

**Nassau County  
Office of the Comptroller**



**Limited Review of the  
Plainview Water District**

**January 1, 2015 – December 31, 2016**

**GEORGE MARAGOS**

*Comptroller*

**December 20, 2017**

**NASSAU COUNTY**  
**OFFICE OF THE COMPTROLLER**

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## Executive Summary

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### **Introduction:**

The Plainview Water District (“District”) provides drinking water to approximately 32,000 residents through approximately 10,500 metered services. The District is located in the Town of Oyster Bay and encompasses all of Plainview and portions of Old Bethpage and Syosset. The District’s major revenue sources are real property taxes, water meter sales to customers, other water usage charges, and non-operating revenue, such as interest.

The District has a three-member Board of Commissioners elected by the residents, which implements policies and approves expenditures. The District contracts with three consultants who maintain its Information Technology (IT) and financial accounting system, and pay dental claims submitted by employees and retirees.

### **Purpose:**

The purpose of our audit was to perform a limited review of the District’s policies and procedures, including its budgetary process, fiscal oversight practices, revenues, expenditures, and fund balance for the years ended December 31, 2015 and 2016.

### **Key Findings:**

- Lack of adequate Board oversight and fiscal management led to spending in excess of the original budget.
- Commissioner compensation and certain employee benefits appear to be excessive.
- Employment Policies did not address the hiring, supervision or evaluation of the District officials’ family members.
- Lack of managerial oversight allowed the Clerk to the Board to grant excess leave accruals of 90 hours to her husband, and process unapproved leave requests including 55 hours for herself.
- District time and attendance records of the former Superintendent were inadequate and lacked supervision; employee separation payouts lacked transparency.
- District records lacked adequate documentation to substantiate the validity and appropriateness of travel and conference expenditures totaling \$44,374.
- Water billed exceeded water pumped for 3 out of 5 years and the District could not determine and/or remedy the causes of true water loss.
- The District lacked adequate control over purchasing to ensure the safeguarding of District funds.
- Late fees were not applied in accordance with Town Law and District policy.
- Waivers of late fee penalties were not approved by the Board or documented in the Board minutes.
- Backflow penalty and waiver procedures did not exist.
- Improper payroll practices resulted in overpayments to employees.

- There was no prior approval of overtime and on-call payments totaling \$2,400 were not in accordance with District policy.
- The District failed to ensure employee's NYS Water Licenses were up to date.
- The purchase and use of fuel was not adequately monitored.
- Scrap metal was not disposed of in accordance with District policy.

**Key Recommendations:**

We recommend that the:

- Board hire a fiscal manager and strive for budget transparency by developing more accurate estimates of its operating revenues and expenditures based upon historical actual trends on a line item basis.
- District streamline Commissioners' duties and provide more transparency to the Commissioner's work schedules as it is necessary to verify the days and number of hours for which each Commissioner requests per-diems from the District; the Board to consider requiring all District employees, including the Board, to pay for their respective premiums for AFLAC coverage and review the cost/benefit of the level of dental coverage provided to its employees in comparison to other water districts.
- Board develop procedures to hire the most qualified employees with detailed specifications regarding the employment, supervision, and evaluation of District officials' family members.
- Board ensure that District leave time records are subject to managerial oversight to ensure the accuracy of the calculations and to prevent future abuse.
- Board ensure that all employees, including the Superintendent, maintain appropriate time and attendance records; the Board should designate a Board member to review the Superintendent's time and attendance records; the Board approve and explain all necessary reasons for any future separation payout amounts.
- Board preapprove all necessary travel and conference expenditures with an estimated budget in order to ensure prudent use of taxpayer money; the Board develop a comprehensive travel policy with a standard travel claim form, establishing allowable travel costs and maximum reimbursement rates..
- Board implement written policies and procedures to ensure that water produced is reconciled with water amounts billed on a quarterly basis, and that discrepancies are identified in a timely manner.
- Board require the use of purchase orders for all purchases, having them signed by the requestor, and approved by the Purchasing Agent; the Board monitor expenditure codes and perform budget transfers once a quarter.
- Superintendent review penalty reports at the end of each quarterly billing cycle and ensure that late fee penalties are applied in a timely manner (on the due date) and in accordance with current Town Law and District Policy.

- Superintendent review late fee penalty waiver reports and all other billing adjustments periodically and approve those that are compliant with current District policy; the Superintendent implement billing adjustment procedures that require the approval of and written documentation for such adjustments.
- Board establish billing and waiver procedures to provide guidance to employees involved in the billing and collection of water charges and to record such waivers in the Board minutes.
- Board maintain adequate support for all backflow numbers provided to the DOH and to ensure that all backflow penalty waivers and corresponding resolutions are properly documented in the Board minutes.
- Board establish payroll policies and procedures to ensure that complete payroll records are maintained to support all payroll payments; require supervisors and the Superintendent to approve (evidenced by signature /initials) time sheets; and to seek reimbursement for any questionable payroll payments (overpayments).
- Board require prior approval of overtime as required by District policy and that the Board adhere to District policy with regard to on-call payments.
- Board ensure that all NYS required operator certifications are properly renewed and kept on file.
- Board ensure that gas logs are maintained for all fuel usage and require periodic reconciliation of fuel purchases and odometer readings to ensure that fuel is used only for District purposes.
- Board amend its disposal policy to explicitly identify whose responsibility it is to dispose of surplus material and/or assets and to ensure that all disposals are properly recorded in the Board minutes as required by District policy.

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The matters covered in this report have been discussed with the officials of the Plainview Water District. On November 9, 2017 we submitted a draft report to the District for their review. An exit conference was held on November 27, 2017. The District provided their response on December 11, 2017. Their response and our follow up to their response are included in Appendices A and B at the end of this report.

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## Introduction

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### **Background**

The Plainview Water District (“District”) provides drinking water to approximately 32,000 residents through approximately 10,500 metered services. The District is located in the Town of Oyster Bay and encompasses all of Plainview and portions of Old Bethpage and Syosset. The District draws its water supply from 12 operating wells that have been drilled into the Magothy Aquifer at depths ranging from 490 feet to 725 feet. The water, after chemical treatment, is pumped into three ground level storage tanks and one elevated storage tank that are located at six and a half plant sites throughout the District’s nine square mile service area. Water flows from each storage tank into the 130 miles of the distribution (piping) system.

The District has a three-member Board of Commissioners elected by the residents, which implements policies and approves expenditures. During the audit period, 2015-2016, the District employed a full-time Clerk to the Board<sup>1</sup>, 16 to 18 full-time, and 10 part-time employees; in Plant Operations and Distribution, and Financial Office Operations. In addition, the District employed a part-time mechanic to handle some of its fleet maintenance. District personnel functions range from providing maintenance to the plants and wells, to the billing of the Districts’ approximately 10,500 metered customers and 225 Hydrant and Sprinkler Rental customers. The District also contracts with three consultants who maintain its Information Technology (IT) and financial accounting system, and pay dental claims submitted by employees and retirees.

As shown in Exhibit I, the District’s major revenue sources are real property taxes, water meter sales to customers, other water usage charges, and non-operating revenue, such as interest. For the five-year period 2012 through 2016, District revenues consistently increased each year through increased tax levies and water usage rates, while actual expenditures varied, causing wide fluctuations in the operating results (surplus/deficit).

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<sup>1</sup> The Clerk to the Board’s official Civil Service Title is “Stenographer”.

## Introduction

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### Exhibit I

#### Revenues and Expenditures For the Five Year Period 2012 -2016

	(In Thousands)				
	2012	2013	2014	2015	2016
<b>Revenues</b>					
Program Revenues/Charges for Services	\$ 3,442	\$ 3,819	\$ 4,067	\$ 4,401	\$ 4,664
Real Property Taxes	3,379	3,447	3,503	3,714	3,824
<b>Total Revenues</b>	<b>\$ 6,821</b>	<b>\$ 7,266</b>	<b>\$ 7,570</b>	<b>\$ 8,115</b>	<b>\$ 8,488</b>
<b>Total Expenditures</b>	<b>\$ 6,634</b>	<b>\$ 8,142</b>	<b>\$ 7,422</b>	<b>\$ 8,435</b>	<b>\$ 7,366</b>
<b>Operating Surplus/(Deficit)</b>	<b>\$ 187</b>	<b>\$ (876)</b>	<b>\$ 148</b>	<b>\$ (320)</b>	<b>\$ 1,122</b>

Source: District Audited Financial Statements

#### District Monitoring of Pumped and Billed Water

District officials are responsible for monitoring the cost of operating the District's water system. In order to accomplish this responsibility, officials should track water usage throughout the system and identify areas that need attention, particularly large volumes of unaccounted-for water. Unaccounted-for water is the difference between the amount of water produced and the amount of water billed. Unaccounted-for water can result for various reasons such as customer meter inaccuracies, billing system and accounting procedure errors, illegal connections, malfunctioning distribution system controls, storage tank overflows, underground leaks, and municipal use such as the flushing of fire hydrants. The United States Environmental Protection Agency and the New York State Department of Environmental Conservation have regulatory policies that set acceptable losses from public distribution systems at a maximum of between 10 and 15 percent of the water produced by the system.

#### Audit Scope, Objectives and Methodology

Our review period was January 1, 2015 through the present time.

The objectives of this review were to determine whether:

- the Board of Commissioners provide adequate fiscal oversight;
- budgeted and actual revenue and expense transactions are properly authorized, executed, recorded and reconciled in accordance with prescribed policies;
- District assets are adequately and properly safeguarded, inventoried and recorded; and
- there is adequate compliance with applicable state and local laws and regulations and generally accepted government accounting standards and principles.



## **Introduction**

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We reviewed internal controls, written policies and procedures, and interviewed employees to determine their responsibilities, duties and work procedures. We performed testing of the records for revenue collection and billing, payroll and time keeping, travel and conference expenses, purchasing, and compliance with laws and regulations.

We believe our review provides a reasonable basis for the findings and recommendations contained herein.

## Findings and Recommendations

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### Audit Finding

#### (1) Inadequate Board Oversight and Lack of Fiscal Management Led to Spending in Excess of Budget

Our review and analysis of the original and final operating budgets, budget transfers, use of fund balance, property tax rates and water usage rates noted the following:

- **The District routinely budgets the same or higher amounts on a line item basis from year to year even when actual expenditures are consistently lower.** A review of the Board Minutes noted Board approval for the annual budgets without any mention of the major points of discussion, rationale and/or appropriateness of line item amounts. For example, the original budget line for Diesel and Natural Gas was \$40,000 in 2015 and \$45,000 in 2016 when the actual expenditures were \$26,405 and \$22,327, respectively. We also noted that the excess budgetary funds are routinely transferred after year end from the same under expended line items to those line items that exceeded their original budget, resulting in a final line item budget that would give the everyday taxpayer the impression that the Board rarely exceeds the amounts budgeted on a line item basis.
- **The budgets approved by the Board for 2015 and 2016 included tax levies that were 6% higher than the prior year's budget which also exceeded the cap (under the Tax Levy Limit Law<sup>2</sup>).** In addition, the 2015 and 2016 budgets included water rate increases, the most notably being in 2016, where the minimum quarterly rate for water usage up to the first 10,000 gallons, increased from \$8 in 2015 to \$14 in 2016, or a 75% rate increase. The District provided a professional Water Rate Study which recommended the 2016 increase.
- Once the original annual budget was adopted, **ongoing budgetary controls were not in place** to ensure the appropriate budget amount on a line item basis and the corresponding amount expended to date were reviewed prior to the authorization of new purchases or other expenditures to ensure that the necessary funds were available. Further, we found no indication that the Board was aware at the time of their review and approval of weekly vouchers whether any of the vouchers would cause specific line items to exceed the budget. **A review of the Board Minutes noted only the Board's approval of weekly vouchers; there was no mention that such fiscal management discussions took place. When actual spending is not regularly monitored by the Board against the line item budget, the risk of exceeding the original budget as a whole is increased.**

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<sup>2</sup> Chapter 97 of the New York State Laws of 2011

## Findings and Recommendations

To illustrate, as shown in Exhibit II, for 2015, \$361,000 was transferred from fund balance after year end to cover the line item expenditures that exceeded their original budget which then converted the negative expenditure budget variance of \$251,000 to expenditures being less than the final budget by \$110,000. Further, as shown for 2016, when actual revenues totaled \$8.48 million and there was already an operating surplus and a positive expenditure variance, the Board still transferred an additional \$10,000 from fund balance after year end.

### Exhibit II

#### Comparison of Budget to Actual Expenditures For the Five Year Period 2012 -2016

	(In Thousands)				
	2012	2013	2014	2015	2016
<b>Original Budget - Basis for Tax Levy</b>	\$ 6,635	\$ 6,944	\$ 7,166	\$ 8,184	\$ 8,374
<i>Actual Expenditures</i>	6,634	8,142	7,422	8,435	7,366
<b>Original Positive (Negative) Budget Variance</b>	\$ 1	\$ (1,198)	\$ (256)	\$ (251)	\$ 1,008
<i>Use of Fund Balance to Increase Budget</i>	347	1,290	36	361	10
<b>Final Positive (Negative) Budget Variance</b>	<u>\$ 348</u>	<u>\$ 92</u>	<u>\$ (220)</u>	<u>\$ 110</u>	<u>\$ 1,018</u>

Source: District Annual Budgets & Audited Financial Statements

- Our review noted that **revenues consistently increased each year but actual expenditures varied considerably.** We believe this is in part due to the Board not using budgeting techniques that account for actual expenditure trends and the practice of transferring fund balance after year end for spending that exceeded the original budget during the year. Exhibit III summarizes the operating results and fund balance for the 5 year period from 2012-2016 and illustrates the large fluctuations from year to year.

### Exhibit III

#### Fund Balance and Operating Results For the Five Year Period 2012 -2016

	(In Thousands)				
	2012	2013	2014	2015	2016
<b>Beginning Fund Balance</b>	\$ 4,579	\$ 4,766	\$ 3,890	\$ 4,038	\$ 3,718
Revenues	\$ 6,821	\$ 7,266	\$ 7,570	\$ 8,115	\$ 8,488
Less Expenditures	\$ 6,634	\$ 8,142	\$ 7,422	\$ 8,435	\$ 7,366
<b>Operating Surplus/(Deficit)</b>	<u>\$ 187</u>	<u>\$ (876)</u>	<u>\$ 148</u>	<u>\$ (320)</u>	<u>\$ 1,122</u>
<b>Ending Fund Balance</b>	<u>\$ 4,766</u>	<u>\$ 3,890</u>	<u>\$ 4,038</u>	<u>\$ 3,718</u>	<u>\$ 4,840</u>

## Findings and Recommendations

- New York State Law provides that governments such as special districts may retain “reasonable” undesignated fund balances<sup>3</sup>. The law directs that governments look to whether their income and expenditures are predictable in determining whether a fund balance is reasonable and review past years’ income and expenditure levels to set a fund balance policy. Exhibit IV summarizes the breakdown of the Fund Balance for the 5 year period from 2012-2016. It illustrates the fluctuation in the components of fund balance and that **the total fund balance represented anywhere between 45% and 72% of the original budget and the unexpended surplus funds portion of fund balance represented between 21% and 29% of the original budget.**

### Exhibit IV

#### Breakdown of General Fund Balance For the Five Year Period 2012 - 2016

	(In Thousands)				
	2012	2013	2014	2015	2016
<b>Nonspendable</b>					
Reserve for Inv and PPD	\$ 196	\$ 219	\$ 234	\$ 207	\$ 182
<b>Restricted</b>					
Capital Reserves	2,714	1,900	1,945	1,833	2,209
<b>Assigned</b>					
Appropriated Unexpended Surplus	306	-	-	-	-
Reserve for Encumbrances	36	36	32	-	-
<b>Unassigned</b>					
Unexpended Surplus Funds	1,514	1,735	1,827	1,678	2,450
<b>Total General Fund Balance</b>	<b>\$ 4,766</b>	<b>\$ 3,890</b>	<b>\$ 4,038</b>	<b>\$ 3,718</b>	<b>\$ 4,841</b>
<b>Original Budget</b>	<b>\$ 6,635</b>	<b>\$ 6,944</b>	<b>\$ 7,166</b>	<b>\$ 8,184</b>	<b>\$ 8,374</b>
<b>Total General Fund Balance as a % of Budget</b>	<b>72%</b>	<b>56%</b>	<b>56%</b>	<b>45%</b>	<b>58%</b>
<b>Unexpended Surplus Funds as a % of Budget</b>	<b>23%</b>	<b>25%</b>	<b>25%</b>	<b>21%</b>	<b>29%</b>

Source: District Annual Budgets & Audited Financial Statements

### **Audit Recommendation(s):**

We recommend that the Board:

- a) hire a fiscal manager;

<sup>3</sup> Office of the New York State Comptroller Division of Local Government & School Accountability “Reserve Funds” (January 2010).

## **Findings and Recommendations**

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- b) strive for transparency in developing its budget by more accurately estimating its operating revenues and expenditures based upon historical actual trends on a line item basis;
- c) implement budgetary controls to ensure that the budget is reviewed prior to the authorization of significant line item disbursements and those decisions to exceed the budget are documented and approved by the Board prior to making the purchase or approving the expenditure; and
- d) periodically obtain and review reports of budgeted to actual expenses, and document the Board's review of budgeted to actual expenses, including the major points of discussion, rationale and appropriateness of significant over budget conditions.

### **Audit Finding**

#### **(2) Commissioners Compensation and Certain Employee Benefits Appeared Excessive**

The District's three elected Commissioners receive a stipend for attending each District-held or external meeting and conference, or if they are attending to District business. Commissioners submit claim vouchers for per diem rate of \$100, including a description of the hourly services rendered for each day. The auditors reviewed these claims and found the following:

- The auditors verified that 21% of the per diems were traceable to Board minutes. These were the hours reported on the Commissioner's claim vouchers that were spent in evening Board meetings. This District does not keep a logbook to track the Commissioners' attendance for purposes of determining their per diem payments, but instead uses detailed vouchers.
- There was no evidence in Board minutes to document the Commissioners' work on weekends and holidays or at each external meeting or conference. The District relies solely on the monthly vouchers prepared by each Commissioner for payment to them.

The Office of the New York State Comptroller's Opinion 90-49 states that where a Town Board has set a per diem compensation for district commissioners pursuant to section 214 of the Town Law, the commissioners are entitled to receive the full per diem amount for each day on which they actually and necessarily render services on behalf of the district, unless the services are nominal, unsubstantial, trivial or inappreciable<sup>4</sup>.

Without verification of the Commissioners' daytime attendance (at the District), weekend and holiday work and external meetings or conferences, we could not ensure that the District had complied with the New York State Comptroller's Opinion.

