



PLAINVIEW WATER DISTRICT

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Board of Commissioners

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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

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

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 Comptrollers opinion.

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.

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

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

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;

- 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:

- 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.

Audit Recommendation

- 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.

Audit Response

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.

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.

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.

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 Finding 10

Audit Recommendation

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.

Audit 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.

Audit Recommendation

b) Implement billing adjustment procedures that require approval for all adjustments and require written documentation of the reasons for such adjustments;

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

f) Approve all billing adjustments and record the approval in the board minutes.

Audit Response

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.

Audit Recommendation

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).

Audit Response

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.

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.

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

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.