



Town of Monroe

Water System Accountability and Electricity Cost Savings

Report of Examination

Period Covered:

January 1, 2011 — January 31, 2012

2012M-227



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

February 2013

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 Monroe, entitled Water System Accountability and Electricity Cost Savings. 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 Monroe (Town) is located in Orange County and has a population of approximately 39,900. The Town Board (Board) comprises four elected members and an elected Town Supervisor (Supervisor). The Board is the legislative body responsible for the general management and control of the Town's financial affairs, and provides guidance through the enactment of laws, policies and procedures. The Supervisor is the Town's chief executive officer and is responsible for the general administration, coordination, and supervision of Town operations. The Town reported general fund expenditures of \$4.9 million for the fiscal year ending December 31, 2011.

The Town's water system comprises six water districts with approximately 350 metered customers who are billed quarterly for water use. The Village of Monroe (Village) provides water to four of the Town's six water districts and bills the Town for this water on a quarterly basis. The Town's expenditures for water operations in the 2011 fiscal year totaled \$518,000.

Scope and Objective

The objective of our audit was to determine if the Town could achieve cost savings or revenue enhancements in its water operations and reduce electricity costs for the period January 1, 2011 to January 31, 2012. To calculate unaccounted-for water using the Town's quarterly billing records, the audit period was expanded to December 15, 2010 to January 31, 2012. Our audit addressed the following related questions:

- Can the Town save costs and enhance revenues by reducing unaccounted-for water to acceptable levels and by assessing fees for new water user accounts?
- Can the Town achieve cost savings by changing its electricity supplier?

Audit Results

Town officials did not have written procedures for reconciling the water processed by its water system and purchased from the Village with the water billed to its customers, for comparing water usage to industry standards, and for periodically recalibrating water meters throughout the system to ensure accuracy. The Town could not account for 8,376,160 gallons, or about 25 percent of the water processed. We estimated that the Town lost \$64,787 in water rent revenue from unbilled water if the lost water was due to malfunctioning meters and/or theft. Conversely, if the water lost was due to leaks, the Town incurred a loss of at least \$57,000 to purchase 7.6 million gallons of unaccounted-for water in districts 1, 8 and 10.¹

¹ We were unable to determine the cost per gallon for processing water in district 12 as water production costs were not calculated by the Town and water consumption could not be quantified due to a defect in the master meter during the months of July through November 2011.

The Town also has not established written procedures that clearly define the process for issuing permits allowing property owners to connect to the water system. Consequently, property owners did not always apply for tapping permits. We calculated that the Town lost revenues of \$30,550 as the result of not applying the requirements in the Town's Code on the issuance of tapping permits and collection of tapping fees.

Town officials did not seek competitive rates for electricity supply purchases or periodically review the rate they were paying with rates offered by other electricity suppliers. Instead, they chose to purchase electricity from the local utility company. As a result, the Town missed the opportunity to reduce its energy costs. The Town could have saved as much as \$4,035 had it contracted for the fixed rate of 7.335 cents per kilowatt hour (kWh) with the same energy supply company (ESCO) as the Village, or \$2,548 using the Orange County ESCO quoted rates of 7.7 and 6.26 cents per kWh.

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. Except as indicated in Appendix A, Town officials generally agreed with our findings and recommendations and indicated they plan to initiate corrective action. Appendix B includes our comments on the issues raised in the Town's response letter.

Introduction

Background

The Town of Monroe (Town) is located in Orange County and has a population of approximately 39,900. The Town covers 22 square miles and includes three villages: Monroe, Kiryas Joel, and the majority of Harriman, which the Town shares with the Town of Woodbury. The Town Board (Board) comprises four elected members and an elected Town Supervisor (Supervisor). The Board, as the legislative body responsible for the general management and control of the Town's financial affairs, provides guidance through the enactment of laws, policies, and procedures. The Supervisor is the Town's chief executive officer and is responsible for the general administration, coordination, and supervision of Town operations.