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<sup>4</sup> 1990 Op. State Comptroller, No. 90-49 (Dec. 20, 1990); see also N.Y. Town L. § 216 (McKinney 2007) (during the audit period the daily rate may not exceed \$80 per day; the statutory maximum has since been increased to \$100 per day).

## Findings and Recommendations

Exhibit V summarizes the compensation and benefits for all three commissioners in 2015 and 2016.

### Exhibit V

#### Plainview Water District Analysis of Commissioner Compensation and Benefits 2015 - 2016

Commissioner	2015			2016		
	A	B	C	A	B	C <sup>7</sup>
<b>Stipend (Per Diem)</b>	<b>\$24,200</b>	<b>\$23,400</b>	<b>\$23,000</b>	<b>\$23,000</b>	<b>\$21,900</b>	<b>\$19,700</b>
<b>District Benefit Costs<sup>1</sup></b>						
Medical <sup>2</sup>	\$21,706	\$21,706	\$21,706	\$14,497	\$23,115	\$23,115
Dental <sup>3</sup>	-	3,247	2,685	-	3,590	5,832
Optical <sup>4</sup>	1,243	1,000	398	1,524	1,600	1,532
Life & ADD <sup>5</sup>	246	246	246	246	246	246
AFLAC <sup>6</sup>	1,785	1,861	2,179	1,785	1,861	2,179
<b>Total Benefits</b>	<b>\$24,981</b>	<b>\$28,061</b>	<b>\$27,215</b>	<b>\$18,053</b>	<b>\$30,412</b>	<b>\$32,903</b>
<b>Total Compensation and Benefits</b>	<b>\$49,181</b>	<b>\$51,461</b>	<b>\$50,215</b>	<b>\$41,053</b>	<b>\$52,312</b>	<b>\$52,603</b>

<sup>1</sup> Although the Exhibit only shows Commissioner benefits, all District employees are entitled to the same benefits, which are fully paid for by the District. Pension benefits are not included.

<sup>2</sup> Represents medical premiums paid to the New York State Health Insurance Program (NYSHIP).

<sup>3</sup> The District is self insured for dental benefits. The amounts shown represent the actual reimbursements paid. The maximum annual limits range from \$3,500 for single to \$17,500 for married with four dependents.

<sup>4</sup> The District is self insured for optical benefits. The amounts shown represent the actual reimbursements paid. The maximum limits for optical reimbursements range from \$650 for single to \$1,600 for family.

<sup>5</sup> Life and Accidental Death & Dismemberment (AD&D) costs are for premiums.

<sup>6</sup> AFLAC costs are premiums for supplemental insurance, fully paid by the District.

<sup>7</sup> The amount shown reflects per diem for January through October 2016.

#### Review of Monthly Claim Vouchers Submitted by the Commissioners for Per Diems

Auditors reviewed claim vouchers submitted by each Commissioner in 2015 and 2016. Commissioners earn (for New York State Retirement System purposes) one day for every 6 hours they work for the district. For example, in 2015, one Commissioner submitted monthly claim vouchers for 571 hours of work performed over 242 days and received \$24,200 for the year. This would equate to 95 pensionable days. Our review noted the following:

## **Findings and Recommendations**

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- On average the Commissioners reported working between 2 to 2½ hours for each day they were paid the \$100 per diem.
  - Between 44% and 60% of the per diems paid to each Commissioner were for time on weekdays. This work consisted of hours to attend commissioner meetings (not Board meetings), external conferences, and to review and sign claim vouchers, payroll checks and other District documents, and perform community service activities.
  - Between 20% and 35% of the per diems paid to each Commissioner during the audit period were for hours reported on the claim voucher for work done on weekends and holidays.
- For all the hours claimed and paid to the Commissioners **it was disconcerting that they did not review budget to actual comparisons on a line by line basis as part of their review and approval of purchases and claim vouchers. This should have been done to ensure that adequate funds existed prior to payment and that line item budget transfers were promptly made when needed. The District should have been aware that they needed to use fund balance throughout the year instead of finding out 3 months after year end.** This is discussed in more detail in Finding 1.

### Comparison of Plainview Water District Budgeted Commissioner Stipends to Other Water Districts

As shown in Exhibit VI, a comparison of the commissioner per diems budgeted by the commissioner run water districts in Nassau County in 2015, 2016 and 2017 revealed that the Plainview Water District was among the highest. Commissioners' functions and duties vary from district to district.

## Findings and Recommendations

### Exhibit VI

#### Nassau County Commissioner Run Water Districts Comparison of Budgeted Commissioner Stipends Budget Years 2015 - 2017

Name of Water District	Town	Population Served	Adopted Budget Dollars for 3 Commissioners		
			2015	2016	2017
Plainview	Oyster Bay	34,000	\$ 60,000	\$ 60,000	\$ 75,000
Manhasset Lakeville	North Hempstead	45,000	65,000	60,000	66,000
Bethpage	Hempstead & OB	33,000	42,007	46,800	n/a
Massapequa	Oyster Bay	43,000	40,000	45,000	46,800
West Hempstead	Hempstead	32,000	45,000	40,000	45,000
South Farmingdale	Oyster Bay	44,700	42,000	42,000	42,000
Westbury	North Hempstead	20,500	42,000	42,000	42,000
Oyster Bay	Oyster Bay	8,500	36,000	36,000	36,000
Hicksville	Hempstead & OB	48,000	29,760	29,760	29,760
Glenwood	North Hempstead	28,000	29,500	30,100	29,500
Franklin Square	Hempstead	20,000	28,000	28,000	36,000
Locust Valley	Oyster Bay	7,500	24,000	24,000	21,000
Albertson	North Hempstead	13,500	22,500	22,500	22,500
Carle Place	North Hempstead	8,900	20,000	20,000	20,000
Port Washington	North Hempstead	30,000	20,000	20,000	20,000
Jericho	Oyster Bay	58,000	18,000	18,000	18,000
Cathedral Gardens	Hempstead	1,500	17,200	21,840	20,000
Roslyn	North Hempstead	17,900	15,000	18,000	18,000
Garden City Park	North Hempstead	20,000	12,000	15,000	15,000

**Source of Data:**

Town of Hempstead (TOH) Adopted Budget Reports 2015, 2016 and 2017

Town of North Hempstead (TONH) Adopted Budget Reports 2015, 2016 and 2017

Town of Oyster Bay Budget reports per Water District Websites.

Population Served Data was taken from the 2016 Water Quality Report

n/a = Not available

### Benefits

As noted earlier in Exhibit V, the Commissioners and employees received fully paid benefits while working at the District, and after 5 years of service, into retirement. This includes the customary medical coverage provided by NYSHIP, dental, optical, life, and accidental death and dismemberment. Our review also revealed that the **District pays for the cost of supplemental medical insurance provided by AFLAC.**



## **Findings and Recommendations**

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The District's dental and optical benefits are self-funded. A review of the dental plan found that the dental costs are over 10% of their overall cost of benefits. For example, the maximum annual limits ranged from \$3,500 for a single individual to \$17,500 for a married employee with four dependents. As shown in Exhibit VII, the cost of employee benefits to the District approached \$600,000 each year in 2015 and 2016.

### **Exhibit VII**

#### **Plainview Water District Cost of Employee Benefits to the District**

	<u>2016</u>	<u>2015</u>
<b>Medical<sup>1</sup></b>	\$ 472,841	\$ 473,543
<b>Dental<sup>2</sup></b>	60,707	67,032
<b>Optical<sup>3</sup></b>	18,686	12,464
<b>Life/AD&amp;D<sup>4</sup></b>	3,475	4,485
<b>AFLAC<sup>5</sup></b>	22,055	24,965
<b>Total<sup>6</sup></b>	<u>\$ 577,764</u>	<u>\$ 582,489</u>

<sup>1</sup> Represents medical premiums paid to the New York State Health Insurance Program (NYSHIP).

<sup>2</sup> The District is self insured for dental benefits. The amounts shown are actual reimbursements paid.

<sup>3</sup> The District is self insured for optical benefits. The amounts shown are actual reimbursements paid.

<sup>4</sup> Represents Short Term & Long Term Disability Premiums, Life insurance and Accidental Death & Dismemberment (AD&D).

<sup>5</sup> AFLAC costs are premiums for supplemental (voluntary) insurance, fully paid by the District.

<sup>6</sup> Benefits to retirees are included in Medical, Dental and Optical. Part time employees do not receive benefits. Commissioner benefits are not included in this chart.

### **Audit Recommendations**

We recommend that:

- a) the District look for ways to streamline the Commissioners' duties, and to provide more transparency to the Commissioner's work schedules;
- b) all work that is not performed on District premises and for which a per diem is requested should be incorporated into the Board meeting minutes;
- c) the Board consider requiring all District employees, including the Board, to pay for their respective premiums for AFLAC coverage; and

## Findings and Recommendations

d) the Board review the cost/benefit of the level of dental coverage provided to its employees in comparison to other water districts.

### **(3) Employment Policies Do Not Address the Hiring, Supervision or Evaluation of District Officials' Family Members**

Our review revealed that the District employed immediate family members of the Board, the Clerk to the Board, and the former Superintendent without establishing formal guidelines to help guard against favoritism.

During the audit period the District employed four (4) full-time and seven (7) part-time employees who are immediate family members of four Commissioners (two are now former Commissioners), the Superintendent and the Clerk to the Board. The Clerk to the Board, in her capacity as office manager, directly supervises her spouse's day to day work.

Exhibit VIII shows the immediate family members appointed by the Commissioners and the corresponding gross salary earned/Commissioner's stipend in 2015-2016.

#### **Exhibit VIII**

<b>Plainview Water District</b>						
<b>Immediate Family Appointed by Commissioners 2015-2016</b>						
Commissioner (Term ended 2014)	Clerk to the Board** (2015- 2016)	Commissioner (2015- 2016)	Superintendent* (2015- 2016)	Plant Operator (2015- 2016)	Commissioner (2015- 2016)	Commissioner (Term ended 2016)
----	<b>\$120,800</b>	<b>\$23,700</b>	<b>\$200,000</b>	<b>\$143,200</b>	<b>\$21,300</b>	<b>\$22,700</b>
↓	↓	↓	↓	↓	↓	↓
Daughter	Spouse	Son	Son	Son	Son	Son
Distributions (2015)	Part-time Office Operations (2015- 2016)	Seasonal (2015- 2016)	Plant Operations (2015- 2016)	Seasonal (2015- 2016)	Seasonal (2015- 2016)	Distributions (2015- 2016)
<b>\$59,200</b>	<b>\$32,000</b>	<b>\$2,000</b>	<b>\$96,800</b>	<b>\$10,700</b>	<b>\$15,400</b>	<b>\$94,900</b>
Grandson					Son	Daughter
Distributions (2015)					Seasonal (2015- 2016)	Part-time (2015)
<b>\$38,700</b>					<b>\$8,600</b>	<b>\$8,600</b>
Granddaughter						Son
Part-time (2015)						Part-time (2015- 2016)
<b>\$8,100</b>						<b>\$20,400</b>
<b>Notes:</b>						
Amounts represent the average annual gross salary or Commissioner's stipend, rounded to the nearest hundred dollars.						
* Resigned effective November 2016						
** Receives a stipend for preparing Board Meeting Minutes						

The Superintendent has the authority to evaluate employees' performance, and in 2015, annual salary increases were directly tied to employee performances from their 2014 evaluations. The auditors noted the former Superintendent signed his son's 2014 performance evaluation.

## Findings and Recommendations

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The District policy on *Performance Review and Salary Increases* states that “*The Board of Commissioners, in consultation with the Superintendent and other supervisors, endeavors to complete and review annual evaluations on each employee in or around November of each year. At such time, increases may be given. Employee evaluations include, but are not limited to, the following: (i) an employee’s conduct; (ii) attendance; (iii) punctuality; (iv) performance; and (v) the District’s ability to pay. Factors also will include how well each employee met the objectives of the previous twelve (12) months and the employee’s level of contribution to the success of the District*”<sup>5</sup>. However we noted that performance evaluations were not completed for any of the Districts’ employees in 2015 and 2016.

The District’s policy on *Municipal Officer and Employee Ethics and Conflicts of Interest*, revised in 2015 and adopted in 2016, does not address or establish procedures in relation to hiring<sup>6</sup> or supervision of family members.

### **Audit Recommendation(s):**

We recommend that the Board:

- a) develop procedures to hire the most qualified employees; these should include procedures for the employment, supervision, and evaluation of District officials’ family members; and
- b) consider using Civil Service to hire employees on a competitive basis. Civil service is a hiring system where appointments are normally made from eligibility lists composed of persons meeting the established qualifications, as determined by civil service examinations, rather than political relationships.

### **Audit Finding**

#### **(4) Lack of Managerial Oversight Allowed the Clerk to the Board to Grant Excess Leave Accruals of 90 Hours to Her Husband, and Process Unapproved Leave Requests including 55 Hours for Herself**

The Clerk to the Board is responsible for reviewing employee Time sheets, updating leave accrual and usage records and preparing the Weekly Payroll Summary for the District’s payroll vendor. The Clerk to the Board is the wife of a part-time Administration employee.

#### **Compensatory (“Banked”) Leave Accruals and Usage in Excess of District Policy**

We reviewed all employee leave time for two months of the audit period<sup>7</sup> to determine that balances for full-time and part-time employees did not exceed the District’s Banked time maximums. We identified one part-time Administration office employee who accumulated weekly

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<sup>5</sup> Plainview Water District Employee Handbook, Section 3.3 (January 2014, Revised December 2015, Adopted February 9, 2016).

<sup>6</sup> The District hires personnel through a non-competitive process.

<sup>7</sup> We randomly selected the two months of March 2015 and December 2016 for our sample.

## Findings and Recommendations

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Banked time balances and used 90.25 hours of Banked time above District maximums which he was not entitled to. Exhibit IX summarizes the results of our analysis of the employee's weekly Banked time balances starting with the beginning balance at January 1, 2015 through the end of 2016. Based on the employee's pay rate of \$32/hour, the 90.25 hours of excess Banked time usage represents \$ 2,888.

The leave accrual and usage data prepared by the Clerk to the Board consisted of a weekly list showing only the leave balances by employee for each leave type. The list did not include the weekly accruals and/or usage to explain the change in an employee's leave balances from week to week. This information was only available on a monthly basis on each employee's Time Off Summary and by sifting through the employees' leave request forms and Weekly Time- sheets. We noted that the Time sheets reviewed had handwritten adjustments to the number of hours to be paid and/or accrued. Further, we found no evidence that the time sheet changes, the monthly Time Off Summaries, the weekly changes to leave balances, or the weekly Payroll Summary were subject to a managerial review to ensure accuracy and compliance with District Policy.

### Exhibit IX

#### Banked Time Accrued and Used in Excess of District Policy For Part-Time Clerk - 01/01/15 - 12/31/16

Description	Banked Hours		
	Actual Per District Records	Auditor Calculated Per District Policy	Hours in Excess of District Policy
<b>01/01/15 Balance</b>	38.75	19.50	19.25
<b>Accruals<sup>1</sup></b>	174.25	103.25	71.00
<b>Available for Use</b>	213.00	122.75	90.25
<b>Usage<sup>2</sup></b>	211.50	121.25	90.25
<b>Balance 12/31/16</b>	1.50	1.50	0

Source of Actual Hours - District's Week Ending Banked Time Records

<sup>1</sup> The auditor calculated that 103.25 hours were accrued by reviewing each week's Banked time balance, computing the change from the prior week and only noting the excess hours, that when accrued would not cause the balance to exceed 19.50 hours.

<sup>2</sup> The auditor calculated usage of 121.50 hours which was computed by reviewing the actual weekly usage and only including the portion of the Banked hours used that would have been available for use at the time, had the maximum balance of 19.50 hours been enforced.

## **Findings and Recommendations**

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### **Leave Requests**

We selected for review the leave time taken by full-time employees, for a one-month period during the audit period<sup>8</sup>. According to the District employee handbook, annual and Banked leave must be requested in advance and approved by the immediate supervisor and District Superintendent prior to use.

Our review of employee time cards and “Employee Time Off” summaries revealed that:

- Of the 485.75 hours of leave charged by employees, 184.50 hours were not supported (38%) by properly completed leave request forms.
- 55.5 hours of the unsupported banked time usage was taken by the Clerk to the Board.
- The former Superintendent never prepared leave requests forms.

### **Audit Recommendation(s):**

We recommend that the Board:

- a) ensure that District leave time records prepared by the Clerk to the Board are subject to managerial oversight to ensure the accuracy of the calculations and that leave time balances and cash-outs of unused annual and sick days do not exceed the maximums allowed by District policy;
- b) ensure that the weekly list of employee leave balances includes the changes to the balances;
- c) adjust the part-time employee’s Banked leave time balance to recoup the excess usage of 90.25 hours during the audit period; and,
- d) ensure that all employees, including the Clerk to the Board and the Superintendent, submit leave requests in advance for annual and bank leave time in accordance with District policy.

### **Audit Finding**

#### **(5) Lack of Board Oversight of the Former Superintendent’s Time and Attendance; and Lack of Transparency of Employee Separation Payouts**

We reviewed termination payouts and agreements (“separation payouts/ agreements”) for the three employees who were terminated or resigned during our audit period. Our objective was to determine whether employees’ payouts for accrued leave time were calculated accurately and in compliance with District policies or the former Superintendent’s employment agreement. We found that none of the three payouts were in compliance.

The former Superintendent received a Settlement payout of \$77,177 for 21 days of annual leave and 80 days of accumulated sick leave. When reviewing this agreement the auditors also noted:

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<sup>8</sup> We randomly selected a different month for each full-time employee chosen in our sample.

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## Findings and Recommendations

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- The former Superintendent did not keep any daily attendance records of his hours worked. The Clerk to the Board stated that this is not required by the Board. Proper time keeping practices should be accurate and complete, including the supervisory review and approval of the Superintendent's daily attendance records.
- The 2009 employment agreement with the former Superintendent provides for 25 days of annual leave. However, his leave summary schedule showed 32 annual leave days accrued for 2015 and for 2016. The Clerk to the Board told us that the number of annual days she credited was based on both the former Superintendent's employment agreement and the Employee Handbook. The Handbook provides for 12 days of annual leave, with an additional three days given after two years and an additional five days given after three years of full-time employment, on the employee's anniversary. Also, the Handbook provides that if any full-time employee does not use sick leave time during the two six-month periods of the year, they will receive an additional annual leave day for each six-month period. However, the employment agreement did not authorize the former Superintendent to receive any additional annual leave.
- During the six year period the former Superintendent charged 50 instances of bank leave (use of compensatory time). The former Superintendent accrued and approved his own bank leave request forms even though his employment agreement did not authorize the accrual of bank leave (compensatory time). Based on an 8 hour work day, bank leave usage totaled 53.5 days; each instance ranging from 4 hours to three days. It was only upon his termination that the District reduced his accrued annual leave payout of 74.5 days to 21 days to reflect his unauthorized banked leave usage<sup>9</sup>. Had the Board provided adequate oversight, the improper accrual and use of bank leave could have been detected and corrected before it accumulated.

