



Village of Harriman

Water Department Billing

Report of Examination

Period Covered:

June 1, 2013 — August 7, 2014

2014M-311



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	1
INTRODUCTION	2
Background	2
Objective	2
Scope and Methodology	2
Comments of Local Officials and Corrective Action	2
WATER BILLING	4
Late Fees	4
Broken Meters	5
Recommendations	6
APPENDIX A Response From Local Officials	7
APPENDIX B Audit Methodology and Standards	9
APPENDIX C How to Obtain Additional Copies of the Report	10
APPENDIX D Local Regional Office Listing	11

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

January 2015

Dear Village 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 Village 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 Village of Harriman, entitled Water Department Billing. 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 New York State 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 Village of Harriman (Village) is located in the Towns of Monroe and Woodbury, in Orange County, and has a population of approximately 2,400. The Village is governed by an elected Board of Trustees (Board) which comprises four Trustees and a Mayor. The Board is the legislative body responsible for managing Village operations. The Mayor is the Village's chief executive officer. The Treasurer is the chief fiscal officer and is responsible for the Village's daily financial operations. The Deputy Clerk is responsible for oversight of the Water Department including billing and collecting water rents for residential and commercial customers.

The Village provides services, such as public safety, recreation, street maintenance and water, to its residents. Water services are provided to over 800 residential and commercial customers both inside and outside of the Village. The water fund's budgeted appropriations for the fiscal year ended May 31, 2014 were approximately \$1.4 million and were financed by user fees.¹

Objective

The objective of our audit was to review the Village's water billing process. Our audit addressed the following related question:

- Are water customers billed accurately in accordance with Village code?

Scope and Methodology

We examined the Village's water billing process for the period June 1, 2013 through August 7, 2014.

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 is 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 Village officials, and their comments, which appear in Appendix A, have been considered in preparing this report. Village officials generally agreed with our recommendations and indicated they planned to initiate 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

¹ The Village bills its water customers quarterly (in February, May, August and November) based on usage plus a meter service charge.

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 Clerk's office.

Water Billing

Village officials are responsible for collecting revenues to defray the cost of operating the Village's Water Department (Department). The Board fulfills this responsibility by adopting a Village Code (Code) to specify the rates, billing and due dates, and late fees for the Department. The Code requires the collection of a 10 percent late fee for water bills paid after 30 days and the collection of an additional 1 percent late fee plus an additional penalty for water bills paid after 60 days. The Code also requires that customers with broken meters be billed based on their average consumption. The Board authorizes user rates and adjustments to customer bills and the Deputy Clerk is responsible for ensuring that late bill fees are properly charged to customers. In the event a Code provision is not specific, the Board is responsible for adopting policies and procedures to clarify its intent.

Water customers were not billed in accordance with the Code. Village officials did not collect late fees totaling \$3,600 for 155 bills because they allowed an additional grace period after the 30-day payment period and also did not collect 1 percent late fees after 60 days. Village officials also did not bill two commercial customers because those customers had broken water meters. As a result, one commercial customer received \$400 worth of free water and a second customer received an unknown amount of free water from two meters over the course of two billing cycles.

Late Fees

The Board and Village officials are responsible for ensuring that water user charges are properly billed and collected in a timely manner and according to the Code. This includes late fees and penalties for unpaid water bills. The Code requires that a 10 percent late fee be assessed 30 days after the billing date for all water bills. Water bills that are not paid after an additional 30 days are subject to a further 1 percent late fee and an additional penalty of \$30 or \$105, depending on whether the customer is inside or outside of the Village.

The Deputy Clerk was not applying late fees as required by the Code. Village officials allowed a grace period of between five to seven days after the due date before applying the 10 percent late fee to all unpaid bills. Village officials stated they wanted to wait for the mailed payments to arrive that were postmarked prior to the due date. Cash customers paying after the due date also received this same benefit. Water bills sent to customers stated that all payments must be received by the due date or they would be subject to a 10 percent late fee. During our audit period of four billing cycles, 155 bills were paid during this additional grace period and were not assessed the

late payment penalty. Of the 155 bills, 24 were paid during the grace period for more than one billing cycle. The Village lost approximately \$3,300 from not collecting late fees as required.