The Water Superintendent is appointed by the Board and is responsible for the day-to-day operations of the Town's water system. The water system consists of six water districts comprising approximately 350 metered customers whom the Town bills on a quarterly basis for water use. The Village of Monroe (Village) provides water to four of the Town's six water districts and bills the Town for this water quarterly. Expenditures for the Town's water operations in the 2011 fiscal year totaled approximately \$518,000.

The Town reported general fund expenditures of \$4.9 million for the fiscal year ending December 31, 2011.

Objective

The objective of our audit was to determine if the Town could achieve cost savings or revenue enhancements in its water operations and reduce electricity costs. Our audit addressed the following related questions:

- Can the Town save costs and enhance revenues by reducing unaccounted-for water to acceptable levels and by assessing fees for new water user accounts?
- Can the Town achieve cost savings by changing its electricity supplier?

Scope and Methodology

We examined the Town's records and reports pertaining to its water operations and electricity supply costs for the period January 1, 2011 to January 31, 2012. To calculate unaccounted-for water using the Town's quarterly billing records, the audit period was expanded to December 15, 2010 to January 31, 2012.

**Comments of
Local Officials and
Corrective Action**

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 C of this report.

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. Except as indicated in Appendix A, Town officials generally agreed with our findings and recommendations and indicated they plan to initiate corrective action. Appendix B includes our comments on the issues raised in the Town's response letter.

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 Town to make this plan available for public review in the Town Clerk's office.

Water System Accountability

An effective municipal water accounting system provides for the tracking of water throughout the distribution system and identifies areas that may need attention, such as large volumes of unaccounted-for water. This is a first step in minimizing water losses, reducing system costs, and increasing system revenue. Town Code provides guidance and sets forth regulations and procedures to effectively run water operations, including charging fees. The quantity of water or revenue lost from a water distribution system will vary depending upon how well the system is operated and maintained.

Due to a lack of procedures for reconciling water processed to water billed, comparing water usage to industry standards, and periodically recalibrating water meters for accuracy, the Town could not account for 8,376,160 gallons (25 percent of the water processed) for the period December 15, 2010 to January 27, 2012. We estimated that the Town lost \$64,787 in water rents if the loss was due to malfunctioning meters and/or theft; if it was due to leaks, the Town lost at least \$57,000 to purchase 7.6 million gallons of unaccounted-for water. The Town also lost revenues of \$30,550 during the audit period by not applying Town Code requirements for tapping permits and fees.

Unaccounted-For Water

Unaccounted-for water is the difference between the amount of water processed and the amount of water billed to customers or used for other known purposes during a given period. Water losses can result from many factors including broken meters, underground leaks, source meter errors, customer reading under-registrations, illegal connections, malfunctioning system distribution controls, storage tank overflows, theft (meter tampering), unmetered use, and inaccurate or incomplete recordkeeping. Water loss results in excess costs for additional gallons purchased and for additional water processing. Because metered water rents are the major source of revenue for the water districts, water loss due to malfunctioning meters or poor recordkeeping results in lost revenues from water that is not billed.

The industry standard for unaccounted-for water is 10 percent of water processed, established by the Federal Environmental Protection Agency (EPA). According to the American Water Works Association (AWWA), residential meters should be calibrated periodically and replaced at least once every 15 years to ensure accuracy of meter readings and, therefore, of amounts billed based on those readings

The Town's Highway Department oversees the Town's water operations. Master water meters are installed in each of the Town's six

water districts and record all water processed by the Town, whether provided by the Village or drawn from the Town's own sources (e.g., reservoirs). These master meters are read daily by an employee in the Town's Highway Department, who serves as the part-time water system operator. The Village bills the Town quarterly for the water it provides to four of the Town's water districts.² Town personnel also read customers' water meters quarterly to determine water use for billing purposes. The Town charges water users the same rate of \$7.50 per thousand gallons that the Village charges the Town.