### Water Plant Attendant Payout

In August 2015, upon termination, the District paid the Water Plant Attendant \$6,661 as follows:

- \$1,661 for all earned and unused leave time as of the July 9, 2015 termination date.
- \$5,000 in accordance with a Separation Agreement between the District and the employee. On July 9, 2015 the Board held a special meeting and the minutes stated that the Board resolved to terminate a position of Water Plant Attendant. There was no mention of the Separation Agreement or the lump sum payment of \$5,000 in the resolution. Further, there

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<sup>9</sup> Bank leave is described in the Employee Manual as compensatory time earned instead of overtime. Time worked that is normally paid at 1.5 times salary would be accumulated at 1.5 hours for every hour worked and time worked that is normally paid at 2 times salary would be accumulated at 2 hours for every hour worked.

## **Findings and Recommendations**

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was no evidence of Board approval in the Separation Agreement itself; it was signed only by the District Superintendent and the employee.

### **Water Servicer Payout**

The District terminated the Water Servicer effective August 31, 2015 and paid all accrued leave time totaling \$5,573 which had been earned and unused as of August 31, 2015.

We reviewed the employee's leave charges and noted:

- The District did not charge this employee's leave accruals for five (5) days in March 2015 (Payroll Period Ending March 8, 2015). A review of the August 31, 2015 Board minutes revealed that Board resolved to terminate the employee, effective immediately. However, there was no discussion in the minutes or as part of the resolution that addressed the additional week of pay. When the District was asked for an explanation, the Clerk said that the District Counsel advised the Board of this "*in Executive Session at one of the District's board meetings*" and that "*he didn't advise the Board by letter*". Based on the employee's rate of pay, we determined the additional pay equaled \$1,615.

This does not appear to be in accordance with the New York Public Officers Law<sup>10</sup> (when the Board elected not to record this in the minutes when this leave was discussed in executive session<sup>11</sup>).

According to the law, "*Where a public body makes an official decision or takes action during an executive session, it must record or summarize that action and must record the date and the vote taken in its minutes. A public body may not, however, vote in executive session to appropriate public funds.*"

### **Audit Recommendation(s):**

We recommend that the Board:

- a) ensure that all employees, including the Superintendent, maintain time and attendance records;
- b) designate a Board member to review the Superintendent's record of daily/weekly attendance, and approve all leave requests;
- c) explain and obtain formal Board approval for the additional payout amounts to the Water Plant Attendant and the Water Servicer;
- d) ensure that provisions of employment agreements are followed, and any ambiguous contract references are clarified; and

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<sup>10</sup> New York Department of State, Division of Local Government Services, *Conducting Public Meetings and Public Hearings 2012*.

<sup>11</sup> An "executive session" is a portion of an open meeting during which the public may be excluded. The public body's authority to conduct an executive session is limited to those purposes enumerated in the "Open Meetings Law".

## Findings and Recommendations

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- e) ensure that all employment agreements and separation agreements are available to the public and approved and reflected in the minutes of regular meetings.

### **Audit Finding**

#### **(6) District Records Lack Adequate Documentation to Substantiate the Validity and Appropriateness of Travel and Conference Expenditures Totaling \$44,374**

During 2015 and 2016, the District's travel expenditures totaled \$44,374. Our review of 25 payments totaling \$25,270 revealed a severe lack of control to ensure that the cost and necessity of travel and conference expenditures were documented and preapproved; actual spending was supported with the appropriate documentation, and excessive or personal expenses were reimbursed to the District.

#### **No prior travel approval (to prevent extension of trip for personal reasons on taxpayers cost)**

In order to safeguard public funds, an important tool is to have a **pre-approval for employees with an associated budget** for every travel event. This also prevents the extension of trips before and after conferences for personal reasons at District cost. Although both the District Handbook requires this, and NYS guidance<sup>12</sup> on travel lists this as an essential policy element, auditors found the preapproval process to be severely weak. In addition, auditors found it difficult to determine if the travel represented training for the District or was for personal reasons. Exceptions noted were:

- For two out-of-state trips, based on the conference agenda, employees arrived two days prior to the conference and received lodging and meal reimbursements. Since the District does not require proof of attendance, the employees did not verify that they attended any pre-conference "committee" meetings.
- The District paid the conference fee for one of five employees attending the out-of-state Annual American Water Works Association ("AWWA")<sup>13</sup> 2016 meeting in Chicago. (The former Superintendent's conference fee was paid by the District.) The District did not pay the conference fees for four of the five attendees. However, the District paid for viewing exhibits, meals, airfare and lodging. Without any proof of attendance the auditors were unable to determine employee conference attendance and if this travel was for the benefit of the District.

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<sup>12</sup> Office of the New York State Comptroller Division of Local Government "Travel and Conference Expense Management".

[https://osc.state.ny.us/localgov/pubs/lgm/g/travel\\_expense.pdf](https://osc.state.ny.us/localgov/pubs/lgm/g/travel_expense.pdf) (June 2012).

<sup>13</sup> American Water Works Association is an international non-profit, scientific and educational association founded to improve water quality and supply.



## Findings and Recommendations

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- There was no detail or budgeting information found in the Board minutes regarding the annual AWWA conference attended in Anaheim, CA. In the first annual meeting of 2015, the Board approved the attendance of all AWWA conferences for employees with no detail. The approval for the attendance of employees specific to the conference in Anaheim, CA was found in the January 2016 Board minutes, after the event and without a budget, a date of conference or details.
- In the first annual meeting of 2016, the Board approved employees to attend the AWWA annual meeting to be held in Chicago, IL. Again no additional detail, date of conference or budgeting information was found in the Board minutes.

According to the District Travel Policy, “*All travel reimbursements claims must be submitted on a timely basis using the official water district travel claim voucher...*” We found that **none of the reimbursement claims were submitted using a standardized travel claim voucher, as per District policy.**

### Missing or Insufficient Documentation of Expenses Incurred

According to District policy “*expenses for meals and lodging shall be reimbursed pursuant to requirements detailed in the latest edition of the New York State Office of the State Comptroller Travel Manual*”. There are two acceptable methods listed in this guide, one is for employees to **provide receipts** with or without a maximum for the day under the General Services Administration<sup>14</sup> (“GSA”); or a per diem allowance could be provided for employee use for each day of a trip. The District uses the former, however, we found:

- Eleven meal reimbursements totaling over \$500 were made without an itemized receipt. Without detailed receipts, it cannot be determined if alcohol was purchased with taxpayer dollars. Restaurant receipts need to be itemized for this review.
- Nine instances where the vendor name on the claim showed “American Express” and not the name of the employee who actually incurred the travel and conference expenditures.

### Inadequate Review of Travel Reimbursement Claims

Three meal receipts for the Anaheim, CA conference showed addresses of restaurants in Hollywood and Los Angeles during the daytime, approximately 1 1/2 hours from the convention center. One meal receipt had a restaurant address in La Jolla, CA, approximately 2 hours from the convention center. Since District officials do not provide proof of attendance, we cannot verify their attendance at the conference during this time.

### Additional expenditures of concern were as follows:

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<sup>14</sup> The General Services Administration (GSA) is a federal agency that establishes per diem rates for meal and lodging expenditures relating to government travel. These rates are used by the federal government and other government entities, including New York State.

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## Findings and Recommendations

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- \$245 for two excess baggage fees on plane
- \$200 for late check out fees for two officials;
- \$63.60 for cab service to a dinner when the same employee had a car rental for the duration of the conference;
- \$50 for rental car fuel when the convention center was located 0.6 miles from the hotel
- \$25 reimbursement for an EZ Pass payment when the actual toll receipt noted \$15.56;
- \$21.17 for cab service to lunch; and
- \$25 overpaid due to an arithmetic error

### Lack of Compliance with the State Comptroller's Travel Manual Which Follows the GSA Established Per Diem (Daily) Rates.

We found the following:

- All the lodging rates paid exceeded the GSA established per diem (daily) rates as required by District policy.
- Two instances where the meal reimbursement was over the GSA per diem rate for meals and incidentals.
- The District policy does not include how exceptions to the GSA rates would be approved.

### Misclassification of Travel and Conference Costs

The following error was noted:

- \$75 in misclassification of travel cost: an Uber car service for overnight travel was classified in the District's accounting records as "Miscellaneous Auto Expenditure".

### **Audit Recommendation(s):**

We recommend that the Board:

- a) require preapproval of travel with the dates of the conference and an estimated budget in order to ensure prudent use of taxpayer money when employees are attending training;
- b) develop a comprehensive travel policy establishing allowable travel costs, maximum reimbursement rates, and use of a standardized travel claim form;
- c) ensure reimbursements for meals and lodging are no greater than the GSA rates;
- d) plan conference travel, including hotel reservations, in advance to obtain the best possible lodging rates;
- e) ensure that expenditures are adequately supported and necessary before approving them for payment;
- f) obtain and attach proof of attendance at conferences for each authorized District traveler; and
- g) monitor conference attendance and travel cost to ensure costs are reasonable and travel is conducted in a cost-effective manner.

## Findings and Recommendations

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### Audit Finding

#### **(7) District Records Indicate that Water Billed Exceeded Water Pumped for 3 out of 5 Years: District Could Not Determine/or Remedy the Causes of True Water Loss**

The District does not reconcile water produced to water billed to ensure differences are identified and resolved. A five year comparison of water production records (water pumped by the system) to metered water sales, as recorded in the billing registers, found that customer billings exceeded water production in 2012, 2013 and 2016. Additional analysis for the scope period (2015-2016) revealed that billing errors caused water usage for 22 customer accounts to be overstated by 107.4 million gallons in 2016; and 16 accounts were overstated by 53.2 million gallons in 2015. As shown in Exhibit X, after factoring in these billing errors, 129,299 million gallons of water were unaccounted for in 2015 and 32,396 million gallons were unaccounted for in 2016. We also noted that five employees have computer access to enter customer credits to correct billing errors without supervisory approval.

### **Exhibit X**

#### **Water Pumped, Water Billed and Unaccounted For Water Years 2015 and 2016**

	Gallons (x1,000)		
	2015	2016	Total
<b>Water Pumped to Users</b>	<b>1,909,825</b>	<b>1,868,108</b>	<b>3,777,933</b>
Water Billed per District	1,833,745	1,943,068	3,776,813
<i>Auditor Calculated Billing Adjustment</i>	(53,219)	(107,356)	(160,575)
<b>Water Billed - Auditor Adjusted</b>	<b>1,780,526</b>	<b>1,835,712</b>	<b>3,616,238</b>
<b>Unaccounted For Water - Pumped less Auditor Adjusted Water Billed - Notes (a), (b)</b>	<b>129,299</b>	<b>32,396</b>	<b>161,695</b>
<b>Unaccounted For Water</b>	<b>7%</b>	<b>2%</b>	

*Source of Data: Internal Production Cost Reports, Internal Pumpage Reports, Quarterly Bill Summaries*

#### Unaccounted For Water

(a) **Apparent** Loss (Unauthorized consumption, meter inaccuracies, errors, etc.)

(b) **Real** Loss consists of physical losses from water that escapes the water distribution system.

**Real Loss** = Water Loss - Apparent Loss

## Findings and Recommendations

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### Billing Errors

We noted that in 2016:

- one customer was billed<sup>15</sup> for 86 million gallons when the actual usage was 966,000 gallons (more than 89 times the actual amount);
- another customer was billed 10 million gallons when actual usage was zero; the 22 accounts in 2016 had billing errors occurring in every billing quarter in the year;
- 50% of the billing errors occurred when customers requested Final Meter Readings. (This occurs when selling a property, to insure all matters regarding water charges are finalized and that no unnecessary balances or fees are passed onto the purchaser. The “seller” or their authorized agent must request and pay for a Final Meter Reading.)

Upon discussion with the new District Superintendent (appointed April 2017), cash credits were applied to customers’ accounts for billing errors; however other problems were noted as follows:

- Although customer credits were applied, some usage amounts were not properly subtracted in the accounting records, thus **overstating the water sales amount** (gallons of water sold).
- **Although there is a System generated Edit Report to detect anomalies in the billing cycle before the bills are generated, the report is not reviewed by anyone prior to finalizing the billing.**
- **Five employees of a staff of 16<sup>16</sup> have mastery rights to the billing system, giving them complete access to add, change, and delete records.** It appears these individuals were given the mastery rights to perform **all** of the billing and billing adjustment cycle functions, without Board approval<sup>17</sup>.

### **Audit Recommendation(s):**

We recommend that the Board:

- a) require that written policies and procedures are developed and implemented to ensure water produced is reconciled with amounts billed on a quarterly basis and the causes of discrepancies and unaccounted-for water are identified and reported to the Board in a timely manner;
- b) ensure a plan is developed and implemented to address the causes of significant unaccounted for water and report the findings and recommendations to the Board;

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<sup>15</sup> The District bills customers on a quarterly basis via a Satellite Meter Reading System. Each quarter approximately 5 percent of customer readings (500 accounts) are not read and have to be billed in a 2<sup>nd</sup> cycle. The 2<sup>nd</sup> cycle readings are picked up by the Distribution staff electronically or by way of work orders to enter the residence.

<sup>16</sup> There were 18 full-time employees in 2015 and 16 full-time employees in 2016 (including the Clerk to the Board).

<sup>17</sup> Board minutes for 2015 and 2016 did not document any approval for mastery access.

## Findings and Recommendations

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- c) review Quarterly Edit Reports and approve billing adjustments contained therein; and
- d) review and revise user access rights to the billing software application to ensure that staff with access rights for billing do not also have access rights for billing adjustments (customer credits).

### Audit Finding

#### (8) District Lacks Adequate Control over Purchasing to Safeguard District Funds

Our review of the District's purchasing process found that District policy and New York State General Municipal Law ("GML")<sup>18</sup> were not always being followed. In addition, the inconsistent use of purchase orders resulted in budget expenditure codes being used incorrectly and over-expended. This resulted in the need for budget transfers each year. These budget transfers are not being identified until year end and are not approved by the Board until five to six months into the following year, instead of in a timely manner, in order to track and properly budget the use of District funds.

GML requires the Board to adopt written policies<sup>19</sup> and procedures for the procurement of goods and services that are not subject to competitive bidding requirements, such as professional services and items that fall under the bidding thresholds. An effective purchasing process ensures that the District obtains services, materials, supplies and equipment of sufficient quality in a cost effective manner.

Purchases orders are documents sent from a buyer to a supplier with a request for an order. The detailed specifications are listed along with the price. When the seller accepts the purchase order it creates a binding contract protecting both parties. The District's Purchasing procedures appoint the Superintendent as the Purchasing Agent for the District, thereby requiring him to administer all purchasing activities and ensure the quality of purchases made by the district<sup>20</sup>.

Our review of 49 claim vouchers totaling \$705,073, found that:

- **73% did not have a purchase order.** Although the District has pre-numbered Purchase Order ("PO") forms with a line for the name of the requestor and for approval by the Superintendent as appointed Purchasing Agent, District employees rarely use them.

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<sup>18</sup> N.Y. General Municipal Law, §103 and §104-b.

<sup>19</sup> District Purchasing Policy: Purchases of \$5,001 to \$20,000 require three (3) written quotations; amounts greater than \$20,000 require the solicitation of sealed bids, or use of Municipal or State contracts.

<sup>20</sup> Plainview Water District Purchasing Procedures Pursuant to General Municipal Law §103 and 104-b, Section II A. (January 2011).

## Findings and Recommendations

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Additionally:

- Without the use of purchase orders, **the budget code to be charged is not documented and there is no evidence that the availability of funds is verified**, as the District should be monitoring that they are operating in accordance with their approved budget codes.
- The District does all of its budget transfers at year-end<sup>21</sup> (after December 31), instead of continuously monitoring expenditures to ensure adequate funds are available **before a purchase is made**. Budget transfers totaled \$525,223 in 2015 and \$345,014 in 2016.

The District's policy requires that three written quotations be solicited for all purchases between \$5,001 and \$20,000. The GML states that in determining whether the threshold will be exceeded, the District should consider the aggregate amount reasonably expected to be expended for all purchases of the same commodities or services within the 12-month period starting on the date of the purchase<sup>22</sup>. Our review noted:

- Two of the payments totaling \$5,730, **were not supported by any vendor invoices**;
- Written **price quotations were not obtained** for two claims totaling \$7,631 (aggregate amount \$17,849) which should have had price quotes; and
- \$2,300 was paid to one contractor for additional equipment purchases **over the contract amount**.

Additionally, the Board did not always solicit competition, such as by issuing Requests for Proposals ("RFPs"), when procuring professional services. Based on our review of nine professional service claims, we found that the District did not request proposals when seeking the services of eight of the nine vendors totaling \$662,926, including accountants, public relation services, insurance, and special attorney services.

GML does not require competitive bidding for the procurement of professional services that involve specialized skill, training and expertise. However, requesting competitive RFPs helps ensure that the District obtains needed qualified services with the most favorable terms, that the District gains insight in how other professionals would address the District's needs, and ensures that contracted services are obtained in the best interest of the taxpayers.

### Audit Recommendation(s):

We recommend that the Board:

- a) consider hiring a Business/Finance Manager;

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<sup>21</sup> The District does not process transfers between budget codes during the fiscal year.

<sup>22</sup> N.Y. General Municipal Law, §103.

## Findings and Recommendations

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- b) require the use of purchase orders for all purchases. Purchase orders should be signed by the requestor and approved by the Purchasing Agent;
- c) monitor expenditure codes and perform budget transfers as necessary, or at least once a quarter;
- d) consider amending the procurement policy to include the use of competitive methods for obtaining professional services; and
- e) determine whether the purchasing thresholds might be exceeded by considering the aggregate amount reasonably expected to be expended for all purchases of the same commodities or services within the 12-month period commencing on the date of the purchase.

### Audit Finding

#### (9) Late Fees Were Not Applied in Accordance with Town Law and District Policy

Each water bill reads that “in accordance with Town Law<sup>23</sup>, bills in arrears in excess of 30 days from the mailing date shall include a 10% penalty of the amount due”. The penalty is added to all unpaid water and service charges which are in arrears for **at least 30 days**<sup>24</sup>.

We tested 50 customer accounts with outstanding balances in the Q3 2016 (July-September 30 bills, mailing date October 4, 2016) to determine if the District applied the late fee penalty in accordance with District policy. Our testing revealed that nine of the accounts were penalized accurately, and one was for a Town property that does not get assessed late fees, leaving 40 accounts to be analyzed. Our testing revealed the following:

- **Twenty-seven (27 of 40) accounts tested were not penalized until November 28, 2016, 24 days late.** (According to the billing personnel, the 10 percent late fee penalty was “run” on November 10, 2016 for all of its customers; however, it was not posted to the customers’ accounts until November 28, 2016.
- Plainview runs the late fees in a manually added process. The auditors contacted the **District IT vendor who informed us that the billing system is capable of running and posting penalties automatically; however, the District does not use this feature thus rendering this a manual process.**By not adding the penalties timely, the District **lost revenue totaling \$1,443 for this one quarter alone.**
- 11 customers who paid five (5) days after the bill due date did not receive any penalties because the District still had not manually added the penalties by that time.

