



Village of Kenmore

Wastewater Processing Costs and Information Technology

Report of Examination

Period Covered:

January 1, 2011 — January 18, 2013

2013M-73



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

June 2013

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 Kenmore, entitled Wastewater Processing Costs and Information Technology. 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 Village of Kenmore (Village) located in the Town of Tonawanda (Town) in Erie County, encompasses less than two square miles, and has a population of approximately 15,400. The Village is governed by a Board of Trustees (Board), which comprises five elected members, including the Mayor. The Board has oversight responsibilities and can enter into contracts on behalf of the Village. The Village Clerk-Treasurer (Clerk-Treasurer) is the chief financial officer and oversees accounting and financial reporting operations. The Superintendent of the Department of Public Works (DPW) is responsible for monitoring and maintaining Village sewer lines, among other duties. The Building Department is responsible for ensuring compliance with sanitary sewer regulations and other functions. The Village contracts with the Town to process the Village's wastewater and with a third-party information technology (IT) consultant for support of the computer system and network.

For the calendar years¹ 2011 and 2012, the Village expended approximately \$1.1 million and \$1 million on wastewater processing costs, respectively. The Village's general, water, and sewer funds' budgeted expenditures for the 2012-13 fiscal year totaled approximately \$15.5 million.

Scope and Objective

The objective of our audit was to review the wastewater service agreement and internal controls over the Village's IT operations for the period January 1, 2011 through January 18, 2013. Our audit addressed the following related questions:

- Did the Village ensure that wastewater service agreement payments were accurate and supported and that the terms and conditions of the agreement were equitable?
- Are Village officials adequately safeguarding information technology (IT) assets?

Audit Results

Village officials have not made a substantive effort to use available resources to gain a better understanding of wastewater treatment processes and costs and do not adequately review invoices, analyze lab reports, repair identified sewer main breaks, or document property inspections for improper connections.

The Town bills the Village for its share of all wastewater processing costs. The Town's health insurance costs² are allocated to its wastewater operations based on staffing levels of the Town's Wastewater

¹ Although the Village has a fiscal year ending on May 31, we assessed Village wastewater costs based on the Town's fiscal year ending December 31.

² For active and retired Town employees

Department in relation to the Town's total staffing levels. However, we determined that the percentage used for billing the Village may not reflect the Town's actual percentage of wastewater retirees to total retirees. In fact, retirees from the Town's Wastewater Department comprise 4.5 percent³ of total Town retirees for the five-year period 2008 through 2012, rather than the 8.3 and 8.4 percent that the Town applied for 2011 and 2012. Therefore, the Village's overall share of wastewater processing costs would be reduced by \$27,800 in 2011 and \$30,000 in 2012, or a two-year savings of \$57,800.

We also found that the Superintendent of DPW does not review wastewater lab reports and neither he nor the Clerk-Treasurer adequately review the wastewater invoices from the Town for accuracy. In addition, they do not monitor the various factors that contribute to the cost of wastewater processing. For example, while the Village has the lowest flow rate for each month, its wastewater concentration values surpass those of the Town of Tonawanda and the City of Tonawanda, as well as surpassing residential standards in many cases. By analyzing all available data, Village officials can gain a more comprehensive understanding of the Village's sewer system and the wastewater processing factors affecting costs.

Further, our review of the sewer camera log maintained by the Village DPW from July 5, 2011 through November 13, 2012 documented 20 sanitary sewer main breaks. However, the corresponding log of sewer line repairs for the same period did not include any repairs. Additionally, our examination of 25 of 178 transfer-of-property inspections that Village code enforcement officers conducted in 2012 found that the forms used to document the inspections were inadequate. Without adequate documentation of inspection results, Village officials could be unaware of potential or existing problems that should be addressed.

Finally, the Board has not established policies and procedures for remote access to the Village's network to ensure that computerized data is properly safeguarded. The IT vendor can access the Village's computers at any time, without restriction or monitoring, which increases the risk of inappropriate transactions.

Comments of Local Officials

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 that they have initiated corrective action.

³ During 2008-2012 there were 110 Town retirees which included five from the Wastewater Department.

