



# Town of Richmond

## Water Accountability

### Report of Examination

Period Covered:

January 1, 2009 — April 12, 2012

2012M-103



Thomas P. DiNapoli

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# State of New York Office of the State Comptroller

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

November 2012

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 Richmond, entitled Water Accountability. 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*

# Introduction

## Background

The Town of Richmond (Town) is located in Ontario County, has a population of approximately 3,360, and encompasses approximately 44 square miles. The Town is governed by the Town Board (Board) which comprises four elected members and an elected Town Supervisor (Supervisor). The Board is responsible for the general management and control of Town finances. For the fiscal year ended December 31, 2011, operating expenditures totaled \$1.1 million for the general fund, \$1.2 million for the highway fund, and \$386,000 for the water fund.

The Supervisor is a member of the Board and serves as the Town's chief executive officer and chief fiscal officer. As chief fiscal officer, the Supervisor is responsible for the receipt, disbursement and custody of Town moneys. 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's water supply is purchased from the City of Rochester (City). Revenue from the Town's water operations is primarily derived from water rents (user charges) billed on a quarterly basis. For 2011, the Town provided water to approximately 760 residential and commercial customers and charged water users approximately \$218,000. The Town's Water Department oversees water operations, which includes general maintenance and installation of water lines and meters and reading water meters. The Town uses an electronic meter reader system to capture customer water usage. Meter readings are uploaded to the Town's accounting system and water bills are generated by the Deputy Town Clerk (Deputy). Although the Deputy is responsible for maintaining and reporting all necessary financial information to ensure the proper accountability of water operations, the Board is responsible for the overall management of the Town's water fund activities.

## Objective

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

- Does the Town properly account for water and bill customers completely and accurately?

**Scope and  
Methodology**

We interviewed officials, and examined various records and documents pertaining to water operations for the period January 1, 2009, through April 12, 2012.

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 are 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 have taken or plan to take 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.

## Unaccounted-For Water

Town officials have a responsibility to control water operation costs. In order to fulfill this responsibility, it is essential that officials track this resource throughout the system and identify issues needing attention, particularly large volumes of unaccounted-for water. Unaccounted-for water is the difference between the amount of water purchased from the City, and the amount of water billed to customers. This could include losses from inaccurate customer meter readings, source meter errors, unmetered usage, accounting errors, illegal connections and leaks. Municipal usage that is often unmetered may include water used for firefighting and flushing the water or sewer system. A large volume of unaccounted-for water is a warning sign of potentially significant problems.

The United States Environmental Protection Agency (EPA) has established an industry goal of 10 percent for unaccounted-for water. To help identify water loss, it is essential to perform a periodic reconciliation of water purchased with water billed. Periodic reconciliations provide responsible officials with information necessary to detect and reduce water loss.

The Town does not have procedures to reconcile the total amount of water purchased to the amount of water billed. Also, Town officials did not maintain records of gallons unbilled but used for valid municipal purposes to track the amount of unaccounted-for water used by the Town. As a result, the Town's unaccounted-for water was substantially more than the EPA industry standard.

For the 2009-11 fiscal years, the Town purchased 198,951,000 gallons of water from the City at a cost of \$278,697. We found that the Town billed its water customers for 126,398,030 gallons of the water it purchased, leaving 72,552,970 gallons (36 percent) unbilled. Taking into account the EPA's standard of 10 percent for unaccounted-for water, we calculated unaccounted-for water as follows:

Gallons of Water Purchased	198,951,000
Less: Total Gallons Billed	(126,398,030)
Total Unbilled Gallons	72,552,970
Less: 10% EPA Standard	(19,895,100)
Unaccounted-for Water in Excess of Standard	52,657,870

During the three-year period reviewed, water losses in excess of the 10 percent allowed by the EPA were approximately 52.7 million gallons. Using the average annual water rate<sup>1</sup> paid to the City, we estimate the cost associated with this water loss is approximately \$75,000.<sup>2</sup>

The Deputy Water Superintendent indicated that the infrastructure is aging and leaks occur more frequently in the winter months. In addition, he stated that an abandoned water line was recently identified that was leaking approximately 25,000 gallons a day. This leaking water line, which was shut off in August 2011, accounted for approximately 24 million gallons, or 33 percent, of the total lost water for the three-year period. Finally, several short-term but substantial leaks occurred during the recent installation of water lines for a newly created water district because the contractors did not initially lay the pipe correctly. It is also possible that a portion of the unaccounted-for water is due to inaccurate meters. Town officials do not have any specific plans for addressing water accountability. However, the Deputy Water Superintendent plans to compare the amount of water used to the amount of water purchased each time the meters are read.

## **Recommendations**

1. Town officials should properly reconcile the amount of water purchased with the amount of water billed and used for municipal purposes. Town officials should investigate and resolve significant variances.
2. Town officials should develop a plan to find and repair leaks in the system.

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<sup>1</sup> The average annual rate per thousand gallons of water was \$1.42 for the three-year period.

<sup>2</sup> Represents the cost of the 52.7 million unbilled gallons of water, in excess of industry standards, for the three-year period of 2009-11

## **APPENDIX A**

### **RESPONSE FROM LOCAL OFFICIALS**

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

**Town of Richmond  
Supervisor Ralph Angelo  
8690 Main Street/ PO Box 145  
Honeoye, NY 14471  
585-229-5757  
townofrichmond.org**

October 19, 2012

The Honeoye Water Department and Richmond Town Board were proactively addressing the issues raised during this audit. In January 2012, the Town Board passed a resolution requiring a quarterly water usage report be presented to the Board by the Water Department.

The Deputy Water Superintendent, who is responsible for the department due to the retirement of the Water Superintendent, is comparing billed water usage to purchased water continually. Revised forms have been distributed to the Richmond Fire Department and Ontario County to account for water used.

A new leak detector is being purchased to monitor water loss more quickly. We have reduced unaccounted for water to 14.5%.

We appreciate illumination of the weaknesses in our system. We will continue to tighten procedures for a more efficient Water Department.

Sincerely,

Ralph Angelo, Richmond Town Supervisor

## **APPENDIX B**

### **AUDIT METHODOLOGY AND STANDARDS**

The objectives of our audit were to review the Town's water operations for the period January 1, 2009, through April 12, 2012. To achieve our objective, we performed the following procedures:

- We interviewed appropriate Town officials and personnel to gain an understanding of Town water operations.
- We compared the amount of water purchased to the amount of water billed using Town records and invoices from the City of Rochester to determine whether the Town was within unaccounted-for water standards established by the EPA and the cost of the unaccounted-for water.

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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**AND SCHOOL ACCOUNTABILITY**

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