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<sup>23</sup> Article III Section 3.5 of the Town Law states that “a penalty up to ten percent (10%) of the amount due may be added to all unpaid water and service charges which are in arrears for thirty days or longer”.

<sup>24</sup> The 10% penalty is only applied once on the amount of arrears and no additional penalty is applied if the amount remains unpaid in subsequent quarters.

## Findings and Recommendations

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- District personnel informed us that **all accounts are given an additional five days, or six days if the due date falls on a weekend or if there was a “snow day”, to pay their bill.** According to the billing staff, this is a practice that has been in effect for several years.
- **Two accounts were given installment plans<sup>25</sup> to pay off their bills. Their penalties were waived.** There were no Board approvals noted in the Board minutes for these installment plans.

Office clerks should not be manually manipulating penalty dates, or adding installment plans without prior Board review and approval. There is a risk that customers may receive water account adjustments to which they are not entitled, and that adjustments/ reductions are not being made consistently and for appropriate purposes.

Billing and adjustment detail reports should go to the Board in order to establish accountability to those charged with collecting and reconciling amounts billed. This would also help prevent unauthorized changes to billing totals from occurring after bills are sent out.

We tested 110 water accounts to ensure customers were billed properly in accordance with the rates and regulations established by the Board. We also reviewed cash receipt records totaling \$24,217 to ensure amounts collected were deposited in a timely manner and posted to the appropriate user accounts. We found that all customer accounts tested were properly billed in accordance with the rates and regulations established by the Board and amounts due were properly collected and deposited.

### **Audit Recommendation(s):**

We recommend that the Superintendent:

- a) review penalty reports at the end of each quarterly billing cycle and ensure that the late fee penalty was applied timely (on the due date); and
- b) submit, for Board approval, all billing adjustments, the reasons for the adjustments, and the amount to be adjusted.

We recommend that the Board:

- a) establish policies and procedures to provide guidance to employees involved in the billing and collection of water charges; and
- b) approve all billing adjustments and record them in the Board minutes.

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<sup>25</sup> An installment plan allows the customer to pay the amount due over a two or three month period without incurring any late fees. The plans are signed by the District’s Clerk to the Board.



## Findings and Recommendations

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### Audit Finding

#### **(10) Waivers of Late Fee Penalties Were Not Approved by Board or Documented in Minutes**

The District billed customers on a quarterly basis for 1.78 billion gallons of water totaling \$3.75 million in 2015 and 1.83 billion gallons totaling \$4.52 million in 2016, for amounts recognized as consumed. During our audit period, tax liens were assigned to 882 customers accounts totaling \$256,285<sup>26</sup>. A tax lien<sup>27</sup> is placed on the real property in connection with the service used for customer accounts that are in arrears over \$50. A 10% late fee penalty of the amount due is added to all unpaid water and service charges which are in arrears for at least 30 days<sup>28</sup>. In Q3 2016, of the 10,475 accounts billed totaling \$2.2 million, penalties were applied to 1,762 accounts for non-payment totaling \$28,023. District staff waived penalties (credits) totaling \$637 on 60 accounts. The waivers ranged from \$1.40 to \$40.78, with an average of \$10.62.

In February 2017, as our audit started, the Board made a resolution memorializing “*a long standing policy by the District*” authorizing the Clerk to the Board and the Superintendent to waive penalties for residential customers who have not had a penalty waived in the last five years. According to District staff, only customers who call and request waivers are credited.

Our testing of the 60 account waivers revealed that 36, representing 60 % of all Q3 waivers, were made to residential customers who had not had a penalty waived in the last five (5) years; one account because payment was posted erroneously to another account; and one that paid timely and should not have been penalized.

The Billing Clerk adjusted water bills for various reasons, such as:

- Never received bill,
- Wrong address,
- Post office returned check,
- High bill,
- Auto pay, and
- Customer did not have a penalty waived within the last five years. (This is the only Board approved criteria.)
- In addition two were given waivers and an installment plan to pay balance in either two or three consecutive months. The two customers wrote letters to the District requesting installments; however, the Board minutes do not reflect any approval.

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<sup>26</sup> The Town of Oyster Bay annually remits the entire tax lien amount to the District.

<sup>27</sup> A tax lien is a lien imposed by law upon a property to secure the payment of taxes. A tax lien may be imposed for delinquent taxes owed on real property or personal property, or as a result of failure to pay income taxes or other taxes.

<sup>28</sup> The 10% penalty is only applied once on the amount on arrears and no additional penalty is applied if the amount remains unpaid in subsequent quarters.

## Findings and Recommendations

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- One customer penalty was waived for “*meter testing high bill*”. There was no recalculation or indication of the reason for the “high bill” and the customer paid the entire actual reading amount of \$407.80.

**The Billing Clerk did not request Board approval prior to making the adjustments or provide the Board with a list of adjustments she made, nor did the Board request information related to her adjustments.**

### District Issue with Online Auto Pay

District customers have the option to pay their water bill through the Velocity "Online Bill Pay" System. At the time of the audit when customers used the system they chose from two options. The payment date could be **today** (“pay now”) **or** some day in the **future** (“future payment option”), whichever the customers designated<sup>29</sup>. According to District officials, the future payment option was not compatible with the District’s financial system. When residents scheduled a future payment there was no actual payment remitted to the District. The Billing Clerk then waived the late penalty fee which the billing system attaches to the account for non-payment.

The auditors inquired with the District’s IT consultant as to why the future payment option feature was available to customers., The consultant told us that the District is responsible for contacting Velocity to disable the feature. Auditors then discussed this matter immediately with District staff, who contacted Velocity and disabled the future scheduled payment option. As of May 2017, customers are given only the option to “pay now”.

### **Audit Recommendation(s):**

We recommend that the Superintendent:

- a) review late fee penalty waiver reports and all other billing adjustments periodically and approve all waivers/adjustments that are compliant with current District policy;
- b) implement billing adjustment procedures that require approval for all adjustments and require written documentation of the reasons for such adjustments;
- c) review penalty reports at the end of each quarterly billing cycle and ensure that the late fee penalty was applied timely (on the due date); and
- d) submit, for Board approval, all billing adjustments, the reasons for the adjustments, and the amount to be adjusted.

We recommend that the Board:

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<sup>29</sup> Customer payments will be initiated on the origination date, or the next business day, and the funds will be withdrawn from the accounts when payments are initiated. The District will receive the funds two to five business days after they are withdrawn from the customer’s account.

## **Findings and Recommendations**

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- e) establish billing and waiver procedures to provide guidance to employees involved in the billing and collection of water charges; and
- f) approve all billing adjustments and record the approval in the Board minutes.

### **Audit Finding**

#### **(11) The District Lacks Backflow Penalty and Waiver Procedures**

##### **Backflow /Cross-Connection Contamination**

The District and consumers are required to follow the applicable provisions of the New York State Sanitary Code<sup>30</sup>, which requires that a supplier of water shall protect the public water system in accordance with acceptable procedures by containing potential contamination within the premises of the user.

Cross Connection (“Backflow”) is a flow condition induced when normal water pressure in the system abruptly drops and the flow of supply water reverses, sucking unhealthy water from swimming and wading pools, fish ponds, fountains, and lawn irrigation systems back into the drinking water supply.

The District conducts inspections of premises at an interval of no longer than one year for non-residential<sup>31</sup> services and five years for residential services. Once it has been determined that a premises requires a backflow prevention device, the owner of the premises is notified (three notices sent) and required to install and maintain an approved protective device.

In 2016, the District penalized 749 customers/accounts, totaling \$96,500 for not having a backflow device installed, or for not having the existing backflow device tested as of December 31, 2015. The penalty for the non-installation of a device was \$150, and \$100 for the non-testing of a device. The District received \$68,850 for 545 accounts who either paid the penalty or received a tax lien transfer.<sup>32</sup> The remaining 204 customers received penalty waivers totaling \$27,500. The Board did not note in the minutes that 204 accounts were granted waivers or that all customers may be granted an extension until April 30, 2016 in order to comply. District records reflect that one customer was granted an extension until May 30, 2016. According to District personnel, waivers were granted only to customers who wrote to the District requesting a waiver.

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<sup>30</sup> Chapter I, Title 10, New York State Sanitary Code<sup>30</sup>, Part 5, Drinking Water Supplied, 5-1.31, Cross Connection Control.

<sup>31</sup> For the purpose of the District ordinance, a multiple dwelling and a residence used in part for business purposes shall be considered to be non-residential.

<sup>32</sup> On June 30<sup>th</sup> of every year, the District’s Billing Clerk credits unpaid accounts and sends them over to Nassau County for collection. At this point, the resident in question has a small lien placed on their home until past due bills are paid in full.

## **Findings and Recommendations**

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We tested 25 customer penalty waivers and found that 11 customers produced proof of installation and proof of device testing in 2015. The remaining 14 waivers granted were as follows:

- Ten were granted extensions to complete installation of the backflow device, nine until April 30, 2016 and one by May 30, 2016.
- One was erroneously given a waiver twice (credited twice for \$150).
- Two were new homeowners (as of September and December 2015) and were unable to have the device tested timely.
- One customer cut and capped the lawn irrigation system, therefore not requiring compliance.

### **Verification of Cross-Connection Report**

According to the District's Cross Connection Control Program 2016 Report provided to the Nassau County Department of Health ("DOH"), all but two of the 839 non-residential services had active, tested devices, and 6,449 of the 9,849 residential services had active devices.

In order to calculate the compliance rate within the District and verify the numbers on the DOH report, we requested a data download from the District showing all services that were required to have a backflow device and if such devices were adequately tested. Customers are required to provide the District proof of device installation or testing. During the audit, the District could not provide the data, leaving us unable to assess the compliance rate, and unable to determine if non-compliant customers were accurately penalized. However, the new Superintendent subsequently provided this data.

Based on our review, the compliance rate within the District for installation and/or testing of backflow devices was over 90%.

As of April 2017, the District has not penalized customers for 2016 non-compliance. District officials told us that the District would discontinue penalizing residential customers who do not comply.

### **Audit Recommendation(s):**

We recommend that:

- a) the Board ensure that all waivers and corresponding resolutions are properly documented in the Board minutes; and
- b) the Superintendent meet with the District's IT consultant and develop a system for determining the backflow compliance rate, and maintain adequate support for all backflow numbers provided to the DOH.

## Findings and Recommendations

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### Audit Finding

#### **(12) Improper Payroll Practices Resulted in Overpayments to Employees**

The District Office Administration staff is responsible for maintaining time and attendance records, and preparing weekly payroll summaries. Employees<sup>33</sup> are required to clock in and out at the beginning and end of every shift. Every payroll period, the Clerk to the Board uses the timesheets generated by the time clock to prepare a weekly payroll summary which is forwarded to the vendor, AccuData, where the payroll is processed.

Our review of payroll records included comparing time sheets to payroll summaries for 11 payroll periods in March 2015 and December 2016 for all employees (17 full-time and 7 part-time). We found 29 instances totaling 66.50 hours<sup>34</sup> where employee hours were overstated on the payroll summaries or their leave accruals were not accurately charged. Our review also noted the following:

- 10 instances where employees earned time (*Overtime and/or Banked time*) for working through lunch when their names were not on the “Employee Work through Lunch” (WTL) log.
- 43 instances where timesheets noted that the employee worked through lunch and were documented on the WTL log; however, the required supervisory approval was not there.
- 16 instances where time worked was rounded up (e.g. 40 minutes of overtime worked would be counted as 45 minutes).
- One instance where an employee did not work for the entire week but was paid full salary with no documentation provided or charges to leave accruals. (According to the Clerk to the Board, District Counsel advised the former Superintendent and the Board to pay this employee. She noted that since the Counsel’s advice was given in executive session, it was not noted in the Board minutes.) This finding is discussed in detail in Audit Finding (5).
- One instance where employee clocked in 9:32AM and out at 4:30PM (7 hours) at the District’s Administration office but noted on the time sheet that she worked a total of eight hours from home since she did not take lunch or the two 15-minute breaks. The District does not have written procedures permitting telecommuting or permitting employees to clock in at the District Office, go home to work and return to the District Office to clock out.
- One instance where an employee clocked in nine minutes late but was considered to be on time. According to the handbook, employees have an 8-minute grace period in the morning only and if an employee clocks-in in excess of the grace period that employee will be docked, in 15-minute increments, based on the actual clock-in.

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<sup>33</sup> The former Superintendent did not clock in/out, or maintain record of hours worked.

<sup>34</sup> At each employees’ rate of pay the 66.50 hours amounted to \$2,064 in overpayments.

## **Findings and Recommendations**

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Due to these errors, we recalculated the employees' time worked to identify the cumulative effect. The time sheets for the eleven employees who did not work the full 8-hour day or who received overtime for more hours than those actually worked, amounted to 64 hours of regular hours and 2.5 hours of overtime totaling \$2,064.

**According to the Clerk to the Board, the Superintendent approves the payroll summaries before its submission to AccuData. We did not observe his signature on the payroll summaries or on the employees' time sheets.**

### **Audit Recommendation(s):**

We recommend that the Board:

- a) establish and implement written payroll policies and procedures to ensure that accurate and complete payroll records are maintained to support all payroll payments;
- b) require supervisors and the superintendent to approve (evidenced by signature /initials) time sheets only after verifying the accuracy through supplemental documents such as Work Through Lunch logs, On-Call Work Schedules, Leave requests, etc.; and
- c) investigate the questionable payments identified, and determine whether to seek reimbursement for any overpayments.

### **Audit Finding**

#### **(13) No Prior Approval of Overtime; On-Call Payments Totaling \$2,400 Were Not in Accordance with District Policy**

##### Overtime

According to the District handbook, all employees who work in excess of eight hours in any day, work in excess of 40 hours in a work week, or work on Saturday<sup>35</sup> will be compensated at time and one half. Employees who work on Sundays and Holidays are entitled to double their hourly wage rate.

The District incurred \$128,214 in overtime for 2015 and \$115,433 for 2016. Our review of overtime in the audit period, showed that 58 % (7 of 12) of Plant Operations/Distributions staff earned between **10% and 22.5% of their salaries** (salary includes longevity, on call and shift differential) in overtime, ranging from \$14,923 to \$43,187. District officials do not maintain a log to record the prior approval of overtime, and the "work through (lunch) log" that the District does maintain is often incomplete and without supervisory approval, as noted in the previous finding. The District's policy is that all employees must receive prior approval from their immediate supervisor and/or the Superintendent for any overtime to be paid and/or to be banked.

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<sup>35</sup> Employee Call out after 4:30 PM will receive 3 hour minimum pay; Call out after 4:30pm for water main repair will receive 5 hour minimum pay.

## Findings and Recommendations

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During the audit period, in addition to her approved salary, the Clerk to the Board also received \$8,250 in stipends, \$9,962 in overtime, and over 38 days of bank time (leave time in lieu of overtime). The stipend consists of a \$75 stipend to attend and prepare Board minutes. However, in addition to the stipend, the Clerk to the Board received weekly overtime, on Tuesdays, from 4:30 P.M. to 5:30 P.M. to prepare for Board meetings. There was no evidence in the Board minutes that the stipend was approved until the lack of Board approval was brought to the attention of the District by the auditors. To remedy the matter, the Board made a resolution authorizing the Clerk to the Board's stipend beginning with the start of the audit in January 2017. We believe that as Clerk to the Board, attending Board meetings and preparing minutes is an essential component of the normal work related duties, and as such should be a part of regular salary.

### Earned Meal Allowances Were Improperly Paid Through Petty Cash Fund

Employees receive an overtime meal allowance of \$10, after they have completed a full work day, if they work between the hours of 4:30pm - 8:00pm for a minimum of three consecutive hours or after 8:00pm for a minimum of five consecutive hours.

Our review of the payroll records did not indicate any meal allowances were paid during 2015-2016; however, upon inquiry, the District told us that all employee meal allowances are paid through the Petty Cash Fund. In 2015, 11 employees received a total of \$110 in meal allowances, and two employees received a total of \$20 in 2016. A review of the petty cash receipts showed that none of the 11 payment receipts in 2015 were approved by the supervisor/Superintendent (the approval line was left blank).

We also noted that the Petty Cash replenishments exceeded the District established amount of \$100 in four instances, ranging from \$150 to \$275. District officials told us that during winter months and water commissioner elections, the petty cash fund may be reimbursed above the \$100 limit. District policy states that payments may be made from petty cash for materials, supplies, or services only when payment is required on delivery. The policy explicitly states that mileage should not be submitted as a petty cash expense; however, it is silent on meal allowances.

### On-call Payments (for Plant Operators)

The District provides service to the community 24 hours a day, 7 days a week. According to District policy, weekend and weekday on-call employees bring home a cell phone and are responsible to respond in the event of any water related emergency such as a water main break, downed fire hydrants, blown water meters, etc.

During our audit period, on-call payments to employees totaled \$33,075 and ranged from \$1,100 to \$2,200 per employee. We reviewed weekly on-call payroll payments and found that employees

## Findings and Recommendations

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were paid \$50 more per holiday than the \$150 on-call payments listed in the employee handbook. The District has 14 days of “holiday” (12 full days and 2 half days) and employees were overpaid a total of \$2,400.

According to District policy, employees should receive \$150 for weekend on-call which covers the period from Friday at 4:30PM until Monday at 8:00AM, and \$150 for Weekday on-call which covers the period from 4:30PM on Monday until 8:00AM on Friday “*unless a Holiday is integral to the week at which point standby will be for the 24-hour period.*”

In addition, we compared the 2016 On-Call Work Schedule to payroll records, for January 2016 through June 2016, and found 13 instances where employee names listed on the On-Call Work Schedule were different from the employee who actually received the on-call payment.

### Audit Recommendation(s):

We recommend that the Board:

- a) require prior approval of **all** overtime as required by District policy;
- b) adhere to District policy with regard to on-call payments;
- c) pay all meal allowances through the regular payroll;
- d) keep all petty cash replenishments up to \$100 in accordance with District policy or amend the policy to provide for a higher limit; and
- e) revise on-call schedules accordingly to reflect the name of the employee who actually worked.

### Audit Finding

#### (14) District Failed to Ensure Employee’s NYS Water Licenses Were Up to Date

New York State Department of Health<sup>36</sup> (“DOH”) regulations specify the requirements for initial licensing and certification renewals for all Water Plant Operations and Distributions personnel, including the District Superintendent who is the designated *Water Plant Operator in Charge*.