Town officials did not have written procedures for reconciling the water processed by the Town's water system and purchased from the Village, as indicated by the master meter readings for each district, with the water billed to the Town's customers. Further, there were no procedures for comparing water usage to industry standards and for periodically recalibrating water meters throughout the system to help ensure accuracy. Although Town personnel prepared an analysis comparing the Town's quarterly customer billings with the quarterly bills received from the Village for the four districts to which the Village supplied water, they did not prepare formal reconciliations comparing the amount of water processed to the total amount metered (for all six water districts) and estimated amounts used for other known purposes that are not metered.³ This type of reconciliation would have allowed Town officials to determine the causes of the water loss, compare the rate of loss to industry standards, and take steps to correct identified problems.

For the period December 15, 2010 to January 27, 2012, the Town could not account for 8,376,160 gallons, or 25 percent of the water processed, after allowing for the EPA maximum and for known uses that are not metered. The Town processed (pumped) 33,533,130 gallons of water and billed its customers for 20,127,000 gallons, or 60 percent, of that amount. After deducting the EPA's standard 10 percent maximum for unaccounted-for water and allowing an additional estimated 5 percent for unmetered municipal use – for a total of 5,029,970 gallons – we calculated unaccounted-for water for the four quarterly billing periods December 15, 2010 to January 27, 2012.⁴ As indicated in Table 1, districts 8 and 10 had unaccounted-for water percentages of 34 percent and 27 percent, respectively, while districts 1 and 12 had 6 percent and 25 percent of unaccounted-for

² Districts 1, 7, 8, and 10

³ For such purposes as firefighting, hydrant flushing, and water main testing

⁴ For districts 2, 7, 8, and 10. Our calculation for districts 1 and 12 is based on three quarters rather than four. Because malfunctioning master meters were not repaired in a timely manner, the amount of water that the Town purchased from the Village for district 1 and the amount that the Town produced for district 12 could not be measured for approximately 3.5 and 4.5 months (from May 30, 2011 to September 19, 2011 and from July 9, 2011 to December 1, 2011), respectively.

water. In total, the unaccounted-for water for all six districts, after the 15 percent allowance, comprised 25 percent of the amount pumped.

Table 1: Unaccounted-For Water (Gallons)					
Water District	Gallons			Percent of Gallons Pumped	In Excess of 15% Allowance
	Pumped	Billed	Unaccounted For		
1	4,288,540	3,368,000	920,540	21 %	6 %
2	2,356,500	2,140,000	216,500	9 %	0 %
7	1,126,150	985,000	141,150	13 %	0 %
8	18,877,600	9,574,000	9,303,600	49 %	34 %
10	3,422,350	1,996,000	1,426,350	42 %	27 %
12	3,461,990	2,064,000	1,397,990	40 %	25 %
Total	33,533,130	20,127,000	13,406,130	40%	25%

Determining the causes for and reducing the amount of unaccounted-for water are the initial steps Town officials must take to improve the efficiency of water operations, enhance the financial health of the water districts, and preserve scarce water resources. Without proper explanation or justification for unaccounted-for water, Town officials cannot determine the extent to which the Town is losing revenue for water that is not being billed or incurring excess costs in its water processing.

Metered water rents are the major source of revenue for the water districts. When unaccounted-for water is due to malfunctioning meters and theft, the Town loses water rent revenues for the gallons of water that are not billed. Using the rates paid by Town customers and the almost 8.5 million gallons of unaccounted-for water in excess of the standard industry allowance, we estimate that the Town lost \$64,787 in revenue if the unaccounted-for water was due to malfunctioning meters and/or theft:

Table 2: Lost Revenue in Excess of 15% Allowed					
Water District	Gallons Pumped	Percent in Excess of 15% Allowance	Gallons Pumped in Excess of Allowance	Rate per 1,000 Gallons	Lost Revenue
1	4,288,540	6 %	257,312	\$7.50	\$1,930
8	18,877,600	34 %	6,418,384	\$7.50	\$48,138
10	3,422,350	27 %	924,035	\$7.50	\$6,930
12	3,461,990	25 %	865,498	\$9.00	\$7,789
Total	30,050,480		8,465,229		\$64,787

Conversely, if the unaccounted-for water is due to leaks – rather than malfunctioning meters or theft through meter tampering – the Town is incurring excess costs for water processing. We calculated that it cost at least \$57,000 to purchase the Town’s 7.6 million gallons of

unaccounted-for water in water districts 1, 8 and 10. This equals the revenues lost by the three districts, since the Town charges users the same rate of \$7.50 per thousand gallons as the Village charges the Town. However, we were unable to determine the cost per gallon for processing water in Water District 12 because the Town does not calculate water production costs. Further, a defect in the district's master meter during July through November 2011 made it impossible to quantify water consumption in actual gallons pumped.