Introduction

Background

The Village of Kenmore (Village) is located in the Town of Tonawanda (Town) in Erie County, encompasses less than two square miles, and has a population of approximately 15,400. The Village is governed by a Board of Trustees (Board) which comprises five elected members, including the Mayor. The Board has oversight responsibilities and can enter into contracts on behalf of the Village. The Village Clerk-Treasurer (Clerk-Treasurer) is the chief financial officer and oversees accounting and financial reporting operations. The Superintendent of the Department of Public Works (DPW) is responsible for monitoring and maintaining Village sewer lines, among other duties. The Building Department, comprising a Building Inspector and code enforcement officers, is responsible for ensuring compliance with sanitary sewer regulations and other functions.

The Village contracts with the Town to process the Village's wastewater. Town wastewater operating, maintenance, and capital costs are allocated among three municipalities⁴ that use the Town's wastewater treatment facility. For the 2011 and 2012 calendar years,⁵ the Village expended approximately \$1.1 million and \$1 million on wastewater processing costs, respectively. The Village's general, water, and sewer funds' budgeted expenditures for the 2012-13 fiscal year totaled approximately \$15.5 million.

The Village contracts with an information technology (IT) consultant for support of the computer system and network, which includes 32 computers and five servers. The Village's file server reported 49 user accounts at the time of our audit.

Objective

The objective of our audit was to review the wastewater service agreement and internal controls over the Village's IT operations. Our audit addressed the following related questions:

- Did the Village ensure that wastewater service agreement payments were accurate and supported and that the terms and conditions of the agreement were equitable?
- Are Village officials adequately safeguarding information technology (IT) assets?

⁴The Town of Tonawanda, City of Tonawanda (City), and Village of Kenmore

⁵Although the Village has a fiscal year ending on May 31, we assessed Village wastewater costs based on the Town's fiscal year ending December 31.

**Scope and
Methodology**

We interviewed appropriate Village and Town officials and employees and examined records and reports relating to these areas for the period January 1, 2011 through January 18, 2013. Our audit disclosed areas in need of improvement concerning IT controls. Because of the sensitivity of this information, certain vulnerabilities are not discussed in this report but have been communicated confidentially to Village officials so they could take 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 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 that they have initiated corrective action.

The Board of Trustees 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 of Trustees to make this plan available for public review in the Clerk-Treasurer's office.

Wastewater Processing Costs

The Board is responsible for entering into contracts for service on behalf of the Village and ensuring that payments for such services are accurate, supported, and in accordance with the terms and conditions of the contract. It is a good practice for the Board to periodically review existing contracts to ensure that contract provisions continue to be relevant and in the best interest of the Village.

A 1971 contract⁶ between the Town and Village established the terms for the Town's processing of Village wastewater. The Village's monthly wastewater invoice from the Town includes a summary of all operating, maintenance, and debt service costs incurred. This total is divided between the Town, City, and Village, based on each municipality's share of the processing costs incurred. A schedule included with the Town's monthly invoice shows the calculation of the allocation percentage for each municipality. The amount billed to the Village for wastewater treatment includes all direct and indirect costs incurred by or allocable to the Town's wastewater treatment facility, proportionate to the Village's use of that facility, as defined in the contract.

The wastewater processing contract between the Village and the Town has essentially remained unchanged since 1971. Village officials have not made a substantive effort to use available resources to gain a better understanding of wastewater treatment processes, systems, and factors that affect costs. Village officials do not adequately review invoices, analyze the Town's lab reports of Village wastewater, repair identified sewer main breaks, or adequately document property inspections for improper connections.

Wastewater Operating and Maintenance Costs

The Town's wastewater operating and maintenance expenditures totaled approximately \$7.1 million in 2011 and \$6.7 million in 2012. Operating and maintenance costs include payroll, utilities, supplies, regulatory fees, health insurance, liability insurance, and workers' compensation. Most of these costs are charged directly to Town wastewater accounts, such as payroll, utilities, landfill charges, and regulatory fees. In situations where Town costs affect multiple departments, the Town distributes the costs to Town departments based on the number of employees in each department. The Town bills the Village for a portion of these distributed wastewater processing costs according to the Village's use of the Town's wastewater treatment facility.

⁶ Supplemental agreements from 1984, 1993, and 1995 address updates in industry requirements and flow limitations as determined by the New York State Department of Environmental Conservation.

We examined the Town's payroll, health insurance, liability insurance, and workers' compensation expenditures charged to the Town's Wastewater Department for 2012, totaling approximately \$4 million of the \$6.7 million total.⁷ While the costs allocated to the Village for wastewater processing in 2012 were in accordance with the wastewater contract and were generally supported and accurate, certain health insurance cost allocations may not be equitable.