We reviewed the certifications and renewals for 14 employees required to be licensed during our audit period and found:

- The District **could not provide** the operating license/renewals, job application/and resume **for the former Superintendent, and as such we were unable to determine if he was properly licensed or if his license was renewed on a timely basis.**

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<sup>36</sup> NYS Public Health Law § 225, Part 5, Subpart 5-4, Classification and Certification of Community and Non-transient Non-community Water System Operators.



## Findings and Recommendations

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- For an employee who was a “Water Servicer”<sup>37</sup>, District records indicated his Water Servicer license expired February 28, 2014. There were also no further documents on file. However, the District did eventually provide it to us.

The District policy states that “*It is the responsibility of the certified operator (employee) to be aware of the requirements as well as to keep track of the required number of contact hours necessary for recertification,*” “*It also states that “all certifications must be on file in the personnel office to be considered valid”*”<sup>38</sup>.

### **Audit Recommendation(s):**

We recommend that the Board ensure that all NYS required operator certifications are properly renewed and kept on file.

### **Audit Finding**

#### **(15) Fuel Purchase and Use Were Not Adequately Monitored**

During our audit period the District incurred \$79,840 in fuel expenditures. The District purchases gasoline from the Town of Oyster Bay and diesel fuel from a public gas station for the District’s vehicles and equipment. In addition, the District Superintendent and the Plant Operations Manager are assigned take home vehicles. For one of the claims examined, the amount charged by the Town for gasoline was their price, plus a 4% surcharge, and for this claim it averaged \$1.91 per gallon.

We examined fuel payments totaling \$4,316 to the Town of Oyster Bay for two months--February 2015 and July 2016. We identified **117 instances (79%) where fuel was dispensed without the required gas log completed**. In the two-month period two take home vehicles were fueled 28 times but staff did not complete gas logs 65 % of the time (18 instances). District policy requires that employees complete gas logs whether fueling at a Town facility or a private<sup>39</sup> gas station. The gas log includes the odometer reading, total gas filled, vehicle identifier, date, and employee signature.

Furthermore, District officials do not produce fuel activity reports to identify anomalies regarding quantities dispensed, fueling times and the odometer readings entered by employees. Since there **is no report produced from the logs, there is no way for the District to assess if fuel volume dispensed exceeded the vehicle’s tank capacity or a reasonable volume given the amount of miles driven between fill-ups. In addition without all fuel logs there is no way for the District**

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<sup>37</sup> Per Civil Service job specifications, a Water Servicer maintains and repairs field equipment and installations of a municipal water system.

<sup>38</sup> Plainview Water District Employee Handbook, Section 3.5 (January 2014).

<sup>39</sup> For the two month period the District incurred \$384 in diesel and unleaded gasoline costs mainly for gas cans and backhoe use.

## Findings and Recommendations

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**to verify if the bill from the Town of Oyster Bay is accurate or if the bill from the public gas station for the diesel fuel is accurate.**

### **Audit Recommendation(s):**

We recommend that the Board:

- a) ensure that gas logs are maintained for all fuel usage;
- b) require periodic reconciliation of fuel purchases and odometer readings to ensure that fuel is used only for District purposes; and
- c) require review of fuel transaction activity on a monthly basis to identify anomalies regarding quantities dispensed, fueling times and the odometer readings entered by employees.

### **Audit Finding**

#### **(16) Scrap Metal Was Not Disposed of in Accordance with District Policy**

During the audit period, the District netted \$2,245 for the disposal of a truck<sup>40</sup> and \$1,225 from the sale of scrap metal to a metal corporation. We noted that the eight instances of scrap metal sales were not properly disposed of or recorded in the Board minutes as required by District policy.

According to Board adopted policies and procedures “*Building administrators and support staff supervisors are responsible for identifying obsolete or surplus equipment and supplies within their area of responsibility...such equipment (that are obsolete and cannot be salvaged effectively or economically)...shall be sold through bid procedures...*” District policy also requires that any items not reassigned, stored, or sold through bids, be declared obsolete and be donated to municipalities or sold as scrap following approval by the Board. We also noted that the District does not have employees with the titles of *building administrators* and *support staff supervisors* and District officials were unable to determine the employees the policy is referencing.

Our review also included a physical inspection of 30 assets, selected judgmentally. The assets selected included laptop computers, printers, scanners, and vehicles, with a total value of \$289,811.<sup>41</sup> We noted that all 30 assets were properly tagged and the asset data agreed with the accounting records. In addition, all depreciation was accurately calculated and recorded in the District’s financial records.

### **Audit Recommendation(s):**

We recommend that the Board:

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<sup>40</sup>The District used Auctions International and recorded the sale in its February 2015 Board minutes.

<sup>41</sup> All assets referred to in this report are at historical cost.

## **Findings and Recommendations**

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- a) amend its disposal policies to explicitly identify whose responsibility it is to dispose of surplus material or assets; and
- b) ensure that all disposals are properly recorded in the Board minutes as required by District policy.

### Other Reportable Matter - Pinhole Leak Information

In October 2016 WABC News reported that numerous Plainview residents have issued complaints to the District that pinhole leaks in their homes' copper water pipes had appeared. At that time the District's Engineer, James Neri of H2M Architects & Engineers, told the news media that *"Pinholes are a nationwide problem, it falls a lot to aging infrastructure." "And also copper pipes simply don't last forever... These homes are getting to that age when things need to be repaired. A lot of people do their bathrooms, their decks, their kitchens, but who goes in and replaces all their pipes?"* He said there are a variety of things which cause pinholes including improper electrical grounding.

As of April 2017, the District received 1,713 Pinhole Leak Data Collection Surveys (See the next page for the Survey) from community residents; and to date has performed 154 home inspections. The inspections noted the following: 697 leaks in hot water pipes; 132 in cold water pipes; 293 in both hot and cold pipes; 349 where it could not be determined if it was hot or cold pipes; 69 stray current found; and 242 pipes where no leaks were found. District staff have entered all data into a geographical information system ("GIS") so that the District may further analyze and interpret the data to understand relationships, patterns, and trends. As of the date of this report, the District has not provided auditors the current or projected engineering and personnel costs of the Pinhole Leak Project.

As of August 2017, the District's website noted that there are multiple factors that can contribute to pinhole leaks. It stated that *"Although, there is no current standard for Alkalinity in drinking water the District has taken proactive steps to raise the Alkalinity as a possibility to minimize the pinhole leaks. This was done with Nassau County Department of Health approval over the last few months. The District also treats its water to a PH<sup>42</sup> level of 8 which is considered neutral in the industry. The District is currently engaging the assistance of a third party material corrosion expert to work with us to narrow down a possible solution to this issue."*

The District has listed the possible contributing factors as follows:

- Treatment Chemicals (influencers: Chlorine, Lime, Tablet Chlorinators, Alkalinity)
- Distribution of Maintenance
- Stray Current (influencers: 60% of inspections had stray current)
- Well Selection (Volatile Organics in our wells have caused the District to make treatment decisions and selection of alternate wells)
- Hot water Heat Maintenance Anode replacement (influencers: inspections have identified significant number of leaks are found within feet of the hot water heater)

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<sup>42</sup>**pH** is a measure of hydrogen ion concentration; a measure of the acidity or alkalinity of a solution. Aqueous solutions at 25°C with a **pH** less than seven are acidic, while those with a **pH** greater than seven are basic or alkaline.

**Other Reportable Matter**

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**Pinhole Leak Data Collection Survey**

The Plainview Water District (PWD) in response to the pinhole leak issue affecting a number of our residents has undertaken a pilot leak program to attempt to determine the contributory factors of pinhole leaks. Participating in this voluntary survey will enable PWD to further investigate this issue:

Name: \_\_\_\_\_ Owner: \_\_\_ Tenant \_\_\_

Address: \_\_\_\_\_

Single Family Detached \_\_\_\_\_ Condo/Townhome/Multi-family \_\_\_\_\_

Phone Number: \_\_\_\_\_

Email: \_\_\_\_\_

Year Home was built: \_\_\_\_\_ How long have you lived at this address? \_\_\_\_\_

Have any modifications (extensions involving hot/cold plumbing; domestic hot water conversions, oil to gas, etc.) been performed on the home? \_\_\_\_\_

Do you have any whole-house water treatment/filtration systems? \_\_\_\_\_

Date and number of leak(s) and repair(s): \_\_\_\_\_

Proximity to hot water heater/valve/bend: \_\_\_\_\_

Has home been unoccupied (plumbing unused) for an extended time? \_\_\_\_\_

Are the electric wires/service to your home above ground or buried? \_\_\_\_\_

Are any pipe sections that have been removed available for inspection? Yes \_\_\_ No \_\_\_

Did leak(s) occur on hot or cold water pipes (or both/unknown): \_\_\_\_\_

Did leak(s) occur on horizontal or vertical piping? \_\_\_\_\_

Leak(s) in straight pipe or at fitting: \_\_\_\_\_

Leak(s) in slab/framed wall/ceiling/exposed: \_\_\_\_\_

Location of leak(s)/distance to nearest solder joint/bend/fitting: \_\_\_\_\_

Insurance claim filed: Yes \_\_\_ No \_\_\_

This form can be printed or filled out on line. Once completed please print a copy and return to the Plainview Water District via fax at 516- 931-8683, email at [customerservice@plainviewwater.org](mailto:customerservice@plainviewwater.org), or by mail to 10 Manetto Hill Road, Plainview NY 11803. Your voluntary participation in this survey is greatly appreciated.

## Appendix A - Plainview Water District Response

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### PLAINVIEW WATER DISTRICT

10 Manetto Hill Road · PO Box 9113 · Plainview, New York 11803

Telephone: (516) 931-6489 · Fax: (516) 931-8683

Web Site: plainviewwater.org

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#### **Board of Commissioners**

Marc B. Laykind, Chairman

Andrew N. Bader, Treasurer

Amanda R. Field, Secretary

#### **Superintendent**

Stephen M. Moriarty, P.E.

The Plainview Water District's Board of Commissioners respectfully submits the enclosed response to the findings and recommendations of the recent Audit Report from the Nassau County Comptroller's Office.

The Plainview Water District staff, from the Board of Commissioners, Superintendent and the Business Manager to our meter readers and everyone in between, takes an immense amount of pride in the work we do to serve our community. We do not take our responsibility to protect our most precious natural resource and its safe and uninterrupted delivery to our customers lightly. Collectively, we look to implement improvements and efficiencies wherever and whenever possible.

Beginning November 2016, the District has gone through some major changes and a complete restructuring. New staff members have been hired, new financial reporting and review processes have been implemented and procedure changes and policy updates have been made. All of these changes have occurred to improve the operations of the District and to ensure that our customers are being serviced with integrity. Many of the aforesaid have been implemented prior to the audit findings.

Changes at the Plainview Water District have included the hiring of a new Superintendent in April 2017 with over 17 years of experience in municipal water systems. The new Superintendent is a licensed professional engineer in New York State, and his experience and dedication to customer service is precisely what the Board sought out when hiring for the vacant position. He is responsible for the day-to-day operations of the District.

The District agrees with many of the audit team's recommendations for enhanced financial performance. In fact, prior to the audit, on August 14, 2017, the District hired a new Business Manager. The person occupying this position is a CPA with nearly thirteen years of experience in governmental accounting, including financial reporting, auditing and compliance with laws and regulations. The District is confident that the Business Manager's expertise in the governmental sector will bring a much needed, fresh perspective to the District's internal control structure as well as a significant improvement in overall financial performance. Upon the commencement of the Business Manager, areas where strengthening internal controls and improvement of District procedures were immediately identified and implemented. Several of the responses to the findings enclosed demonstrate these corrective actions prior to the recommendations being issued.

Improvements can always be made and we will always look for ways to implement effective change. The Board, new Superintendent and new Business Manager are committed to working to improve business practices based on the recommendations enclosed so that the interests of the residents and consumers of the District are well served.

*Providing safe and reliable drinking water to the community since 1928*

## Appendix A - Plainview Water District Response

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### Audit Finding 1

With regard to the water rate increase from 2015 to 2016, the cost to produce safe and reliable drinking water includes increasing fixed costs such as electricity, insurances, water treatment, chemicals and testing. The minimum rate increase from \$8.00 to \$14.00 per three month period was recommended based on a Water Rate Study that was conducted by the District's independent professional engineers which found the District to have underbilled based on these costs.

### Audit Recommendation

a) Hire a fiscal manager.

### Audit Response

a) Several months prior to the receipt of this report, the District hired a Business Manager with nearly thirteen years of experience in municipal accounting, including financial reporting, auditing and compliance with laws and regulations. This was done in an effort to enhance the internal control structure as well as financial performance and reporting.

### Audit Recommendation

b) Strive for transparency in developing its budget by more accurately estimating its operating revenues and expenditures based upon historical actual trends on a line item basis.

### Audit Response

b) The District has historically strived for transparency throughout its budgeting processes. While preparing the budget plan for 2018, in the summer of 2017, the District strived to develop a more accurate estimation of its revenues and expenditures through review of historical trends on a more detailed line by line item basis.

### Audit Recommendation

c) Implement budgetary controls to ensure that the budget is reviewed prior to the authorization of significant line item disbursements and those decisions to exceed the budget are documented and approved by the Board prior to making the purchase or approving the expenditure.

### Audit Response

c) The District will continue to enhance budgetary controls to ensure the budget is reviewed prior to the authorization of significant line item disbursements and that any decision to exceed the budget is documented and approved by the Board prior to making the purchase or approving the expenditure.

### Audit Recommendation

d) Periodically obtain and review reports of budgeted to actual expenses, and document the Board's review of budgeted to actual expenses, including the major points of discussion, rationale and appropriateness of significant over budget conditions.

### Audit Response

d) Previously, the Board received and reviewed budget to actual variance reports on a quarterly basis. Inadvertently, however, these quarterly reviews were not document in the meeting minutes. Starting in September 2017, and prior to receipt of this report, the District's Business Manager, along with the retained accountants, have provided the Board with monthly budget to actual variance reports which include an analysis of budgetary line items that have potential to be overexpended and the rationale and appropriateness behind such. Budgetary adjustments are proposed for any line items in which the

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## Appendix A - Plainview Water District Response

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Business Manager or retained accountant's deem necessary. Consideration will be given to potentially overexpended line items, and/or line items where budgetary adjustments were required, as part of the subsequent year's budget preparation process.

### Audit Finding 2

The District is of the opinion that the data presented in Exhibit XIII is an unparalleled display of information as it does not disclose the frequency of many of the duties performed by a Commissioner to result in the accumulation of time worked throughout the year. The Commissioners of the Plainview Water District hold Board meetings weekly and therefore also review in detail weekly reports and supporting documentation prepared by the Superintendent and Business Manager in preparation of these meetings. In addition, the District processes employee payroll and vendor claims on a weekly basis, both of which are reviewed in detail and approved by the Board. It should be noted the Plainview Water District Commissioners are essentially very active due to the many issues they are faced with, including but not limited to pinhole leaks, transitions with personnel, replenishment of the office staff and personnel labor matters.

### Audit Recommendation

a) The District looks for ways to streamline the Commissioner's duties and to provide more transparency to the Commissioner's work schedules.

### Audit Response

a) In an effort to streamline Commissioner duties, each Commissioner is assigned a specific range of tasks in which they independently manage and report back to the Board. With the large scope of issues the District has faced, this has become more prevalent. The Commissioners will continue to look for ways to enhance streamlining.

The District has long employed the practice of utilizing a detailed claim form protocol to record the activities of the Commissioners. The substantial detail of these claim forms and detailed time summaries attached allows the District's residents to see all of the important activities which the Commissioners do on a daily basis and therefore provides transparency.

### Audit Recommendation

b) All work that is not performed on District premises and for which a per diem is requested should be incorporated into the Board meeting minutes.

### Audit Response

b) Excluding attendance at meetings of the Long Island Water Conference and the Nassau Suffolk Water Commissioners Association (including training sessions), the off-site work comprised less than 20% of the per diems. Many meetings take place off premises such as meetings with the District's engineering firm, builders, training, seminars, etc.. As with all of the Commissioners per diem work, off-site work is not required to be recorded in the Board's minutes by law, regulation or New York State Comptroller opinion. However, the District, as a general practice, does include work that the Commissioners perform off-site and will endeavor to be more inclusive of these off-site outreach educational efforts in the Board minutes. The Commissioners perform duties daily and submit for stipend only where necessary and in accordance with the State Comptroller's opinion.



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## Appendix A - Plainview Water District Response

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### Audit Recommendation

- c) The Board consider requiring all District employees, including the Board, to pay for their respective premiums for AFLAC coverage;
- d) The Board review the cost/benefit of the level of dental coverage provided to its employees in comparison to other water districts; and

### Audit Response

c-d) The Board, in conjunction with its new Business Manager and Superintendent, will certainly take these benefit issues under advisement. The Comptroller should note, however, that Union representation was recently certified for the outside employees and these benefits constitute "conditions of employment" and must be negotiated into a "Collective Bargaining Agreement".

### Audit Finding 3

#### Audit Recommendation

- a) Develop procedures to hire the most qualified employees; these should include procedures for the employment, supervision and evaluation of District officials' family members.

#### Audit Response

a) With respect to the question of the employment of family members of the Superintendent, Commissioners and the Clerk to the Board, that issue is in the past. **There are now no related family members at any level employed by the District.** There has not been a full-time hiring of a family member since 2009. Furthermore, the District has adopted a revised Nepotism Policy. In the future, no District officer or employee, either individually or as a member of the District, shall participate in any decision to appoint, hire, promote, discipline or discharge a relative or family member. In addition, no District officer or employee shall supervise a relative or family member in the performance of such person's official duties. The Board could not change the past hiring of employees with Civil Service protection and has made provisions to avoid this occurring in the future.

#### Audit Recommendation

- b) Consider using Civil Service to hire employees on a competitive basis. Civil Service is a hiring system where appointments are normally made from eligibility lists composed of persons meeting the established qualifications, as determined by Civil Service examinations, rather than political relationships.

#### Audit Response

b) The District fully supports and complies with all of the requirements of the Nassau County Civil Service Commission with respect to the retention and promotion of candidates off the competitive class promotion list. As stated, the District will always strive to secure the services of the most highly qualified candidate. The labor class, however, is not part of the Civil Service competitive test taking system. Consequently, with respect to these entry level positions, we rely upon the due diligence of background checks and comprehensive interviews performed by our Superintendent and Business Manager to seek out and retain the best qualified workers for the District.

The District notes performance evaluations were conducted in 2015 and were available for inspection and review. In November 2016, the former Superintendent resigned without completing said evaluations.

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## Appendix A - Plainview Water District Response

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### Audit Finding 4

#### Audit Recommendation

a) Ensure that District leave time records prepared by the Clerk to the Board are subject to managerial oversight to ensure the accuracy of the calculations and that leave time balances and cash-outs of unused annual and sick days do not exceed the maximums allowed by District policy.