Town officials believe that water main breaks, leaks, malfunctioning meters, and theft may be causing a significant portion of the unaccounted-for water. This combination of possible causes suggests that the Town may be losing money not only from processing wasted water, but also from missed revenue for water that is actually used, but inaccurately recorded because of meters that are either not working properly or are tampered with. The Town does not have a formal monitoring program and Town officials did not routinely inspect the distribution system to detect and repair leaks, or to regularly calibrate and test meters. Ages of meters vary between the districts and there is no record maintained of when meters were installed, repaired, or replaced. Many meters were thought to be original installations. Since water districts are from 17 to 50 years old, the Town does not meet the AWWA standard for periodically calibrating residential meters and replacing them at least once every 15 years.

The Board did not appoint a Water Superintendent to oversee and monitor water operations until more than two years after the former Highway/Water Superintendent retired in April 2010. During that interval, two other individuals were appointed as Administrator and Water Administrator.⁵ As a result of this turnover, and a lack of clearly defined job duties, problems in the day-to-day operations of the Water Department may have taken longer than usual to identify and address. The Board appointed the current Highway Superintendent as the Water Superintendent effective July 30, 2012.

Tapping Fees

A tap, as defined by Town Code, is a connection of any kind with the Town water system or proposed system for the purpose of obtaining water. Applications for the introduction of water into any premises or for the extension of any pipes for the conveyance of water must be made in writing on applications provided by the Water Department. All taps are done under the supervision of the Town Engineer or Water Superintendent. When a new development is built, one main

⁵ The senior highway clerk/water system operator served as Deputy Highway Superintendent (after the then-Highway Superintendent retired) and was later appointed to a new Administrator title effective March 7, 2011. Subsequently, the Board re-appointed a consultant to serve as Water Administrator in January 2012 (when the current Highway Superintendent began his four-year term). The Board did not clearly define the duties of either the Administrator or Water Administrator positions.

tap is placed on the main line, from which each home is individually tapped into the new line. Town Code states that no taps can be made unless a permit to do so is first obtained from the Town Clerk and a fee is paid at the time the permit is issued. Fees for tapping of Town waterlines vary according to the size of the line being tapped; the fee is \$11,700 for a six-inch tap, which is a main line that supplies individual customers with water through smaller taps; the Town’s fee for a smaller, ¾-inch tap is \$325.

The Town has not established written procedures that clearly define the process for permit issuance. For example, it is unclear whose duty it is to advise applicants of the need to obtain a tapping fee permit, and whose responsibility it is to ensure that the proper permits are in place. Consequently, during our audit period no property owners applied for tapping permits.

To calculate the amount of tapping fee revenues uncollected during the audit period, we examined a list of property owners within the Town’s water districts who were issued a certificate of occupancy (C.O.). We found that two six-inch main taps were made on two roads in a new subdivision, from which 22 homes with ¾-inch taps were granted a C.O. during the audit period. As shown in Table 3, the Town lost revenues of \$30,550 as the result of not applying the Town Code requirements to the issuance of tapping permits and collection of tapping fees.

Tap Size	Taps Installed	Fee per Tap	Tapping Fees Not Charged
6-inch	2	\$11,700	\$23,400
¾-inch	22	\$325	\$7,150
Total	24		\$30,550

Until Town officials develop and enforce clear procedures for assessing and tracking tapping fees, the Town will continue to lose potential revenue.

Recommendations

1. Town officials should develop written procedures for determining water accountability that include periodic reconciliation of the water processed to total water consumed.
2. Town officials should periodically compare customer water usage to industry standards and recalibrate, test, and replace meters in accordance with the manufacturer’s recommendations or the AWWA guidelines. Town officials should investigate and resolve significant variances.