Town officials distributed health insurance costs for active employees and retirees⁸ to the Town's Wastewater Department based on January 2011 and 2012 staffing levels of 42 employees, comprising 8.3 percent of all Town employees in 2011 and 8.4 percent in 2012. Based on these levels, the Town's share of wastewater health insurance totaled \$924,592 in 2011 and \$1,039,771 in 2012. The Village's allocated share of wastewater health insurance costs was \$145,725 in 2011 and \$157,318 in 2012. However, we question whether the Town's allocation method used for just the retiree portion of health insurance costs is equitable, as retirees from the Wastewater Department comprised only 4.5 percent⁹ of Town retirees for the five-year period 2008 through 2012. If this percentage accurately reflects the Town's Wastewater share of retiree health insurance costs, the Village's overall share should have been reduced by \$27,800 in 2011 and \$30,000 in 2012, or a two-year savings of \$57,800.

We also reviewed the Town's September 2012 wastewater invoice billing the Village for payroll costs related to wastewater processing operations, totaling \$197,622, and found that it was accurate and supported. We were able to reconcile the employees listed in the accounting record to the Wastewater Department organizational chart without exception.

Monitoring Wastewater Operations

Wastewater lab reports can be used to monitor the Village's sanitary sewer costs and identify issues that could indicate problems. The primary factors, which drive 93 percent of wastewater treatment costs,¹⁰ are as follows:

Flow — The volume of sewage¹¹ treated represents 25 percent of the Village's wastewater processing costs. In addition, flow is used to

⁷ Our test sample was judgmentally selected for a higher degree of risk; for example, variations related to payroll or insurance premiums rather than more routine and consistent expenditures such as utilities and other direct costs.

⁸ Total Town healthcare insurance costs, for both active and retired employees, were approximately \$11.4 million in 2011 and \$12.4 million in 2012. Of this amount, the Town's total healthcare insurance cost for retirees alone was approximately \$5 million in 2011 (for 407 retirees) and \$5.1 million in 2012 (for 406 retirees).

⁹ During the years 2008 through 2012, 110 employees retired from Town service, including five from the Wastewater Department (4.5 percent).

¹⁰ The remaining wastewater treatment costs are for chlorine (6 percent) and Town and Village pumping (1 percent).

¹¹ Flow is measured in millions of gallons (MG).

calculate some of the other factors. Sewage flow is affected by inflow and infiltration (I&I) events, which can occur from groundwater leaks into the system or from private sources such as downspouts and sump pumps that are connected to sanitary sewer lines. In addition to water purchased, which should account for the majority of the flow into the sanitary sewer system, I&I events result in treatment costs. We estimated that these costs total \$270,000 to \$370,000 each year. The Superintendent of DPW recognizes the problems associated with excessive I&I.

Biochemical Oxygen Demand (BOD) — BOD represents 16 percent of wastewater processing costs. This test measures the organic strength of wastewater in terms of the amount of dissolved oxygen required to break down the wastewater. Typical residential wastewater BOD is 200 mg/l.¹²

Suspended Solids (SS) — SS represents 28 percent of wastewater processing costs. Suspended solids are those that are visible and in suspension in the water. They can be removed from the wastewater by physical or mechanical means, such as sedimentation or filtration. Typical residential wastewater SS is 240 mg/l.

Phosphorus (P) — The removal of phosphorus represents 24 percent of wastewater processing costs. Phosphorus is not typically a significant issue with residential customers now that phosphates have been removed from most household products. However, phosphorus can be an industry byproduct. Typical residential phosphorus is 7 mg/l.

We found that the Superintendent of DPW does not review wastewater lab reports and neither he nor the Clerk-Treasurer adequately review the wastewater invoices from the Town for accuracy. In addition, neither official monitors the various factors that contribute to the cost of wastewater processing.

We recalculated all wastewater factors for September 2012 by tracing all eight testing periods in that month from the individual lab testing documents to the monthly lab report. Our testing confirmed that the Town's calculation of the Village's 12.6 percent allocation and monthly share of \$74,736 for operating, maintenance, and debt service costs was accurate.

To gain a better understanding of the Village's factors affecting the allocation of costs, we compiled a schedule of all monthly concentrations for the three participating municipalities for 2011 and 2012 as illustrated in Table 1:

¹² Provided by the New York State Department of Environmental Conservation: *Water Environment Federation Manual of Practice No. 8 – Design of Municipal Wastewater Treatment Plants*. Factors are measured in milligrams/liter.