#### Audit Response

a) Upon hiring the Business Manager, changes have been implemented to improve upon this issue. Effective immediately, District employee time and leave records prepared by the Business Manager will be reviewed and approved by the Superintendent. Both members of Management will independently ensure the accuracy of the calculations, and that leave time balances and cash-outs of unused annual and sick days do not exceed the maximums allowed by District policy. This control has created an enhanced system of checks and balances, leading to additional oversight as recommended.

#### Audit Recommendation

b) Ensure that the weekly list of employee leave balances includes the changes to the balances.

#### Audit Response

b) Upon updating employee time and leave records, the District's Business Manager ensures that all changes to employee leave balances are made. Effective immediately, District employee time and leave records prepared by the Business Manager will be reviewed and approved by the Superintendent. Both members of Management will independently ensure the accuracy of the calculations, and that leave time balances and cash-outs of unused annual and sick days do not exceed the maximums allowed by District policy. The District has designated the Board's Secretary as the Commissioner responsible for checking the Superintendent's daily/weekly attendance. This control has created an enhanced system of checks and balances, leading to additional oversight as recommended.

#### Audit Recommendation

c) Adjust the part-time employee's banked leave time balance to recoup the excess usage of 90.25 hours during the audit period.

#### Audit Response

c) Said part-time employee has since retired and is no longer employed with the District and therefore, adjustment to his banked leave time for time earned outside of the policy limits is not attainable. Going forward, District employee time and leave records prepared by the Business Manager will be reviewed and approved by the Superintendent. Both members of Management will independently ensure the accuracy of the calculations, and that leave time balances and cash-outs of unused annual and sick days do not exceed the maximums allowed by District policy. Said \$2,888 payment was for accounted time and services actually performed for the District.

#### Audit Recommendation

d) Ensure that all employees, including the Clerk to the Board and the Superintendent, submit leave requests in advance for annual and bank leave time in accordance with District policy.

#### Audit Response

d) Prior to this audit being finalized, the District instituted an Absence Request Form required to be completed by all employees, including Management, taking leave of any type and regardless of the

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## Appendix A - Plainview Water District Response

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denomination of hours. Time off requested by the Business Manager is approved by the Superintendent. In turn, time off requested by the Superintendent is approved by the Secretary of the Board of Commissioners.

### Audit Finding 5

#### Audit Recommendation

a) Ensure that all employees, including the Superintendent, maintain time and attendance records.

#### Audit Response

a) The Superintendent is a management position which does not require punching a time clock. The former Superintendent records were however kept by the Clerk to the Board. Prior to this audit being finalized, the new Management team has ensured that the Superintendent and Business Manager maintain accurate attendance records. The Superintendent will verify the attendance records of the Business Manager and the District has designated the Board's Secretary as the Commissioner responsible for verifying the Superintendent's attendance records. In order to verify for accuracy and enhance a system of checks and balances, approved Absence Request Forms for the Business Manager and Superintendent will be attached to the monthly time and leave records.

#### Audit Recommendation

b) Designate a Board member to review the Superintendent's record of daily/weekly attendance, and approve all leave requests.

#### Audit Response

b) The former Superintendent was entitled to the payout of sick and annual leave in accordance with his 2009 employment contract. Prior to this audit being finalized, the District instituted an Absence Request Form required to be completed by all employees, including Management, taking leave of any type regardless of the denomination of hours. Effective immediately, the Superintendent's time and leave records which are maintained by the Business Manager, will be reviewed and approved by the Secretary of the Board of Commissioners. In order to verify for accuracy and enhance a system of checks and balances, approved Absence Request Forms for the Superintendent will be attached to the monthly time and leave records.

#### Audit Recommendation

c) Explain and obtain formal Board approval for the additional payout amounts to the Water Plant Attendant and the Water Servicer.

#### Audit Response

c) The Board approved the Separation Agreement for the Water Plant Attendant in Executive Session after reviewing every section of the Agreement including, but not limited to, the terms of the nuisance value separation payout. The District was advised by District counsel concerning all aspects of the resignation of this employee, including the issue of relative significance of the offending incident. Particularly significant was the additional issue of potential litigation costs should the Water Plant Attendant have contested their civil service status under Article 75 of the Civil Service Law. Had this occurred, significant litigation costs of thousands of dollars in attorney's fees would have been incurred by the District similar to those the District was confronting in the Article 75 proceeding against the Water Servicer. The Water Plant Attendant retained counsel. In that light, District counsel recommended that this \$5,000 payment was beneficial of the District under all of the facts and circumstances presented and was negotiated with the employees counsel. Finally, the Separation Agreement also contained a thorough and complete

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release by the employee and an Agreement not to sue the District under any circumstances. The Commissioners concurred with counsel's recommendation and reviewed and approved the separation agreement in Executive Session. We were advised by District counsel that the Water Plant Attendant's Separation Agreement need not be signed by the Commissioners and that the Superintendent's signature would suffice. After the Agreement was fully executed, all three Commissioners then subsequently signed the separation payout to the employee and the matter was closed.

The Board terminated the Water Servicer for cause effective August 31, 2015 upon the recommendation of the Civil Service Article 75 Hearing Officer after a six (6) day trial was concluded over a period of approximately nine (9) months. The employee was represented by counsel. Because of the serious nature of the offending incidents, the hearing officer recommended immediate termination. The Board followed the hearing officer's recommendation and terminated the Water Servicer's employment. The Water Servicer filed an appeal and subsequently withdrew said appeal shortly thereafter. The Water Servicer subsequently applied for unemployment benefits which were denied "for cause" at the lower level. The Commissioner of Labor subsequently sustained this denial on appeal.

### Audit Recommendation

d) Ensure that provisions of employment agreements are followed, and any ambiguous contract references are clarified.

### Audit Response

d) The former Superintendent retired on November 26, 2016. Shortly prior to the former Superintendent's retirement, he requested accrued sick time and annual leave time. It was brought to the attention of the Board that the former Superintendent was also requesting substantial "banked" time. He premised this claim under the District's policy handbook which is distinctly applicable to the employees as opposed to a Superintendent. The banked time claim was denied and the matter was referred to District's counsel and accountant. Both advised that the employment agreement with the former Superintendent, which had been prepared by the District's prior counsel, contained latent ambiguities regarding the applicability of the District's handbook to the former Superintendent. However, the District's counsel advised the former Superintendent's personal counsel that the agreement did not provide for banked time. Consequently, the banked time was denied and not paid. As the Comptroller notes, the District properly calculated the former Superintendent's final payment for accrued time after deducting the former Superintendent's claim for banked time.

### Audit Recommendation

e) Ensure that all employment agreements and separation agreements are available to the public and approved and reflected in the minutes of regular meetings.

### Audit Response

e) All employment agreements and separation agreements are available to the public. While the Separation Agreement for the Water Plant Attendant was approved in Executive Session and subsequently signed by the former Superintendent, the Clerk to the Board inadvertently failed to include a proper notation in the regular minutes after Executive Session had concluded.

### Audit Finding 6

#### Audit Recommendation

a) Require preapproval of travel with the dates of the conference and an estimated budget in order to ensure prudent use of taxpayer money when employees are attending training;

## Appendix A - Plainview Water District Response

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- b) develop a comprehensive travel policy establishing allowable travel costs, maximum reimbursement rates, and use of a standardized travel claim form;
- c) Ensure reimbursements for meals and lodging are no greater than the GSA rates;
- d) Plan conference travel, including hotel reservations, in advance to obtain the best possible lodging rates;
- e) Ensure that expenditures are adequately supported and necessary before approving them for payment.
- f) Obtain and attach proof of attendance at conferences for each authorized District traveler; and
- g) Monitor conference attendance and travel cost to ensure costs are reasonable and travel is conducted in a cost-effective manner.

### Audit Response

a-g) All in attendance for the conferences in question were in fact registered accordingly. Badges and itineraries were available to the Auditor's. What was absent was a payment, as membership dues covered the attendance of the conference, meetings and exhibits, other than the outside classes required for credit hours. The District is in the process of creating policies and procedures that incorporate the outlined recommendations. The District will adhere to these policies and procedures going forward as they will be monitored closely by both the Business Manager and Superintendent. The Business Manager and Superintendent currently review all claim forms submitted and ensure that all required documentation to substantiate reimbursement requests is in place and deemed reasonable and appropriate. The District is confident that with extensive experience as an auditor, the Business Manager will carefully verify the completeness, reasonableness and accuracy of these claims. Said individuals who may have taken advantage of the travel policy are no longer working at the District.

The Plainview Water District greatly benefits from having the Superintendent and Commissioners attend the annual American Water Works Association conferences. Education at these conferences is essential to providing the District with developing technologies and treatments for issues such as emerging contaminants and next generation systems. It puts the District at the forefront of water industry leaders, improving water quality. Additionally, by attending these conferences, the Commissioners, Superintendent and engineers collaborate to learn about the newest equipment and negotiate the best pricing, thereby benefiting the residents of the District.

### Audit Finding 7

#### Audit Recommendation

- a) Require that written policies and procedures are developed and implemented to ensure water produced is reconciled with amounts billed on a quarterly basis and the causes of discrepancies and unaccounted-for water are identified and reported to the Board in a timely manner.

#### Audit Response

a) Unaccounted for water includes water taken by unauthorized use of hydrants, filling road sweepers and tanker trucks. Additional unaccounted for water use includes firefighting, fire training, main breaks, service leaks, flushing water mains and unknown leaks in mains and water services. Some leaks go undetected by leaking into drainage systems and sewer piping under roadways in the Superintendents experience. In 2018 the District will be conducting a leak survey in which specialty equipment will be deployed to evaluate the entire District (130 miles of water mains) for leaks.

The new District Superintendent has taken action to reconcile many of the discrepancies in the past with regard to calculating unaccounted for water. For example:

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### Audit Recommendation

d) Review and revise user access rights to the billing software application to ensure that staff with access rights for billing do not also have access rights for billing adjustments (customer credits).

### Audit Response

d) Under the new Management team in 2017, we will review and ensure that staff with access rights for billing do not also have access rights for billing adjustments.

### **Audit Finding 8**

#### Audit Recommendation

a) Consider hiring a Business/Finance Manager.

#### Audit Response

a) Prior to the receipt of this report, the District has hired a Business Manager with nearly thirteen years of experience in municipal accounting, including financial reporting, auditing and compliance with laws and regulations. This was done in an effort to enhance the internal control structure as well as financial performance and reporting.

#### Audit Recommendation

b) Require the use of purchase orders for all purchases. Purchase orders should be signed by the requestor and approved by the Purchasing Agent.

#### Audit Response

b) The District currently uses a system whereby purchase orders are used for the purchase of all goods. The District has already begun discussing the use of purchase orders for all. The District plans to have a system in place starting January 1, 2018 whereas a purchase order will be in place for all disbursements made, signed by the requestor and approved by the Purchasing Agent.

#### Audit Recommendation

c) Monitor expenditure codes and perform budget transfers as necessary, or at least once a quarter.

#### Audit Response

c) Previously, the Board received and reviewed budget to actual variance reports on a quarterly basis. Inadvertently, however, these quarterly reviews were not document in the meeting minutes. Starting in September 2017, and prior to receipt of this report, the District's Business Manager, along with the retained accountants, have provided the Board with monthly budget to actual variance reports which include an analysis of budgetary line items that have potential to be overexpended and the rationale and appropriateness behind such. Budgetary adjustments are proposed for any line items in which the Business Manager or retained accountant's deem necessary. Consideration will be given to potentially overexpended line items, and/or line items where budgetary adjustments were required, as part of the subsequent year's budget preparation process.

#### Audit Recommendation

d) Consider amending the procurement policy to include the use of competitive methods for obtaining professional services.

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### Audit Response

d) The District will consider amending the procurement policy to include the use of competitive methods for obtaining professional services.

### Audit Recommendation

e) Determine whether the purchasing thresholds might be exceeded by considering the aggregate amount reasonably expected to be expended for all purchases of the same commodities or services within the 12-month period commencing on the date of the purchase.

### Audit Response

e) Prior to the receipt of this report, vendor purchases were being examined in the aggregate in an effort to monitor compliance with the District's adopted Procurement Policy on a continuous and ongoing basis.

### Audit Finding 9

#### Audit Recommendation

We recommend that the Superintendent:

a) Review penalty reports at the end of each quarterly billing cycle and ensure that the late fee penalty was applied timely (on the due date).

#### Audit Response

a) Effective immediately, the Business Manager will review and approve penalty reports at the end of each quarterly billing cycle to ensure that late fee penalties are applied based on the appropriate due date.

#### Audit Recommendation

We recommend that the Superintendent:

b) Submit, for Board approval, all billing adjustments, the reasons for the adjustments, and the amount to be adjusted.

#### Audit Response

b) Going forward any adjustments made to customer accounts will be done by Management. Upon the receipt of this report, the Business Manager implemented new billing adjustment procedures. A schedule is now maintained to include detailed customer account information, the billing period for which the adjustment was made, the date of the customer's request for adjustment, the outstanding balance on the date of request and the reason for the adjustment. In addition, confirmation of the removal or waiver of late fee penalties is issued to the customer in writing by the Business Manager and further approved by the Superintendent. A copy of the schedule and customer correspondence is provided to the Board for their review and approval to be documented in the minutes.

#### Audit Recommendation

a) Establish policies and procedures to provide guidance to employees involved in the billing and collection of water charges.

#### Audit Response

a) The District will establish policies and procedures to provide guidance to employees involved in the billing and collection of water charges.

#### Audit Recommendation

b) Approve all billing adjustments and record them in the Board minutes.

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### Audit Recommendation

e) Establish billing and waiver procedures to provide guidance to employees involved in the billing and collection of water charges.

### Audit Response

e) The District will establish additional billing and waiver procedures to provide guidance to employees involved in the billing and collection of water charges.

### **Audit Finding 11**

#### Audit Recommendation

- a) The Board ensure that all waivers and corresponding resolutions are properly documented in the Board minutes; and
- b) the Superintendent meet with the District's IT consultant and develop a system for determining the backflow compliance rate, and maintain adequate support for all backflow numbers provided to the DOH.

#### Audit Response

a,b) Backflow waivers are granted in rare and extensive instances only. The District has worked very hard to take the cross connection department from what it was before 2016 into a more organized department today. The Board of Commissioners have taken the Auditor's comments under advisement and will take necessary actions moving forward with regard to waivers and Board resolutions.

### **Audit Finding 12**

#### Audit Recommendation

a) Establish and implement written payroll policies and procedures to ensure that accurate and complete payroll records are maintained to support all payroll payments.

#### Audit Response

a) The District will establish policies and procedures to implement payroll policies and procedures to ensure that accurate and complete payroll records are maintained to support all payroll payments.

#### Audit Recommendation

b) Require Supervisors and the Superintendent to approve (evidenced by signature/initials) time sheets only after verifying the accuracy through supplemental documents such as Work Through Lunch logs, On-Call Work Schedules, Leave requests, etc..

#### Audit Response

b) Starting in September 2017, and prior to receipt of this report, the District's Business Manager has implemented procedures to require the Supervisor or Superintendent to formally approve employee time sheets upon verifying accuracy of any pertinent supporting documentation.

#### Audit Recommendation

c) Investigate the questionable payments identified, and determine whether to seek reimbursement for any overpayments.

#### Audit Response

c) The Business Manager, Superintendent and Board each review all supporting payroll documentation and investigate any questionable payments where deemed necessary.



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## Appendix A - Plainview Water District Response

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### **Audit Finding 13**

#### **Audit Recommendation**

a) Require prior approval of all overtime as required by District policy.

#### **Audit Response**

a) Effective September 2017, the District's Business Manager has instituted changes to adhere to District policy in regard to overtime by implementing procedures which require the Supervisor or Superintendent to formally approve all employee overtime.

#### **Audit Recommendation**

b) Adhere to District policy with regard to on-call payments.

#### **Audit Response**

b) Prior to the receipt of this report, the District's Business Manager identified on-call payment procedures that were not being adhered to properly and has already instituted a reinstatement of the policy to all field employees. On-call is a necessary function due to the emergency nature of the calls we receive twenty four hours a day, seven days a week.

#### **Audit Recommendation**

c) Pay all meal allowances through the regular payroll.

#### **Audit Response**

c) The District will begin to pay all meal allowances as authorized by policy manual through regular payroll.

#### **Audit Recommendation**

d) Keep all petty cash replenishments up to \$100 in accordance with District policy or amend the policy to provide for a higher limit.

#### **Audit Response**

d) The District will review the petty cash policy limits and consider amending the policy if deemed necessary.

#### **Audit Recommendation**

e) Revise on-call schedules accordingly to reflect the name of the employee who actually worked.

#### **Audit Response**

e) The District will implement a procedure that revises the on-call schedule for changes made.

### **Audit Finding 14**

#### **Audit Recommendation**

We recommend that the Board ensure that all NYS required operator certifications are properly renewed and kept on file.

#### **Audit Response**

- Perhaps there was an oversight for the Audit Finding for personnel licensing. All employee operator licenses are current. Nor has there been any time in 2014 when an employee's license was expired at any point. The license certification for the employee

## Appendix A - Plainview Water District Response

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in question did not lapse as this information was subsequently provided to the Comptroller's Office.

- District personnel are individually responsible for obtaining the appropriate number of credit hours of continuing education for their respective license levels.
- The District in 2016 was keeping a detailed account of credit hours for each employee in their respective licensing levels.
- New District Management were not made aware of this discrepancy and/or the request thereof until the exit conference. The District provided proof of the licensure of stated employee in the audit draft audit within hours of the exit meeting.

The Supervisor and Superintendent will continue to ensure that all employees are up to date on their respective continuing education credits required for renewal of their licenses.

### **Audit Finding 15**

#### **Audit Recommendation (a-c)**

- a) Ensure that gas logs are maintained for all fuel usage;
- b) Require periodic reconciliation of fuel purchases and odometer readings to ensure that fuel is used only for District purposes; and
- c) Require review of fuel transaction activity on a monthly basis to identify anomalies regarding quantities dispensed, fueling times and the odometer readings entered by employees.

#### **Audit Response**

a-c) It should be noted that the District maintains a fuel security system known as ORPAK for all of its vehicles. This system is an interlocking system which allows only authorized vehicles to fuel up at the Town of Oyster Bay facilities. A ring is located on each District vehicle that marries up to the fuel nozzle and allows the fuel to be dispensed. The District fuels all of its vehicles at the Town of Oyster Bay municipal yards and all yards have this fuel security system in place.

In addition, starting in September 2017, and prior to receipt of this report, the District's Business Manager has instituted a revised gas log to account for fuel purchases and odometer readings, by vehicle on a monthly basis. This monthly log is also reviewed, in conjunction with fuel transaction activity reports provided by the Town of Oyster Bay, on a monthly basis. Any missing information or discrepancies are immediately investigated. Monthly logs are reviewed and approved by the immediate Supervisor.