3. Town officials should develop written procedures that clearly define the process for tapping permits. The Board should take action to ensure the requirements of the Town Code relating to tapping permits and collection of tapping fees are met.

Electricity Cost Savings

Municipalities should monitor energy usage and set procedures to ensure that they acquire commodities at the lowest possible price. Deregulation has provided more opportunity to pay less for commodities by providing competition. If a municipality does not seek competition through bidding for electricity, it should periodically review the rate it pays with rates offered by other electricity suppliers. General Municipal Law (GML) authorizes municipalities to purchase materials or services through any County contract in the State and allows municipalities to join together to perform any of their respective functions or duties, which includes purchasing electricity.

Town officials did not seek competitive rates for electricity supply purchases or periodically review the rate they were paying with rates offered by other electricity suppliers. Instead, Town officials chose to purchase electricity from the local utility company. Town officials indicated that energy price comparisons were not periodically performed and they did not monitor energy usage. The Supervisor stated that the Board had discussed alternative suppliers for utilities and that she had considered sharing in Orange County's contract with an energy service company (ESCO) to save on administrative costs, but no actions have been taken.

Our analysis showed that the Town could have benefited by switching to an ESCO. The supply charges for all 22 active Town accounts totaled \$50,829 for the 13-month audit period, or an average rate of 7.967 cents per kilowatt hour (kWh). We compared the average rate of 7.967 cents paid by the Town to the contracted fixed rate of 7.335 cents per kWh paid by the Village and the quoted fixed rate, supplied by Orange County's ESCO, of 7.7 cents for 2011 and 6.26 cents for 2012. The Town could have saved as much as \$4,035 by contracting for the fixed rate of 7.335 cents per kWh with the same ESCO as the Village or \$2,548 using the Orange County ESCO quoted rates of 7.7 and 6.26 cents per kWh.

Recommendation

4. Town officials should periodically conduct energy price comparisons and seek competitive quotes to ensure that the Town is purchasing needed electricity at the lowest price.

APPENDIX A
RESPONSE FROM LOCAL OFFICIALS

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

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MARY ELLEN F. BEAMS

HIGHWAY SUPERINTENDENT
ANTHONY RIZZO
782-8583

ATTORNEY:
LANGDON CHAPMAN

ENGINEER:
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RICHARD COLON
DANIEL BURKE

BUILDING INSPECTOR: 782-7638 X26
WILLIAM P. MUEENTE

ASSESSOR: 782-4459 X 22

TOWN JUSTICES: 845-782-8404
MARIA VAZQUEZ-DOLES
STEVEN MILLIGRAM

February 4, 2013

Dear Office of the State Comptroller,

Due to some idiosyncrasies, the Town took it upon ourselves to request a risk assessment from the Comptroller's Office because we felt strongly about the need for a review. The request resulted in the audit of our water departments. We thank-you for that and agree with your findings with two exceptions that I believe may simply be a matter of semantics.

First, in recommendation #1 you say we should develop written procedures for determining water accountability that include periodic reconciliation of the water processed to total water consumed. We do that by virtue of our quarterly water reports. The quarterly water reports clearly show that information. It is your recommendation #2 that is the missing part of the equation in our case. It should be done quarterly also and then leak detection put in place if necessary.

See
Note 1
Page 17

Second, in recommendation #3 you say we should clearly define the process for tapping permits. The Board should take action to ensure the requirements of the Town Code relating to the tapping permits and collection of tapping fees are met. Again, we have the Town Code (which I will include with the CAP), but it is the implementation that is lacking. We will be sure there are clearer written procedures for tapping fees and meter installation. Certainly, if the fees have not been paid to the clerk and the property owner does not have receipt of same, there will be no meter installation.

See
Note 2
Page 17

As the Supervisor and by way of explanation for some of the issues, I would like to give you a few of our extenuating circumstances. These are explanations and not excuses. We completely understand the responsibility and have already changed the way things are handled.