Although the Deputy Clerk applied the \$30 and \$105 penalties correctly, she did not assess the additional 1 percent late fee if the water bill account was not paid 60 days after billed. Village officials stated that they were not aware the Code required collection of the 1 percent late fee because it was not the intent of Village officials to charge this fee. As a result, the Village did not collect approximately \$300 in additional late fees.²

Broken Meters

The Code states that if a customer's meter is out of order and fails to register, the customer will be charged based on their average consumption. This helps prevent water from being unaccounted for, or not billed for, when it flows through a broken meter.

We found two commercial customer accounts with broken meters that were not charged for water usage, allowing the customers to have free water for the quarters in which their meters did not register water usage. The first commercial customer was not billed for water usage for the May 2014 billing cycle. We used the previous four readings to calculate the average water consumption and used the current water rates to determine a potential water bill. The customer received approximately \$400 worth of free water for that quarter. Another commercial customer had two broken meters for the November 2013 and May 2014 billing cycles. Due to zero usage readings for multiple quarters, an average consumption could not be calculated.³ Although the Village code states that if a customer's meter is out of order and fails to register, the customer will be charged based on the average consumption, the Board did not have clearly written policies and procedures for how the average consumption should be calculated and billed when a water meter is broken. As a result, two accounts received free water usage for the quarters that the meters were broken and the Village lost revenues.

² Only February 2014 and May 2014 billing cycles were tested because the Village rescinded the late fees applied after 30 days past the due date for the August 2013 and November 2013 billing cycles, to ensure that the Code was correct.

³ The Code stated that customers will be charged average consumption for broken meters. However, it did not state how to calculate the average. We used the four previous readings to estimate the first customer. Because the second customer had a total of three zero readings between January 2013 and July 2014 due to broken meters, we could not calculate the average using the same methodology as the first customer.

Recommendations

The Board should:

1. Ensure all late fees are applied to the customer accounts according to the Code.
2. Develop clearly written policies and procedures for how the average consumption should be calculated and billed to customers when water meters are broken and bill them appropriately.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

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



Village of Harriman

MAYOR

Stephen H. Welle

DEPUTY MAYOR

Edward B. Shuart, Jr.

TRUSTEES

Christine E. Sacher

Lawrence S. Mosca

G. Bruce Chichester

TREASURER

Marie Coimbra

VILLAGE CLERK

Kelly Kearney

VILLAGE ATTORNEY

Benjamin Ostrer

December 26, 2014

NYS OSC

Tenneh Blamah

33 Airport center Drive

Suite 103

New Windsor, NY 12553

Dear Mr. Blamah,

We are in receipt of your preliminary draft findings related to the water billing of the Village of Harriman.

We agree with your recommendations that late fees and average consumption need to adhere to the Village Code. The current code is not written in a manner consistent with Board's intentions.

In order to comply with your two recommendations, the Village Board has engaged a professional to review and make suggestions to clarify the Code's documentation of late fees, payment due dates, and average consumption calculation. The Village Board will then revise the Code accordingly.

In regard to the two commercial customers with the broken meters, the Village has since mailed bills accompanied with letters explaining the calculation of the water consumption.

Finally, we are pleased that you have advised us that your concern over the Village's segregation of duties in the May 2, 2014 State Audit have been satisfied with the implementation of Board monitoring and surveillance.

Thank you for your assistance and guidance on these issues.

Respectfully,

Stephen H. Welle

Mayor

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the accuracy of the Village's water billing. To accomplish our objective and obtain valid audit evidence, we interviewed appropriate Village officials, tested selected records and examined pertinent documents for the period June 1, 2013 through August 7, 2014. Our procedures included the following:

- We interviewed Village officials to gain an understanding of water operations and determine if there were adopted policies and procedures over water rent billing, collection and enforcement.
- We reviewed Board minutes for evidence of Board oversight over water operations, including billing adjustments, re-levy of unpaid water bills for in-Village residents and shut off of delinquent accounts.
- We applied the 10 percent late fee to all customers who paid between the day after the 30 day due date and the day the late fee should have been applied. If the due date fell on a Saturday, Sunday or a holiday, we started on the following business day.
- We applied the 1 percent late fee to unpaid accounts 30 days past the due date for the February 2014 and May 2014 billing cycles.
- We calculated consumption for broken meters by averaging the previous four meter readings and multiplying by the current water rates.