### **Audit Finding 16**

#### **Audit Recommendation**

We recommend that the Board:

- a) Amend its disposal policies to explicitly identify whose responsibility it is to dispose of surplus material or assets; and
- b) Ensure that all disposals are properly recorded in the Board minutes as required by District policy.

#### **Audit Response**

- a) The District concurs with the recommendation to amend its disposal policy and plans to appoint the Superintendent as the Disposal or Reclamation Officer for the District.
- b) The District concurs with the recommendation to record all funds generated through reclamation or other means of disposal in the Board meeting minutes.

**Audit Finding**

**(1) Inadequate Board Oversight and Lack of Fiscal Management Led to Spending in Excess of Budget**

**Audit Recommendation(s):**

We recommend that the Board:

- a) hire a fiscal manager;
- b) strive for transparency in developing its budget by more accurately estimating its operating revenues and expenditures based upon historical actual trends on a line item basis;
- c) implement budgetary controls to ensure that the budget is reviewed prior to the authorization of significant line item disbursements and those decisions to exceed the budget are documented and approved by the Board prior to making the purchase or approving the expenditure; and
- d) periodically obtain and review reports of budgeted to actual expenses, and document the Board's review of budgeted to actual expenses, including the major points of discussion, rationale and appropriateness of significant over budget conditions.

**PWD Response:**

With regard to the water rate increase from 2015 to 2016, the cost to produce safe and reliable drinking water includes increasing fixed costs such as electricity, insurances, water treatment, chemicals and testing. The minimum rate increase from \$8.00 to \$14.00 per three month period was recommended based on a Water Rate Study that was conducted by the District's independent professional engineers which found the District to have under billed based on these costs.

- a) Several months prior to the receipt of this report, the District hired a Business Manager with nearly thirteen years of experience in municipal accounting, including financial reporting, auditing and compliance with laws and regulations. This was done in an effort to enhance the internal control structure as well as financial performance and reporting.
- b) The District has historically strived for transparency throughout its budgeting processes. While preparing the budget plan for 2018, in the summer of 2017, the District strived to develop a more accurate estimation of its revenues and expenditures through review of historical trends on a more detailed line by line item basis.
- c) The District will continue to enhance budgetary controls to ensure the budget is reviewed prior to the authorization of significant line item disbursements and that any decision to

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## **Appendix B - Auditor's Follow-Up Responses to Plainview Water District's Response**

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exceed the budget is documented and approved by the Board prior to making the purchase or approving the expenditure.

- d) Previously, the Board received and reviewed budget to actual variance reports on a quarterly basis. Inadvertently, however, these quarterly reviews were not document in the meeting minutes. Starting in September 2017, and prior to receipt of this report, the District's Business Manager, along with the retained accountants, have provided the Board with monthly budget to actual variance reports which include an analysis of budgetary line items that have potential to be over expended and the rationale and appropriateness behind such. Budgetary adjustments are proposed for any line items in which the Business Manager or retained accountant's deem necessary. Consideration will be given to potentially over expended line items, and/or line items where budgetary adjustments were required, as part of the subsequent year's budget preparation process.

### **Auditor's Follow Up:**

*We concur with the corrective actions being taken by the Board to: hire a qualified Business Manager; review monthly budget to actual variance reports; authorize budget transfers for line item expenditures that exceed budget PRIOR to purchases being made; and consider prior year's actual expenditures when preparing the subsequent year's budget.*

### **Audit Finding**

#### **(2) Commissioners Compensation Was the Highest in Nassau County, and Certain Employee Benefits Appeared Excessive**

### **Audit Recommendations:**

We recommend that:

- a) the District look for ways to streamline the Commissioners' duties, and to provide more transparency to the Commissioner's work schedules;
- b) all work that is not performed on District premises and for which a per diem is requested should be incorporated into the Board meeting minutes;
- c) the Board consider requiring all District employees, including the Board, to pay for their respective premiums for AFLAC coverage; and
- d) the Board review the cost/benefit of the level of dental coverage provided to its employees in comparison to other water districts.

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### **PWD Response:**

The District is of the opinion that the data presented in Exhibit XIII is an unparalleled display of information as it does not disclose the frequency of many of the duties performed by a Commissioner to result in the accumulation of time worked throughout the year. The Commissioners of the Plainview Water District hold Board meetings weekly and therefore also review in detail weekly reports and supporting documentation prepared by the Superintendent and Business Manager in preparation of these meetings. In addition, the District processes employee payroll and vendor claims on a weekly basis, both of which are reviewed in detail and approved by the Board. It should be noted the Plainview Water District Commissioners are essentially very active due to the many issues they are faced with, including but not limited to pinhole leaks, transitions with personnel, replenishment of the office staff and personnel labor matters.

- a) In an effort to streamline Commissioner duties, each Commissioner is assigned a specific range of tasks in which they independently manage and report back to the Board. With the large scope of issues the District has faced, this has become more prevalent. The Commissioners will continue to look for ways to enhance streamlining.

The District has long employed the practice of utilizing a detailed claim form protocol to record the activities of the Commissioners. The substantial detail of these claim forms and detailed time summaries attached allows the District's residents to see all of the important activities which the Commissioners do on a daily basis and therefore provides transparency.

- b) Excluding attendance at meetings of the Long Island Water Conference and the Nassau Suffolk Water Commissioners Association (including training sessions), the off-site work comprised less than 20% of the per diems. Many meetings take place off premises such as meetings with the District's engineering firm, builders, training, seminars, etc. As with all of the Commissioners per diem work, off-site work is not required to be recorded in the Board's minutes by law, regulation or New York State Comptroller opinion. However, the District, as a general practice, does include work that the Commissioners perform off-site and will endeavor to be more inclusive of these off-site outreach educational efforts in the Board minutes. The Commissioners perform duties daily and submit for stipend only where necessary and in accordance with the State Comptrollers opinion.
- c-d) The Board, in conjunction with its new Business Manager and Superintendent, will certainly take these benefit issues under advisement. The Comptroller should note, however, that Union representation was recently certified for the outside employees and these benefits constitute "conditions of employment" and must be negotiated into

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a "Collective Bargaining Agreement".

### **Auditor's Follow Up:**

*We reiterate our recommendations that the District look for ways to: streamline the Commissioners' duties and costs and to provide more transparency to the Commissioners' work schedules; incorporate into the Board minutes all work that is not performed on District premises and for which a per diem is requested; and review the cost/benefit of the level of dental coverage provided to its employees/Board in comparison to other water districts.*

*We are encouraged that the Board will seek out ways to streamline Commissioners' duties and tasks and that it would take our recommendation "under advisement" to have the Board and employees pay for Aflac.*

### **Audit Finding**

#### **(3) Employment Policies Do Not Address the Hiring, Supervision or Evaluation of District Officials' Family Members**

#### **Audit Recommendation(s):**

We recommend that the Board:

- a) develop procedures to hire the most qualified employees; these should include procedures for the employment, supervision, and evaluation of District officials' family members; and
- b) consider using Civil Service to hire employees on a competitive basis. Civil service is a hiring system where appointments are normally made from eligibility lists composed of persons meeting the established qualifications, as determined by civil service examinations, rather than political relationships.

#### **PWD Response:**

- a) With respect to the question of the employment of family members of the Superintendent, Commissioners and the Clerk to the Board, that issue is in the past. **There are now no related family members at any level employed by the District.** There has not been a full-time hiring of a family member since 2009. Furthermore, the District has adopted a revised Nepotism Policy. In the future, no District officer or employee, either individually or as a member of the District, shall participate in any decision to appoint, hire, promote, discipline or discharge a relative or family member. In addition, no District officer or employee shall supervise a relative or family member in the

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**Appendix B - Auditor's Follow-Up Responses to Plainview Water District's Response**

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performance of such person's official duties. The Board could not change the past hiring of employees with Civil Service protection and has made provisions to avoid this occurring in the future.

- b) The District fully supports and complies with all of the requirements of the Nassau County Civil Service Commission with respect to the retention and promotion of candidates off the competitive class promotion list. As stated, the District will always strive to secure the services of the most highly qualified candidate. The labor class, however, is not part of the Civil Service competitive test taking system. Consequently, with respect to these entry level positions, we rely upon the due diligence of background checks and comprehensive interviews performed by our Superintendent and Business Manager to seek out and retain the best qualified workers for the District.

The District notes performance evaluations were conducted in 2015 and were available for inspection and review. In November 2016, the former Superintendent resigned without completing said evaluations.

**Auditor's Follow Up:**

*We concur with the corrective actions being taken by the Board to adopt a revised Nepotism Policy. We reiterate our recommendation that the Board consider using Civil Service to hire all employees, including the labor class, on a competitive basis.*

**Audit Finding:**

**(4) Lack of Managerial Oversight Allowed the Clerk to the Board to Grant Excess Leave Accruals of 90 Hours to Her Husband, and Process Unapproved Leave Requests including 55 Hours for Herself**

**Audit Recommendation(s):**

We recommend that the Board:

- a) ensure that District leave time records prepared by the Clerk to the Board are subject to managerial oversight to ensure the accuracy of the calculations and that leave time balances and cash-outs of unused annual and sick days do not exceed the maximums allowed by District policy;
- b) ensure that the weekly list of employee leave balances includes the changes to the balances;
- c) adjust the part-time employee's Banked leave time balance to recoup the excess usage of 90.25 hours during the audit period; and,

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- d) ensure that all employees, including the Clerk to the Board and the Superintendent, submit leave requests in advance for annual and bank leave time in accordance with District policy.

### **PWD Response:**

- a) Upon hiring the Business Manager, changes have been implemented to improve upon this issue. Effective immediately, District employee time and leave records prepared by the Business Manager will be reviewed and approved by the Superintendent. Both members of Management will independently ensure the accuracy of the calculations, and that leave time balances and cash-outs of unused annual and sick days do not exceed the maximums allowed by District policy. This control has created an enhanced system of checks and balances, leading to additional oversight as recommended
- b) Upon updating employee time and leave records, the District's Business Manager ensures that all changes to employee leave balances are made. Effective immediately, District employee time and leave records prepared by the Business Manager will be reviewed and approved by the Superintendent. Both members of Management will independently ensure the accuracy of the calculations, and that leave time balances and cash-outs of unused annual and sick days do not exceed the maximums allowed by District policy. The District has designated the Board's Secretary as the Commissioner responsible for checking the Superintendent's daily/weekly attendance. This control has created an enhanced system of checks and balances, leading to additional oversight as recommended.
- c) Said part-time employee has since retired and is no longer employed with the District and therefore, adjustment to his banked leave time for time earned outside of the policy limits is not attainable. Going forward, District employee time and leave records prepared by the Business Manager will be reviewed and approved by the Superintendent. Both members of Management will independently ensure the accuracy of the calculations, and that leave time balances and cash-outs of unused annual and sick days do not exceed the maximums allowed by District policy. Said \$2,888 payment was for accounted time and services actually performed for the District.
- d) Prior to this audit being finalized, the District instituted an Absence Request Form required to be completed by all employees, including Management, taking leave of any type and regardless of the denomination of hours. Time off requested by the Business Manager is approved by the Superintendent. In turn, time off requested by the Superintendent is approved by the Secretary of the Board of Commissioners.



## **Appendix B - Auditor's Follow-Up Responses to Plainview Water District's Response**

### **Auditor's Follow Up:**

*We concur with the Board's corrective actions going forward to: have all employee time and leave records, including maximum balances, reviewed and approved by the Superintendent; and have all employees including the Superintendent complete an Absence Request Form for approval.*

### **Audit Finding**

#### **(5) Lack of Board Oversight of the Former Superintendent's Time and Attendance; and Lack of Transparency of Employee Separation Payouts**

### **Audit Recommendation(s):**

We recommend that the Board:

- a) ensure that all employees, including the Superintendent, maintain time and attendance records;
- b) designate a Board member to review the Superintendent's record of daily/weekly attendance, and approve all leave requests;
- c) explain and obtain formal Board approval for the additional payout amounts to the Water Plant Attendant and the Water Servicer;
- d) ensure that provisions of employment agreements are followed, and any ambiguous contract references are clarified; and
- e) ensure that all employment agreements and separation agreements are available to the public and approved and reflected in the minutes of regular meetings.

### **PWD Response:**

- a) The Superintendent is a management position which does not require punching a time clock. The former Superintendent records were however kept by the Clerk to the Board. Prior to this audit being finalized, the new Management team has ensured that the Superintendent and Business Manager maintain accurate attendance records. The Superintendent will verify the attendance records of the Business Manager and the District has designated the Board's Secretary as the Commissioner responsible for verifying the Superintendent's attendance records. In order to verify for accuracy and enhance a system of checks and balances, approved Absence Request Forms for the Business Manager and Superintendent will be attached to the monthly time and leave records.

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- b) The former Superintendent was entitled to the payout of sick and annual leave in accordance with his 2009 employment contract. Prior to this audit being finalized, the District instituted an Absence Request Form required to be completed by all employees, including Management, taking leave of any type regardless of the denomination of hours. Effective immediately, the Superintendent's time and leave records which are maintained by the Business Manager, will be reviewed and approved by the Secretary of the Board of Commissioners. In order to verify for accuracy and enhance a system of checks and balances, approved Absence Request Forms for the Superintendent will be attached to the monthly time and leave records.
- c) The Board approved the Separation Agreement for the Water Plant Attendant in Executive Session after reviewing every section of the Agreement including, but not limited to, the terms of the nuisance value separation payout. The District was advised by District counsel concerning all aspects of the resignation of this employee, including the issue of relative significance of the offending incident. Particularly significant was the additional issue of potential litigation costs should the Water Plant Attendant have contested their civil service status under Article 75 of the Civil Service Law. Had this occurred, significant litigation costs of thousands of dollars in attorney's fees would have been incurred by the District similar to those the District was confronting in the Article 75 proceeding against the Water Servicer. The Water Plant Attendant retained counsel. In that light, District counsel recommended that this \$5,000 payment was beneficial of the District under all of the facts and circumstances presented and was negotiated with the employees counsel. Finally, the Separation Agreement also contained a thorough and complete release by the employee and an Agreement not to sue the District under any circumstances. The Commissioners concurred with counsel's recommendation and reviewed and approved the separation agreement in Executive Session. We were advised by District counsel that the Water Plant Attendant's Separation Agreement need not be signed by the Commissioners and that the Superintendent's signature would suffice. After the Agreement was fully executed, all three Commissioners then subsequently signed the separation payout to the employee and the matter was closed.

The Board terminated the Water Servicer for cause effective August 31, 2015 upon the recommendation of the Civil Service Article 75 Hearing Officer after a six (6) day trial was concluded over a period of approximately nine (9) months. The employee was represented by counsel. Because of the serious nature of the offending incidents, the hearing officer recommended immediate termination. The Board followed the hearing officer's recommendation and terminated the Water Servicer's employment. The Water Servicer filed an appeal and subsequently withdrew said appeal shortly thereafter. The Water Servicer subsequently applied for unemployment benefits which were denied

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"for cause" at the lower level. The Commissioner of Labor subsequently sustained this denial on appeal.

- d) The former Superintendent retired on November 26, 2016. Shortly prior to the former Superintendent's retirement, he requested accrued sick time and annual leave time. It was brought to the attention of the Board that the former Superintendent was also requesting substantial "banked" time. He premised this claim under the District's policy handbook which is distinctly applicable to the employees as opposed to a Superintendent. The banked time claim was denied and the matter was referred to District's counsel and accountant. Both advised that the employment agreement with the former Superintendent, which had been prepared by the District's prior counsel, contained latent ambiguities regarding the applicability of the District's handbook to the former Superintendent. However, the District's counsel advised the former Superintendent's personal counsel that the agreement did not provide for banked time. Consequently, the banked time was denied and not paid. As the Comptroller notes, the District properly calculated the former Superintendent's final payment for accrued time after deducting the former Superintendent's claim for banked time.
  
- e) All employment agreements and separation agreements are available to the public. While the Separation Agreement for the Water Plant Attendant was approved in Executive Session and subsequently signed by the former Superintendent, the Clerk to the Board inadvertently failed to include a proper notation in the regular minutes after Executive Session had concluded.

**Auditor's Follow Up:**

*We reiterate our recommendation for District transparency by ensuring that all employment agreements and separation agreements are approved and reflected in the minutes of regular meetings, and made available to the public.*

*We concur with the corrective action to have the Superintendent and Business Manager prepare monthly time and attendance records and complete Absence Request Forms for approval.*

**Audit Finding**

**(6) District Records Lack Adequate Documentation to Substantiate the Validity and Appropriateness of Travel and Conference Expenditures Totaling \$44,374**

**Audit Recommendation(s):**

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We recommend that the Board:

- a) require preapproval of travel with the dates of the conference and an estimated budget in order to ensure prudent use of taxpayer money when employees are attending training;
- b) develop a comprehensive travel policy establishing allowable travel costs, maximum reimbursement rates, and use of a standardized travel claim form;
- c) ensure reimbursements for meals and lodging are no greater than the GSA rates;
- d) plan conference travel, including hotel reservations, in advance to obtain the best possible lodging rates;
- e) ensure that expenditures are adequately supported and necessary before approving them for payment;
- f) obtain and attach proof of attendance at conferences for each authorized District traveler; and
- g) monitor conference attendance and travel cost to ensure costs are reasonable and travel is conducted in a cost-effective manner.

### **PWD Response**

a-g) All in attendance for the conferences in question were in fact registered accordingly. Badges and itineraries were available to the Auditor's. What was absent was a payment, as membership dues covered the attendance of the conference, meetings and exhibits, other than the outside classes required for credit hours. The District is in the process of creating policies and procedures that incorporate the outlined recommendations. The District will adhere to these policies and procedures going forward as they will be monitored closely by both the Business Manager and Superintendent. The Business Manager and Superintendent currently review all claim forms submitted and ensure that all required documentation to substantiate reimbursement requests is in place and deemed reasonable and appropriate. The District is confident that with extensive experience as an auditor, the Business Manager will carefully verify the completeness, reasonableness and accuracy of these claims. Said individuals who may have taken advantage of the travel policy are no longer working at the District.

The Plainview Water District greatly benefits from having the Superintendent and Commissioners attend the annual American Water Works Association conferences. Education at these conferences is essential to providing the District with developing technologies and treatments for issues such as emerging contaminants and next generation systems. It puts the District at the forefront of water industry leaders, improving water quality. Additionally, by attending these conferences, the Commissioners, Superintendent and engineers collaborate to learn about the newest equipment and negotiate the best pricing, thereby benefiting the residents of the District.