Table 1: Average Monthly Wastewater Flow and Concentrations (High Measurements are Boldfaced)				
2011	Flow (MG)	BOD (mg/l)	SS (mg/l)	P (mg/l)
Village	70.14	149.83	257.08	2.93
City	109.56	64.75	66.75	1.73
Town	516.09	81.33	106.83	1.78
2012				
Village	53.04	165.58	230.83	3.39
City	80.62	81.33	82.08	2.36
Town	420.24	93.92	112.67	2.05

Our analysis showed that, while the Village has the lowest flow rate for each month, it surpassed the Town and City in wastewater concentration values. In addition, Village SS values exceeded residential standards for six months in 2011 and four months in 2012. Further, for each of 24 individual test periods in September, October, and November 2012, the Village had eight BOD readings, 13 SS readings, and one P reading in excess of residential standards.

The Town had provided test information to the Village’s Public Works Department to assist the Village in monitoring sewer operations. However, this information was not used to establish a correlation between maintenance activity – such as jetting (cleaning) of sewer lines, root cutting, etc. – and high concentration readings, and the Town stopped providing this information. Because concentration factors play a key role in wastewater costs, it would be in the Village’s interest to better understand what is occurring within its sewer system. For example, Village officials could test samples at various locations to ascertain why concentrations are high and determine whether they could implement any remediation to reduce costs.

**New York State
Department of
Environmental
Conservation
Consent Order**

Certain Village enactments define the requirements and restrictions for connecting to the Village’s sewer system.¹³ Village Code provides that, with certain exceptions, there will be no transfer of property that has not been inspected. Additionally, Village Code provides for fines to enforce sewer code violations.

On April 28, 2011 the Village entered into a consent order with the New York State Department of Environmental Conservation (DEC). The purpose of the agreement is to abate sanitary sewer overflows. In an effort to comply with the terms of the consent order, the Village is in the process of completing a video assessment of the entire sanitary

¹³ A 1970 local law provides that no person can make a groundwater connection to the sanitary sewer and a 2004 local law states that sump pumps must be connected through an underground connection to the storm drain.

sewer system which is scheduled to be completed by December 31, 2018. In addition, the Village retained an engineering firm to monitor overflows and file the required reports with the DEC. The DEC consent order also requires the Village to conduct sump-pump inspections and issue certificates of compliance in accordance with relevant provisions of Village enactments. Village code enforcement officers inspect all transfers of property to ensure that sump pumps, downspouts, and floor drains are no longer connected to the sanitary sewer system.

Our review of the sewer camera log¹⁴ maintained by the DPW documented 20 sanitary sewer main breaks from July 5, 2011 through November 13, 2012. However, the corresponding log of sewer line repairs for the same period did not include any repairs. Village officials indicated that they are addressing significant issues in a timely manner, documenting less significant problems, and working with the engineering firm to prioritize repairs.

We examined 25 of 178 transfer-of-property inspections¹⁵ that Village code enforcement officers conducted in 2012 and found the forms used to document the inspections were incomplete. In 18 cases, the form allowed for documenting the status of only one downspout, and in seven cases the form used did not address the status of downspouts and/or floor drains during either the initial inspection (which identifies what needs to be inspected) and/or the final inspection (of the items identified). While the Building Inspector was confident that all downspouts and/or floor drains were inspected, he understood that the forms did not provide adequate documentation of these inspection events. The engineering firm¹⁶ acknowledged that sources of I&I might be the result of several unresolved issues which may include sump-pump and downspout reconnections into the sanitary sewer system. Village Code provides for fines to enforce violations.

By not taking proactive steps to evaluate all wastewater components, Village officials may be missing potential opportunities to reduce or contain processing costs. Such measures could include, but are not limited to, careful scrutiny of wastewater processing contracts, invoices, and lab reports, which can enhance officials' understanding of the Village's sewer system and the factors that can contribute to processing costs.

¹⁴ A manual log prepared while camera work is performed

¹⁵ We judgmentally selected this test sample based on streets with properties that included a variety of inspection and permit characteristics.

