district code was last updated in June 2011 and the sewer district code was last updated in December 2005.

<sup>2</sup> The June bill was generated on July 10, 2023.

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When rate changes are not adopted by the Board and rate increases are entered into the billing system without formal authorization, rate changes may not be transparent to the public and Board members and customers lack assurance that the rates charged are accurate and appropriate.

## **Water and Sewer Customers Were Not Accurately Billed and Customer Accounts Were Not Properly Managed**

We reviewed a sample of 122 water and sewer bills totaling \$30,056 that were issued in two billing periods (March 2022 and September 2023),<sup>3</sup> and determined 117 bills (96 percent) were not accurate, resulting in billing discrepancies totaling \$2,027. Specifically, 59 bills overcharged customers by \$1,455 and 58 bills undercharged customers by \$572. Although the dollar amounts of the individual discrepancies in our sample were not large, the pervasiveness of the discrepancies and the possible cumulative dollar value of incorrect billings for other customers and billing periods is cause for concern. For example:

- 54 of the 61 bills (89 percent) reviewed in the March 2022 billing period were erroneously charged an additional \$15 for water usage, resulting in the affected customer accounts being overcharged by \$810. The Clerk reduced the water operation and maintenance (O&M) charges on the June 2022 bill to correct this error but did not appropriately correct all the errors for properties with multiple EDUs. As a result, three customer accounts in our sample with multiple EDUs were undercharged \$210 in the June 2022 billing period.
- Eight properties had various incorrect amounts charged for water capital, sewer and water O&M, and other miscellaneous charges, resulting in billing errors totaling \$987. This included overcharges of \$626 and undercharges of \$361 to the affected accounts. The Clerk could not explain the reasons for these billing discrepancies.

We expanded our testing of certain accounts and determined that some billing discrepancies occurred consistently over multiple billing periods. For example:

- One property that was assessed five EDUs was not billed for water and sewer O&M or water capital charges, resulting in undercharges totaling \$2,363 between November 2022 and August 2023. This customer account was not billed because the account was set to 'inactive' during that time.
- Certain one-time fees (e.g., turn on/off, frozen water fees) were included as recurring water charges on two customers' bills, resulting in the customers being overbilled a total of \$3,055.<sup>4</sup> One account was billed a 'turn on' and 'shut off' fee each quarter since September 2016 totaling \$2,680 and the other account was billed for frozen water fees each quarter since June 2022 totaling \$375. Although we calculated the ongoing charges through September 2023, these charges continued to occur after our testing period because no end date was entered into the billing system for these miscellaneous charges. The one-time fees were not clearly noted on the customers' bills but were instead combined with the customers' regular water charges, therefore making it difficult for a customer to identify the one-time fee on their customer bill.

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<sup>3</sup> See Appendix C for our sampling methodology.

<sup>4</sup> The total amount overcharged does not include overcharges in the March 2022 and September 2023 billing periods, which were included in the previous test results.

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The Clerk was not aware of these recurring charges in multiple billing periods until we brought them to her attention in May 2024. After this, the Clerk obtained assistance from the billing system software vendor to discontinue the recurring charges on the accounts.

These billing discrepancies occurred, in part, because the Board had not adopted any written policies or procedures to help ensure proper management of the water and sewer district billings by providing officials and employees with expectations and guidance. In addition, the Clerk had not received formal training on how to properly bill customers. Furthermore, no one independent of the water and sewer billing process performed a review of quarterly billing reports to help ensure that bills were accurate and based on Board-approved amounts. When proper oversight is not provided, there is an increased chance that errors in billing will not be detected, and customers will be overcharged or undercharged.

### **Billing Adjustments Were Not Always Reviewed, Approved and Supported**

We reviewed 81 billing adjustments totaling \$57,385 to 34 customer account balances, made in 2022 and 2023.<sup>5</sup> Of the total adjustments, 71 adjustments decreased customer account balances by \$56,654 and the remaining 10 adjustments increased customer account balances by \$731. Only one adjustment, which decreased a customer's account balance by \$302, was approved and supported. Approval of this adjustment was documented in the meeting minutes of the Route 3 Sewer Facilities Board of Commissioners Sewer Board.<sup>6</sup> The remaining 80 adjustments totaling \$57,083 were not reviewed or approved by the Board or anyone independent of the billing process and 41 of these adjustments totaling \$5,808 had no documented reason or support.

The Clerk told us the Board did not provide guidance for granting adjustments, but she assessed the customer's reason for each adjustment requested to determine whether an adjustment would be appropriate. In addition, for larger adjustments, the Clerk told us she required Board approval to make the adjustments. However, our test results showed this was not the Clerk's practice – we identified adjustments that reduced customer account balances by as much as \$473 without Board approval. The Clerk should not have made any of the bill adjustments without prior Board approval.