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### **Auditor's Follow Up:**

*We are encouraged that the District concurs with our recommendations to: create a travel policy; require preapproval of all travel, including conference dates and an estimated budget; require strict adherence to GSA rates for all meals and lodging and proof of attendance; and review all claims for accuracy and reasonableness.*

### **Audit Finding**

#### **(7) District Records Indicate that Water Billed Exceeded Water Pumped for 3 out of 5 Years: District Could Not Determine/or Remedy the Causes of True Water Loss**

### **Audit Recommendation(s):**

We recommend that the Board:

- a) require that written policies and procedures are developed and implemented to ensure water produced is reconciled with amounts billed on a quarterly basis and the causes of discrepancies and unaccounted-for water are identified and reported to the Board in a timely manner;
- b) ensure a plan is developed and implemented to address the causes of significant unaccounted for water and report the findings and recommendations to the Board;
- c) review Quarterly Edit Reports and approve billing adjustments contained therein; and
- d) review and revise user access rights to the billing software application to ensure that staff with access rights for billing do not also have access rights for billing adjustments (customer credits).

### **PWD Response:**

- a) Unaccounted for water includes water taken by unauthorized use of hydrants, filling road sweepers and tanker trucks. Additional unaccounted for water use includes firefighting, fire training, main breaks, service leaks, flushing water mains and unknown leaks in mains and water services. Some leaks go undetected by leaking into drainage systems and sewer piping under roadways in the Superintendents experience. In 2018 the District will be conducting a leak survey in which specialty equipment will be deployed to evaluate the entire District (130 miles of water mains) for leaks.

The new District Superintendent has taken action to reconcile many of the discrepancies in the past with regard to calculating unaccounted for water. For example:

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- Pumpage totals at the Water Plants are evaluated on a monthly basis going forward.
- Quarterly billing (number of gallons billed per month) is evaluated on a quarterly basis going forward.
- Installation of water meters at each plant to measure the amount of water used for plant analyzers and chemical systems in 2018.
- When billing adjustments are made by Management, the new Management team will ensure that usage in gallons to be adjusted when billing dollars are necessary to be adjusted.
- The new Superintendent has developed a pumpage and sales report which is reported to the Board of Commissioners each month since June 2017. It includes water pumped, water sold, rainfall data as well as average temperatures. This data is crucial for future forecast of our Conservation Program efforts. Unaccounted for totals for the past 12 months will be calculated and reported to the Board on a monthly basis. Any discrepancies for unusual unaccounted for water to be reported to the Board.

### b-c) Water Conservation:

- The District, under the direction of the new Superintendent, has assembled a Water Conservation Plan in April 2017 addressing many areas where the Plainview Water District can run more efficiently and promote water conservation.
- The District has identified its top 10 users which consume over 10 percent of the water in Plainview. The District intends to work with these top users to develop a plan to reduce consumption in 2018.
- Pumpage is calculated by venture meters at the production plants and recorded on our SCADA system. As part of the DEC Conservation Program to reduce water consumption by 15 percent over the next 3 years, the District is taking steps to calibrate all plant Venture meters in 2018.
- Water conservation efforts will also include deploying leak detection equipment within the distribution system to evaluate the entire distribution system (130 miles of water mains) in 2018.
- Going forward any adjustments made to customer accounts will be done by Management. Upon the receipt of this report, the Business Manager implemented new billing adjustment procedures. A schedule is now maintained to include detailed customer account information, the billing period for which the adjustment was made, the date of the customer's request for adjustment, the outstanding balance on the date of request and the reason for the adjustment. In addition, confirmation of the removal or waiver of late fee penalties is issued to the customer in writing by the Business Manager and further approved by the Superintendent. A copy of the schedule and customer correspondence is provided to the Board for their review and approval to be documented in the minutes.

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- d) Under the new Management team in 2017, we will review and ensure that staff with access rights for billing do not also have access rights for billing adjustments.

### **Auditor's Follow Up:**

*We concur with the corrective actions being taken by the Board to: reconcile pumpage and sales records in order to properly calculate unaccounted for water; develop monthly pumpage and sales reports that are to be sent to the Board for their review; implement billing adjustment procedures; and review and monitor the appropriateness of billing system's access rights.*

### **Audit Finding**

#### **(8) District Lacks Adequate Control over Purchasing to Safeguard District Funds**

### **Audit Recommendation(s):**

We recommend that the Board:

- a) consider hiring a Business/Finance Manager;
- b) require the use of purchase orders for all purchases. Purchase orders should be signed by the requestor and approved by the Purchasing Agent;
- c) monitor expenditure codes and perform budget transfers as necessary, or at least once a quarter;
- d) consider amending the procurement policy to include the use of competitive methods for obtaining professional services; and
- e) determine whether the purchasing thresholds might be exceeded by considering the aggregate amount reasonably expected to be expended for all purchases of the same commodities or services within the 12-month period commencing on the date of the purchase.

### **PWD Response:**

- a) Prior to the receipt of this report, the District has hired a Business Manager with nearly thirteen years of experience in municipal accounting, including financial reporting, auditing and compliance with laws and regulations. This was done in an effort to enhance the internal control structure as well as financial performance and reporting.
- b) The District currently uses a system whereby purchase orders are used for the purchase of all goods. The District has already begun discussing the use of purchase orders for all. The

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District plans to have a system in place starting January 1, 2018 whereas a purchase order will be in place for all disbursements made, signed by the requestor and approved by the Purchasing Agent.

- c) Previously, the Board received and reviewed budget to actual variance reports on a quarterly basis. Inadvertently, however, these quarterly reviews were not document in the meeting minutes. Starting in September 2017, and prior to receipt of this report, the District's Business Manager, along with the retained accountants, have provided the Board with monthly budget to actual variance reports which include an analysis of budgetary line items that have potential to be over expended and the rationale and appropriateness behind such. Budgetary adjustments are proposed for any line items in which the Business Manager or retained accountant's deem necessary. Consideration will be given to potentially over expended line items, and/or line items where budgetary adjustments were required, as part of the subsequent year's budget preparation process.
- d) The District will consider amending the procurement policy to include the use of competitive methods for obtaining professional services.
- e) Prior to the receipt of this report, vendor purchases were being examined in the aggregate in an effort to monitor compliance with the District's adopted Procurement Policy on a continuous and ongoing basis.

### **Auditor's Follow Up:**

*We concur with the Board's corrective actions to: implement a purchase order system whereby approved purchase orders will be in place for all disbursements made; monitor vendor aggregates and variance reports; and consider possibly amending the District's Procurement Policy to include competitive methods for obtaining professional services.*

*We also concur with the Board's corrective action to review budget to actual variance reports on a monthly basis and stress the need to include the Board's review, and any required budget transfers and/or changes to future budgets, in the minutes of the Board meetings. This would greatly improve the transparency of the actual to budget monitoring process.*

### **Audit Finding**

#### **(9) Late Fees Were Not Applied in Accordance with Town Law and District Policy**

### **Audit Recommendation(s):**



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We recommend that the Superintendent:

- a) review penalty reports at the end of each quarterly billing cycle and ensure that the late fee penalty was applied timely (on the due date); and
- b) submit, for Board approval, all billing adjustments, the reasons for the adjustments, and the amount to be adjusted.

### **PWD Response:**

- a) Effective immediately, the Business Manager will review and approve penalty reports at the end of each quarterly billing cycle to ensure that late fee penalties are applied based on the appropriate due date.
- b) Going forward any adjustments made to customer accounts will be done by Management. Upon the receipt of this report, the Business Manager implemented new billing adjustment procedures. A schedule is now maintained to include detailed customer account information, the billing period for which the adjustment was made, the date of the customer's request for adjustment, the outstanding balance on the date of request and the reason for the adjustment. In addition, confirmation of the removal or waiver of late fee penalties is issued to the customer in writing by the Business Manager and further approved by the Superintendent. A copy of the schedule and customer correspondence is provided to the Board for their review and approval to be documented in the minutes.

### **Auditor's Follow Up:**

*We concur with the corrective actions to: assign the review of the penalty reports to the Business Manager to ensure that late fee penalties are properly applied; develop a detailed customer adjustment schedule and notify customers of adjustments approved by the Superintendent; and provide the Board with the customer adjustment schedules and confirmations for their review and approval.*

### **Audit Recommendation(s):**

We recommend that the Board:

- a) establish policies and procedures to provide guidance to employees involved in the billing and collection of water charges; and
- b) approve all billing adjustments and record them in the Board minutes.

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### **PWD Response:**

- a) The District will establish policies and procedures to provide guidance to employees involved in the billing and collection of water charges.
- b) Going forward any adjustments made to customer accounts will be done by Management. Upon the receipt of this report, the Business Manager implemented new billing adjustment procedures. A schedule is now maintained to include detailed customer account information, the billing period for which the adjustment was made, the date of the customer's request for adjustment, the outstanding balance on the date of request and the reason for the adjustment. In addition, confirmation of the removal or waiver of late fee penalties is issued to the customer in writing by the Business Manager and further approved by the Superintendent. A copy of the schedule and customer correspondence is provided to the Board for their review and approval to be documented in the minutes.

### **Auditor's Follow Up:**

*We concur with the Board's correction actions to: establish billing and collection policies and procedures; and document its review and approval of all customer billing adjustments and confirmations in the Board minutes.*

### **Audit Finding**

#### **(10) Waivers of Late Fee Penalties Were Not Approved by Board or Documented in Minutes**

### **Audit Recommendation(s):**

We recommend that the Superintendent:

- a) review late fee penalty waiver reports and all other billing adjustments periodically and approve all waivers/adjustments that are compliant with current District policy;
- b) implement billing adjustment procedures that require approval for all adjustments and require written documentation of the reasons for such adjustments;
- c) review penalty reports at the end of each quarterly billing cycle and ensure that the late fee penalty was applied timely (on the due date); and
- d) submit, for Board approval, all billing adjustments, the reasons for the adjustments, and the amount to be adjusted.

We recommend that the Board:

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- e) establish billing and waiver procedures to provide guidance to employees involved in the billing and collection of water charges; and
- f) approve all billing adjustments and record the approval in the Board minutes.

**PWD Response:**

- a) Effective immediately, the Business Manager will review and approve late fee penalty waiver reports and all other billing adjustments and approve all waivers/adjustments that are in compliance with current District policy.
  
- b,d,f) Going forward any adjustments made to customer accounts will be done by Management. Upon the receipt of this report, the Business Manager implemented new billing adjustment procedures. A schedule is now maintained to include detailed customer account information, the billing period for which the adjustment was made, the date of the customer's request for adjustment, the outstanding balance on the date of request and the reason for the adjustment. In addition, confirmation of the removal or waiver of late fee penalties is issued to the customer in writing by the Business Manager and further approved by the Superintendent. A copy of the schedule and customer correspondence is provided to the Board for their review and approval to be documented in the minutes.
  
- c) Penalties were previously reviewed, however, effective immediately, the Business Manager will review and formally approve penalty reports at the end of each quarterly billing cycle and ensure that late fee penalties are applied based on the appropriate due date.
  
- e) The District will establish additional billing and waiver procedures to provide guidance to employees involved in the billing and collection of water charges.

**Auditor's Follow Up:**

*We concur with the Board's correction actions to establish billing and collection policies and procedures, and approve and document all billing adjustment in the minutes.*

**Audit Finding****(11) The District Lacks Backflow Penalty and Waiver Procedures****Audit Recommendation(s):**

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We recommend that:

- a) the Board ensure that all waivers and corresponding resolutions are properly documented in the Board minutes; and
- b) the Superintendent meet with the District's IT consultant and develop a system for determining the backflow compliance rate, and maintain adequate support for all backflow numbers provided to the DOH.

### **PWD Response:**

- a,b) Backflow waivers are granted in rare and extensive instances only. The District has worked very hard to take the cross connection department from what it was before 2016 into a more organized department today. The Board of Commissioners have taken the Auditor's comments under advisement and will take necessary actions moving forward with regard to waivers and Board resolutions.

### **Auditor's Follow Up:**

*We reiterate our recommendations to: have all waivers and corresponding resolutions documented in the Board minutes; develop a system to determine the backflow compliance rate; and maintain supporting documentation for the backflow numbers provided to the Department of Health.*

### **Audit Finding**

#### **(12) Improper Payroll Practices Resulted in Overpayments to Employees**

#### **Audit Recommendation(s):**

We recommend that the Board:

- a) establish and implement written payroll policies and procedures to ensure that accurate and complete payroll records are maintained to support all payroll payments;
- b) require supervisors and the superintendent to approve (evidenced by signature /initials) time sheets only after verifying the accuracy through supplemental documents such as Work Through Lunch logs, On-Call Work Schedules, Leave requests, etc.; and
- c) investigate the questionable payments identified, and determine whether to seek reimbursement for any overpayments.

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**Appendix B - Auditor's Follow-Up Responses to Plainview Water District's Response**

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**PWD Response:**

- a) The District will establish policies and procedures to implement payroll policies and procedures to ensure that accurate and complete payroll records are maintained to support all payroll payments.
- b) Starting in September 2017, and prior to receipt of this report, the District's Business Manager has implemented procedures to require the Supervisor or Superintendent to formally approve employee time sheets upon verifying accuracy of any pertinent supporting documentation.
- c) The Business Manager, Superintendent and Board each review all supporting payroll documentation and investigate any questionable payments, where deemed necessary.

**Auditor's Follow Up:**

*We concur with the corrective actions the District has proposed to: establish payroll policies and procedures; and review and approve employee timesheets and other payroll supporting documentation.*

**Audit Finding**

**(13) No Prior Approval of Overtime; On-Call Payments Totaling \$2,400 Were Not in Accordance with District Policy**

**Audit Recommendation(s):**

We recommend that the Board:

- a) require prior approval of **all** overtime as required by District policy;
- b) adhere to District policy with regard to on-call payments;
- c) pay all meal allowances through the regular payroll;
- d) keep all petty cash replenishments up to \$100 in accordance with District policy or amend the policy to provide for a higher limit; and
- e) revise on-call schedules accordingly to reflect the name of the employee who actually worked.

**PWD Response:**

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## **Appendix B - Auditor's Follow-Up Responses to Plainview Water District's Response**

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- a) Effective September 2017, the District's Business Manager has instituted changes to adhere to District policy in regard to overtime by implementing procedures which require the Supervisor or Superintendent to formally approve all employee overtime.
- b) Prior to the receipt of this report, the District's Business Manager identified on-call payment procedures that were not being adhered to properly and has already instituted a reinstatement of the policy to all field employees. On-call is a necessary function due to the emergency nature of the calls we receive twenty four hours a day, seven days a week.
- c) The District will begin to pay all meal allowances as authorized by policy manual through regular payroll.
- d) The District will review the petty cash policy limits and consider amending the policy if deemed necessary.
- e) The District will implement a procedure that revises the on-call schedule for changes made.

### **Auditor's Follow Up:**

*We concur with the District on the corrective actions to be taken to: approve all employee overtime, adhere to District policy regarding on-call payments; revise on-call schedules to reflect changes; process meal allowances through the payroll, and ensure all petty cash replenishments are within the dollar limit established by the District.*

### **Audit Finding**

#### **(14) District Failed to Ensure Employee's NYS Water Licenses Were Up to Date**

#### **Audit Recommendation(s):**

We recommend that the Board ensure that all NYS required operator certifications are properly renewed and kept on file.

#### **PWD Response:**

- Perhaps there was an oversight for the Audit Finding for personnel licensing. All employee operator licenses are current. Nor has there been any time in 2014 when an employee's license was expired at any point. The license certification for the employee in question did not lapse as this information was subsequently provided to the Comptroller's Office.
- District personnel are individually responsible for obtaining the appropriate number of

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## **Appendix B - Auditor's Follow-Up Responses to Plainview Water District's Response**

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credit hours of continuing education for their respective license levels.

- The District in 2016 was keeping a detailed account of credit hours for each employee in their respective licensing levels.
- New District Management were not made aware of this discrepancy and/or the request thereof until the exit conference. The District provided proof of the licensure of stated employee in the audit draft audit within hours of the exit meeting.

The Supervisor and Superintendent will continue to ensure that all employees are up to date on their respective continuing education credits required for renewal of their licenses.

### **Auditor's Follow Up:**

*We concur with the District's intention to ensure that all employees are up to date on the continuing education credits required for renewal of their licenses. We reiterate the need to keep all related documentation on file and suggest an agreed upon location for these documents be established.*

### **Audit Finding**

#### **(15) Fuel Purchase and Use Were Not Adequately Monitored**

#### **Audit Recommendation(s):**

We recommend that the Board:

- a) ensure that gas logs are maintained for all fuel usage;
- b) require periodic reconciliation of fuel purchases and odometer readings to ensure that fuel is used only for District purposes; and
- c) require review of fuel transaction activity on a monthly basis to identify anomalies regarding quantities dispensed, fueling times and the odometer readings entered by employees.

#### **PWD Response:**

- a-c) It should be noted that the District maintains a fuel security system known as ORPAK for all of its vehicles. This system is an interlocking system which allows only authorized vehicles to fuel up at the Town of Oyster Bay facilities. A ring is located on each District vehicle that marries up to the fuel nozzle and allows the fuel to be dispensed. The District fuels all of its vehicles at the Town of Oyster Bay municipal yards and allyards have this fuel security system in place.

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## **Appendix B - Auditor's Follow-Up Responses to Plainview Water District's Response**

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In addition, starting in September 2017, and prior to receipt of this report, the District's Business Manager has instituted a revised gas log to account for fuel purchases and odometer readings, by vehicle on a monthly basis. This monthly log is also reviewed, in conjunction with fuel transaction activity reports provided by the Town of Oyster Bay, on a monthly basis. Any missing information or discrepancies are immediately investigated. Monthly logs are reviewed and approved by the immediate Supervisor.

### **Auditor's Follow Up:**

*We reiterate our recommendation that the District require reconciliation of fuel transaction activity on a monthly basis to identify anomalies regarding quantities dispensed, fueling times and the odometer readings entered by employees. It should be noted that even though the District maintains a fuel security system on the vehicles, the District has two take home vehicles assigned to high level employees, and gas is also purchased in gas cans from the local Speedway for other purposes.*

### **Audit Finding**

#### **(16) Scrap Metal Was Not Disposed of in Accordance with District Policy**

#### **Audit Recommendation(s):**

We recommend that the Board:

- a) amend its disposal policies to explicitly identify whose responsibility it is to dispose of surplus material or assets; and
- b) ensure that all disposals are properly recorded in the Board minutes as required by District policy.

#### **PWD Response:**

- a) The District concurs with the recommendation to amend its disposal policy and plans to appoint the Superintendent as the Disposal or Reclamation Officer for the District.
- b) The District concurs with the recommendation to record all funds generated through reclamation or other means of disposal in the Board meeting minutes.

### **Auditor's Follow Up:**

*We concur on the corrective actions being taken to amend its disposal policy to reflect the appointment of a Disposal or Reclamation Officer for the District; and to record all proceeds from proper disposal in the Board minutes.*