¹⁶ Engineer's Report for the Monitoring and Maintenance of the Sanitary and Stormwater Collection Facilities, Village of Kenmore, NY (December 30, 2011), Section 4.2: I&I Source Identification and Remediation – Suspected Sources

Recommendations

1. The Board should determine whether the existing wastewater contract provides the Village with adequate information from the Town to evaluate wastewater costs and, if not, take appropriate corrective action.
2. Village officials should monitor invoices to ensure that wastewater costs are being calculated in an equitable manner.
3. The Superintendent of DPW should periodically request wastewater lab reports from the Town and work with Town officials to understand the factors affecting the Village's sewage concentrations.
4. Village officials should periodically determine whether testing samples would be a cost-effective method of analyzing wastewater concentrations.
5. The Superintendent of DPW should prioritize and repair broken sewer lines in a timely and cost-effective manner.
6. The Building Inspector should update the inspection form to include the evaluation of all downspouts.
7. The Building Inspector should review inspection forms to ensure they are accurate and complete.
8. The Board should consider enforcing sewer code violations by imposing fines in accordance with Village Code provisions.

Information Technology

Computerized systems and electronic data are valuable resources that Village officials rely on for making financial decisions, processing transactions, keeping records, and reporting to State and Federal agencies. Village officials are responsible for developing internal control systems, including policies and procedures, to safeguard computerized data and assets. It is therefore essential for the Village to develop and adopt policies to monitor remote access by authorized users.

Effective internal controls ensure that remote access – the ability to access the computer from the Internet or other external sources – is controlled and monitored so that only authorized individuals may enter or retrieve data. Effective policies and procedures address how remote access is granted, who is given remote access, and how remote access is monitored, as well as other security measures.

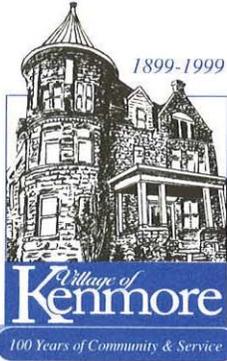
The Board has not established policies and procedures for remote access to ensure that computerized data is properly safeguarded. Village officials granted remote access to the Village's computer system to a private firm for repair and maintenance services. The vendor can access the Village's computers at any time, without restriction, and there are currently no controls in place such as user authorization, policies, or monitoring. As a result, there is a risk that computerized data could be compromised and unauthorized activity could go undetected.

Recommendations

9. The Board should develop and adopt policies and procedures governing outside users' remote access rights to the Village's computer system.
10. Village officials should monitor remote access provided to the Village's IT vendor and evaluate whether the current access rights are appropriate and serve an appropriate business purpose.

APPENDIX A
RESPONSE FROM LOCAL OFFICIALS

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



OFFICE OF MAYOR

2919 Delaware Avenue, Kenmore, NY 14217

Patrick Mang
Mayor

Phone: (716) 873-5700
www.vi.kenmore.ny.us

June 4, 2013

State of New York
Office of the State Comptroller
110 State Street
Albany, NY 12236

Re: Wastewater Processing Costs

This letter serves as the Village's response to the Comptroller's audit referenced above. The Village believes that the Clerk/Treasurer is adequately reviewing wastewater bills. All invoices are reviewed and a spread sheet is maintained which tracks comparative costs by year and month. Any significant variances are reported to the Mayor and Board of Trustees. In addition, the Village has arranged for meetings with Town personnel to review the wastewater bills (Comptroller, Supervisor, Wastewater personnel), and has arranged for independent analysis of water samples. Well before this Audit, the Village had been actively looking into the Wastewater fund given the large increase in cost over the years. The Village arranged for independent analysis of water samples over several months which provided no new information. We have engaged the services of a private engineer to help analyze data, and review of lab reports. The Village also hired a Forensic Accountant to analyze the data provided by the Town. There have been numerous meetings between the Village, the City of Tonawanda, and Town of Tonawanda officials.

In addition, the Village has addressed this issue with the State Department of Environmental Conservation. The DEC also had no idea why the Village would be showing such high increases.

The Village has invested over \$20M on full street reconstructions which includes replacement of existing water and sewer lines. This has also served to eliminate several overflows.

Water and sewer main breaks are addressed immediately as they occur. The DPW flushes all lines annually. We continue to televise, monitor overflows and collect all data required under our Consent Order with the DEC. We are currently in full compliance of our obligations

under our Consent Order. We are working with an engineer to analyze and evaluate the data collected so that we may prioritize broken sewer lines.

As mentioned earlier, we have already arranged for independent analysis of test samples on several occasions. Lab results have also been evaluated by independent engineers.