When performing our initial test of adjustments, we identified additional account adjustments that warranted further review and we extended our testing of these accounts. We reviewed five customer accounts that had adjustments on March 31, 2022, totaling \$12,086. This involved removing credits (negative account balances) that had erroneously been applied to the customer accounts in the March 2020 billing.<sup>7</sup> The initial credits were applied because new meters were installed, but no adjustments were made to correct the differences between the last readings from the old meters and the new meter readings, which were lower. As a result, this led to inaccurate negative water usage amounts, generating the credits to the five accounts, which initially totaled \$13,942.

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<sup>5</sup> See Appendix C for our sampling methodology.

<sup>6</sup> See Appendix A for more details on sewer operations.

<sup>7</sup> These credits originated prior to the current Clerk taking office.

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The former Deputy Town Clerk identified the ongoing credit balances on the customer accounts and made the adjustments in March 2022 to remove the remaining credit balances totaling \$12,086. If the high/low usage report had been reviewed in the billing period the credits were applied, it might have prompted someone to question the anomalies in usage that led to the initial account credits. While the adjustments to remove the credits were reasonable, there was not adequate documentation to confirm the accuracy of these adjustments and no analysis was done to determine the amounts the customers were underbilled over the years their accounts carried incorrect credit balances. We estimate the Town may have lost out on revenues of \$1,856 due to these errors.

Because the Board did not establish written procedures for the approval and documentation of water and sewer customer account adjustments, the Clerk did not have clear guidance for making adjustments. When adjustments are not approved and supported, there is an increased risk that erroneous adjustments could be made and/or adjustments could be made to conceal improper activity.

### **Estimated Readings Were Not Calculated According to Town Code**

Estimated readings occur when a water meter cannot be read electronically due to various reasons, such as a faulty meter or physical obstructions such as snow or leaves. The water district code outlines a specific approach for estimating water consumption when electronic readings are not possible. It states that these estimates should be based on the average water usage over the last four billing periods. However, the Clerk told us she did not check past quarter billings to calculate this average. Instead, she typically used 3,000 gallons for estimating usage on accounts without an electronic meter reading.

We examined 56 accounts with unread meters for the September 2023 billing period and determined that none of the reading estimates complied with the water district code. Using meter readings for four or more prior consecutive billing periods, we calculated the actual, average water usage for each account and identified 41 accounts had been underbilled by a total of \$1,254, as their actual average usage exceeded 3,000 gallons. Conversely, we identified 14 accounts were overbilled by \$124, given their average actual usage was below 3,000 gallons. One account had only estimated readings in its billing history instead of actual readings, preventing us from calculating the correct billed amount. The Clerk told us she was unaware of the calculation requirement outlined in the Town code and that was why she used the 3,000-gallon amount when calculating estimated readings for unread meters.

Meters that cannot be read electronically are identified on an unread meter report that the billing system generates and lists accounts not automatically read, flagging them for follow-up to understand the reason for the lack of reading. However, the Board and Clerk did not establish an effective follow-up process for these unread meters to identify and address the issue (e.g., a faulty meter or physical obstruction preventing the reading or inaccessible meter). Without a reliable process to help ensure accurate meter readings, there is an increased risk that customers will not be billed accurately, which occurred as described above.

During our fieldwork, the Town established certain additional steps to address unread meters. The Board appointed the former Highway Superintendent as Deputy Supervisor in September 2024 to help address the issue of continually unread meters. The Deputy Supervisor now receives the unread



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meter report quarterly and makes appointments with the customers to determine the reason for the unread meter (e.g., broken, inaccessible, physical obstruction). He also identifies ways to resolve the customer's unread meter issue such as submitting a meter service request to the Development Authority of the North Country (DANC) and monitoring for a resolution.

## **What Do We Recommend?**

The Board should:

1. Pass a resolution to authorize all water and sewer billing rates and ensure any rate changes are approved by the Board and communicated to the Clerk for billing purposes.
2. Develop and adopt written policies and procedures to provide clear guidance for billing, following up on and calculating estimated readings for unread meters, and making account adjustments to help ensure water and sewer bills are accurate and comply with water and sewer district codes.
3. Ensure individuals responsible for water and sewer billing receive the training necessary to perform their duties.
4. Request and review quarterly billing reports to help ensure meter readings and the amounts billed and due are accurate before bills are distributed or assign these duties to someone independent of the billing process.
5. Ensure customer bills include a detailed listing of all water and sewer charges and any one-time fees.
6. Review and approve or designate someone independent of the billing process to review and approve, all adjustments made to customer accounts and ensure the adjustments are adequately documented.
7. Ensure the overcharges or undercharges to customer bills identified in this audit are remedied if they have not already been corrected.

The Clerk should:

8. Ensure the Board authorizes all changes in water and sewer rates prior to entering rate changes into the billing system.
9. Ensure all customer accounts in the billing system are active and the end dates for one-time service fees (e.g., frozen water fees) are properly entered into the billing system.
10. Review water and sewer bills, including miscellaneous charges, and billing-related reports (e.g., high/low usage reports), for accuracy and analysis before bills are mailed out.
11. Present all adjustments to customer accounts to the Board or its designee for review and approval prior to making the adjustments and maintain supporting documentation for all adjustments made.
12. Calculate estimated readings in accordance with the water district code.