Our Superintendent of Highways, who also handled water, retired and then passed away and was not here to lend any guidance to new people. We had three new and different Superintendent of Highways over the next three years. In addition we had the two catastrophic storms, hurricanes Irene and Sandy back to back. Nothing like that has happened before and it further complicated an already difficult situation for the latest new, incoming Superintendent of Highways. He had to deal with all the after effects and paperwork for Irene (an incident that he was not present for) and then the new issues surrounding Sandy.

In order to start to correct current problems we hired an independent water company to handle the Town's Water Districts before the end of 2012. This company has been doing water for another local municipality for about 30 years.

Some of the issues we will be addressing are:

- synchronize quarterly readings with the Village of Monroe who supplies water to all but two of our districts
- repair all broken meters
- replace the heads on all meters so that they may be read electronically, saving the Town time and money, thus passing those savings on to the customers
- better and regular leak detection will be done in all districts and those that show they have issues will be target with a more sophisticated program
- review our code to put meters on hydrants in areas that are being developed so as to charge the developer for any water used in the development process
- have the planning board give copies of our water regulations in Town code to any developer beginning a project
- the current water company is aware of and will enforce water meter installation regulations with any developers

Other steps we have taken to address items mentioned in your report are to go with a private company for gas and electric rates and we redid our motion in regard to retirement reporting so as to cover those positions that were inadvertently omitted the first time.

Respectfully submitted.

Sandy Leonard

Monroe Town Supervisor

APPENDIX B

OSC COMMENTS ON THE TOWN'S RESPONSE

Note 1

The Town's quarterly reports compare gallons billed to the Town by the Village to gallons billed by the Town to its customers. However, the Village's billings do not reflect all the water that the Town pumps, including the two Districts that process their own water and estimated legitimate usage that is not metered. Therefore, Town officials may not know the full extent of water loss which a proper reconciliation would indicate. Further, the Village's billing timeframes do not always match the Town's billing timeframes, whereas a quarterly comparison of all water processed by the Town with the Town's own quarterly billings would be more accurate.

Note 2

The Town Code does cover the tapping permit process; however, the Town does not have written procedures that clearly define how it notifies the property owners of the process and how tapping permits and the related fees are assessed and tracked.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard Town assets. To accomplish this, we performed an initial assessment of the 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: financial management, cash receipts and disbursements, purchasing, payroll and personal services, and information technology.

During the initial assessment, we interviewed appropriate Town officials, performed limited tests of transactions, and reviewed pertinent documents such as Town policies and procedures, Board minutes, and financial records and reports. In addition, we reviewed the Town's internal controls and procedures over computerized financial records to determine whether the information produced by these systems was reliable.

Based on that evaluation, we determined that controls appeared to be adequate and limited risk of potential fraud, theft and/or professional misconduct existed in most of the financial areas we reviewed. We did determine that risk existed in potential losses with the Town's water operations, as well as, a potential for the Town to realize cost savings by improving its practices for procuring electricity. Therefore, we selected water accountability and electricity cost savings for audit.

To accomplish the objective of our audit for the period January 1, 2011 to January 31, 2012, our procedures included the following steps:

- We interviewed Town officials and staff to obtain an understanding of the Town's water operations, identify key personnel, and gain an understanding of policies and procedures relative to our audit objective.
- We reviewed the minutes of the Board's proceedings and related documentation concerning the appointment of Administrators.
- We reviewed all applicable Town laws, codes, policies, procedures, and job duty descriptions pertaining to water operations.
- We obtained pertinent records and reports and compared meter reading and billing dates for consistency; analyzed master meter readings to identify broken meters, time taken to repair master meters and inaccurate or estimated reporting of volume; and calculated the amount and percentages of unaccounted-for water by comparing the amount of water treated to the amount of water billed.
- We calculated lost tapping fee revenues by obtaining a list of new homes and rates.
- We calculated monthly average electricity supply rates for the Town's accounts; obtained competitive electric supply rates for comparison; and analyzed electricity supply costs and calculated possible cost savings.

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.

APPENDIX D

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