We conducted this performance audit in accordance with 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 C

HOW TO OBTAIN ADDITIONAL COPIES OF THE REPORT

To obtain copies of this report, write or visit our web page:

Office of the State Comptroller
Public Information Office
110 State Street, 15th Floor
Albany, New York 12236
(518) 474-4015
<http://www.osc.state.ny.us/localgov/>

APPENDIX D
OFFICE OF THE STATE COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY

Andrew A. SanFilippo, Executive Deputy Comptroller
Gabriel F. Deyo, Deputy Comptroller
Nathalie N. Carey, Assistant Comptroller

LOCAL REGIONAL OFFICE LISTING

BINGHAMTON REGIONAL OFFICE

H. Todd Eames, Chief Examiner
Office of the State Comptroller
State Office Building - Suite 1702
44 Hawley Street
Binghamton, New York 13901-4417
(607) 721-8306 Fax (607) 721-8313
Email: Muni-Binghamton@osc.state.ny.us

Serving: Broome, Chenango, Cortland, Delaware,
Otsego, Schoharie, Sullivan, Tioga, Tompkins Counties

BUFFALO REGIONAL OFFICE

Jeffrey D. Mazula, Chief Examiner
Office of the State Comptroller
295 Main Street, Suite 1032
Buffalo, New York 14203-2510
(716) 847-3647 Fax (716) 847-3643
Email: Muni-Buffalo@osc.state.ny.us

Serving: Allegany, Cattaraugus, Chautauqua, Erie,
Genesee, Niagara, Orleans, Wyoming Counties

GLENS FALLS REGIONAL OFFICE

Jeffrey P. Leonard, Chief Examiner
Office of the State Comptroller
One Broad Street Plaza
Glens Falls, New York 12801-4396
(518) 793-0057 Fax (518) 793-5797
Email: Muni-GlensFalls@osc.state.ny.us

Serving: Albany, Clinton, Essex, Franklin,
Fulton, Hamilton, Montgomery, Rensselaer,
Saratoga, Schenectady, Warren, Washington Counties

HAUPPAUGE REGIONAL OFFICE

Ira McCracken, Chief Examiner
Office of the State Comptroller
NYS Office Building, Room 3A10
250 Veterans Memorial Highway
Hauppauge, New York 11788-5533
(631) 952-6534 Fax (631) 952-6530
Email: Muni-Hauppauge@osc.state.ny.us

Serving: Nassau and Suffolk Counties

NEWBURGH REGIONAL OFFICE

Tenneh Blamah, Chief Examiner
Office of the State Comptroller
33 Airport Center Drive, Suite 103
New Windsor, New York 12553-4725
(845) 567-0858 Fax (845) 567-0080
Email: Muni-Newburgh@osc.state.ny.us

Serving: Columbia, Dutchess, Greene, Orange,
Putnam, Rockland, Ulster, Westchester Counties

ROCHESTER REGIONAL OFFICE

Edward V. Grant, Jr., Chief Examiner
Office of the State Comptroller
The Powers Building
16 West Main Street – Suite 522
Rochester, New York 14614-1608
(585) 454-2460 Fax (585) 454-3545
Email: Muni-Rochester@osc.state.ny.us

Serving: Cayuga, Chemung, Livingston, Monroe,
Ontario, Schuyler, Seneca, Steuben, Wayne, Yates Counties

SYRACUSE REGIONAL OFFICE

Rebecca Wilcox, Chief Examiner
Office of the State Comptroller
State Office Building, Room 409
333 E. Washington Street
Syracuse, New York 13202-1428
(315) 428-4192 Fax (315) 426-2119
Email: Muni-Syracuse@osc.state.ny.us

Serving: Herkimer, Jefferson, Lewis, Madison,
Oneida, Onondaga, Oswego, St. Lawrence Counties

STATEWIDE AUDITS

Ann C. Singer, Chief Examiner
State Office Building - Suite 1702
44 Hawley Street
Binghamton, New York 13901-4417
(607) 721-8306 Fax (607) 721-8313