## Appendix A: Details on Water and Sewer Operations

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The Town provides water and sewer services to Town residents and businesses within the Rutland water district and Rutland sewer district. The Town purchases its water from the Village of Black River and bills water and sewer district customers quarterly based on metered water usage obtained electronically by DANC. In addition, all customers connected to the water and sewer system, whether or not they have water usage also pay flat rate capital and O&M charges, which are assessed based on a per EDU price structure assigned to the property.

The Town is part of the Route 3 Sewer Facilities Board of Commissioners (Sewer Board), which is composed of one governing board member from the Towns of Rutland, Champion, LeRay, Pamela and the Village of Black River. The Sewer Board contracts with DANC to provide O&M and administrative services for the Route 3 sewer facilities. While the Board sets its own sewer usage, O&M and capital rates, it typically adjusts these rates based on the rate changes recommended by the Sewer Board.

## Appendix B: Response From Town Officials

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**Logan M. Eddy**  
Town Supervisor

Office of the State Comptroller  
Division of Local Government & School Accountability RDU  
110 State Street, 12th Floor  
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June 2, 2025

Re: Audit Response Letter – Water and Sewer Charges

To Whom It May Concern:

The Rutland Town Board extends its appreciation to the Office of the State Comptroller for the time and diligence invested in the recent audit of the Town's water and sewer billing practices. We have reviewed the draft audit report and offer the following response to the findings and recommendations.

The Board agrees with the finding that the Clerk did not properly bill water and sewer charges during the audit period. We acknowledge the identification of \$8,823 in billing errors, which resulted in both overcharges and undercharges to customer accounts. We also agree that the Board did not approve the billing adjustments issued during the audit period and note that 80 of 81 tested adjustments were not reviewed or authorized by the Board. Further, the Board recognizes that many adjustments lacked documentation to support their basis.

We also acknowledge that the Board did not formally authorize all billing rates charged during the audit period. While we believe that increases to these rates were approved by the Board, we recognize that the actions were not properly memorialized in the meeting minutes, and we are taking steps to ensure that all future rate authorizations are properly documented.

The Board would like to highlight that the Town's existing water and sewer laws do provide a foundational framework for billing and account management. However, the effectiveness of these laws is contingent upon consistent and accurate execution, which we recognize did not occur during the period reviewed.

The Board agrees that there was no independent oversight of the billing process during the audit period and that all functions remained within the Clerk's office. We acknowledge this lack of separation of duties presents a risk to the integrity of the billing process.


In response to these findings, the Board has already taken initial steps to begin correcting the

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issues identified. Specifically, the duties of the Water Clerk have been reassigned to promote greater oversight and accountability. The Board is committed to developing a formal Corrective Action Plan upon receipt of the final audit report, and we will continue working to strengthen internal controls and improve the accuracy and transparency of our water and sewer billing operations.

We appreciate the audit team's professional conduct throughout this process.

Best Regards,

 Logan M. Eddy  
Town Supervisor  
Town of Rutland

## Appendix C: Audit Methodology and Standards

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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 the Town's water and sewer district codes, Board meeting minutes and resolutions, rates in the billing system software and various water and sewer reports and records to gain an understanding of the Town's procedures related to billing, estimating water usage and adjusting water and sewer charges and to determine whether the rates charged to customers were approved by the Board.
- We interviewed the billing system software vendor and employees from DANC to gain an understanding of how water usage readings were obtained and provided to the Clerk for billing.
- We selected a sample of 65 customer accounts out of the total of 636 water and sewer customer accounts (approximately 10 percent) to review two quarterly billings (March 2022 and September 2023). The two quarterly billings consist of 61 billed customer accounts (122 bills) and four customer accounts that were not billed in both March 2022 and September 2023. We selected March 2022 because it was the first billing period in our audit period. We selected September 2023 because it was the last billing period before water and sewer unpaid balances were relieved. We judgmentally selected 37 of these customer accounts based on risk factors such as accounts with a significant number of adjustments, accounts with unusually high or low water usage, accounts with water but no sewer service, and accounts of customers who are Town officials or have the same last name as officials. We used a random number generator to select the remaining 28 customer accounts.
- We reviewed the selected 65 customer water and sewer bills for the March 2022 and September 2023 quarterly billing periods to determine whether bills were accurately prepared with the correct usage, rate and balance due. We followed up on discrepancies and documented the reasons for those discrepancies.
- We reviewed an unread meter report for the September 2023 billing and selected all 56 customer accounts with unread meters for that billing period. We selected the September 2023 billing because it was the most recent billing quarter when we began fieldwork. We then reviewed all the associated billings to determine whether the Clerk followed the Town's water district code when determining the estimated readings used to generate the bills.
- We reviewed 81 water billing adjustments, that were over \$200, totaling \$57,385 in 2022 and 2023, 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.

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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 Clerk's office.

## Appendix D: Resources and Services

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### **Regional Office Directory**

[www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf](http://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](http://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](http://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](http://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](http://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](http://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](http://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](http://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](http://www.osc.ny.gov/local-government/academy)

## Contact

Office of the New York State Comptroller  
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