The Village also requires all residents to have code compliant sump pumps and bubbler systems installed before transfer of property. We are in the process of updating our Inspection Reports to include evaluation of downspouts and floor drains.

Going forward, copies of the Wastewater bills will be provided to the DPW Superintendent for further analysis. In addition, the Building Inspector will modify inspection reports to include review of down spouts and floor drains. He will be reviewing inspection forms completed by other Code Enforcement Officers to ensure that they are complete.

We are reviewing the current agreement and hope to enter into a new Agreement between the Town and the Village concerning Wastewater.

Re: Information Technology

The Board has already approved updated policies and procedures governing outside user remote access, and access rights. Policies are also in place governing password controls. Routine Security Assessments are being conducted.

If you should have any questions, please contact me at mayor@vi.kenmore.ny.us or at 716/873-5700.

Sincerely,

Patrick Mang

Mayor, Village of Kenmore

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess Village operations and identify areas where the Village could realize efficiencies and protect assets from loss or misuse. To accomplish this, our initial assessment included a review of financial condition, accounts payable, payroll, cash receipts, information technology, and various departments.

During the initial assessment, we interviewed appropriate Village officials, performed limited tests of transactions, and reviewed pertinent documents, such as the Village Code, Village policies and procedures manuals, Board of Trustee minutes, financial records and reports, and lists of vendors and employees. In addition, we reviewed the Village's internal controls and procedures over its computerized financial systems to help ensure that the information produced by such systems was reliable.

After reviewing the information gathered during our initial assessment, we determined where weaknesses existed and evaluated those weaknesses for the risk of potential fraud, theft, and/or professional misconduct. We then decided on the reported objective and scope by selecting for audit those areas most at risk. We selected wastewater processing costs and information technology for further audit testing.

To achieve our wastewater processing cost objective and obtain valid audit evidence, we performed the following audit procedures:

- We reviewed the wastewater agreement and related amendments between the Village and the Town.
- We reviewed Village Code provisions relevant to sewers.
- We examined all Village water and wastewater invoices from the Town for the 2011 and 2012 calendar years.
- We interviewed Village officials to determine what activities were in place to monitor wastewater costs, maintenance, and code enforcement.
- We interviewed the Town Comptroller and Deputy Comptroller and obtained 2011 audited financial statements and 2011 and 2012 financial reports to gain an understanding of what was included in wastewater operating and maintenance costs billed to the Village.
- We reviewed the Town's 2011 audited financial statements to obtain the total cost of retiree health insurance and the number of retirees.
- We interviewed the Town Personnel Senior Clerk to determine the total Town and Wastewater Department retirees for 2008 through 2012 and the cost of 2012 retiree health insurance.

- We interviewed the Town Director of Water Resources and the Pre-Treatment Coordinator to understand the various factors that were used to allocate wastewater costs.
- We interviewed an environmental engineer from the DEC and also obtained a copy of the Village's consent order and residential standards for wastewater concentrations.
- We obtained lab worksheets for September 2012 and lab reports for September, October, and November 2012 from the Town Director of Water Resources. We used these reports to verify the accuracy of the September 2012 wastewater invoice. We used the lab reports to analyze wastewater concentrations, including comparisons to residential standards.
- We compared the Town's Wastewater Department organization chart to September 2012 payroll accounting records and the wastewater invoice.
- We compared the DPW log of sewer camera activity to the sewer repair log for the period July 5, 2011, through November 13, 2012.
- We re-calculated the Town Wastewater Department's 2011 and 2012 share of health insurance by allocating the cost of retiree health insurance based on the average number of wastewater retirees to total retirees.
- We reviewed 25 Village sump-pump inspection reports of the 178 inspections performed in 2012 to determine if they were in compliance with Village Code provisions. Our test sample comprised a judgmental selection of inspections from the Village's 2012 inspection report, based on streets with properties that included a variety of inspection and permit characteristics.
- We interviewed employees of the Village's engineering firm and reviewed its December 2011 report.
- We interviewed a City of Tonawanda engineer to determine what he does with the lab reports obtained from the Town.

To achieve our IT objective and obtain valid audit evidence, we performed the following audit procedures:

- We reviewed the Village Code and any relevant policies and procedures relating to IT.
- We interviewed Village staff and the Village's third-party IT consultant to gain an understanding of IT internal controls.

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 C

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Andrew A. SanFilippo, Executive Deputy Comptroller
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