



Village of Argyle

Water Billing and Collections

2023M-148 | May 2024

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Report Highlights

Village of Argyle

Audit Objective

Determine whether the Village of Argyle (Village) Board (Board) provided adequate oversight of water billings and collections.

Key Findings

Officials did not provide adequate oversight of water billings and collections. As a result, delinquent accounts were not enforced, and the Village lost revenue.

- The Clerk-Treasurer did not maintain adequate water billing and collection accounting records.
- The Clerk-Treasurer did not properly assess \$4,330 in penalties on unpaid customer accounts.
- The Board did not formally adopt the water billing rates charged to customers.
- The Board did not enforce 39 unpaid customer accounts with unpaid balances totaling \$14,458 for water bills from the September 2022 and March 2023 billings.

Key Recommendations

- Maintain adequate accounting records.
- Ensure penalties are properly assessed on unpaid customer accounts.
- Ensure water billing rates are formally adopted by the Board.
- Periodically review outstanding unpaid water accounts for enforcement action.

Village officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

Audit Period

June 1, 2021 – July 31, 2023

Background

The Village is located in the Town of Argyle in Washington County and is governed by the elected five-member Board, composed of the Mayor and four Trustees.

The Board is responsible for the general management and oversight of Village operations, including the financial operations of the water fund. The Mayor, as the Village's chief executive officer, is responsible for its day-to-day management.

The appointed Clerk-Treasurer is responsible for billing, collection and adjustment of customer water bills. The Village provides water services to 130 customers including 15 customers not located within the boundaries of the Village. The Village water sources come from six separate Village wells and they are currently in the process of adding a seventh well.

Customers are billed on a bi-annual basis, on March 1 and September 1 of each fiscal year, with bills calculated based on a usage charge for gallons consumed.

Quick Facts

| | |
|-----------------------|----------|
| Population | 289 |
| Water Customers | 130 |
| Water Billings | |
| 2021-22 | \$61,837 |
| 2022-23 | \$76,303 |

Water Billing and Collections

How Should a Village Board Provide Oversight of Water Billing and Collections?

A village board (board) is responsible for providing effective oversight of the village's water billing operations by ensuring employees involved in billing, collecting, enforcing and adjusting water charges perform their roles accurately. The board should establish adequate policies and procedures to provide guidance and oversight for the employees involved with water billing and collections. These policies and procedures should provide for proper segregation of duties and access rights, so one employee does not control all aspects of a transaction (e.g., preparing and adjusting bills, collecting money, recording collections and making deposits). When segregating duties is not possible, the board should implement compensating controls, such as having a board member periodically review the work. Once established, the board should monitor compliance with its policies and procedures.

A board should also:

- Ensure the master list of water customers list is complete and accurate prior to each billing cycle.
- Ensure it is provided periodic reports and reconciliations of receivables and delinquent accounts to verify accuracy and completeness of customer bills and collections.
- Annually audit, or cause to be audited, the books, records and documents of certain officers and employees responsible for receiving and disbursing money, as required. This review should ensure that the records are maintained in a timely manner, and that monthly bank reconciliations are completed.
- Establish the water usage rates to charge customers.
- Ensure officials annually file a statement of unpaid water charges and penalties payable with a brief description of the owner's property with the board.
- Ensure customer bills include a notice of penalty for late payment.
- Ensure that unpaid bills are assessed a penalty of 5 percent of the outstanding amount for each month that remains unpaid, as required by the Villages Rules and Regulation.

Additionally, the board should review bills that have not been paid and as required by Village Law, Section 11-1118, and relevel these unpaid bills by adding them to the Village's real property taxes levied on those property owners.

The Board Did Not Provide Adequate Oversight of Water Billing and Collections

The Board did not effectively oversee water billing and collections to ensure all customers were properly billed and that collections were accurately accounted for. For example, the Clerk-Treasurer did not follow consistent practices when recording collections and performed her duties with little to no supervisory review. Also, after the moratorium on imposing penalties or relevies on delinquent utility accounts expired, she did not properly assess penalties on delinquent accounts from the September 2022 and March 2023 water billings. Also, the Board did not annually audit her records or request and receive any reports (e.g., reports of total amounts billed semi-annually, adjustments and delinquent accounts) throughout the year. In addition, there was no separation of duties related to the key functions for billing and collecting water charges, other than the preparing and printing of the water bills by the Water Commissioner based on water meter readings provided by the Clerk-Treasurer. The Clerk-Treasurer:

- Read and provided water customer meter readings to the Water Commissioner,
- Sealed and mailed the customer water bills,
- Collected, recorded and deposited payments,
- Adjusted customer water bills,
- Applied penalties for delinquent accounts, and
- Maintained the water fund bank account.

The Mayor and two Trustees told us that they were unaware of their role and responsibilities for providing oversight of the water billing and collection operations and establishing related policies and procedures, nor were they aware of their annual audit responsibilities. As a result, the Board also did not establish any policies and procedures to provide guidance and expectations related to water billing and collections, segregate job duties or establish compensating controls to mitigate any lack of segregation with duties. In addition, there was no periodic reporting from the Clerk-Treasurer to the Board, and because no one was performing supervisory reviews of the Clerk-Treasurer's work, errors occurred and irregularities could occur without detection or correction. Furthermore, without comprehensive policies and procedures, there is an increased risk that inconsistencies will occur, and officials may not understand their responsibilities.

1 New York State – Chapter 106 of the Laws of 2021

The Clerk-Treasurer Did Not Maintain Adequate Water Billing and Collection Accounting Records

The Clerk-Treasurer did not maintain adequate water billing and collection accounting records to allow the Board to properly monitor the water fund's financial operations. The water billing and collection records consisted solely of the Village's copy of the water bills and related detailed deposit slips and bank deposit receipts. As water bill payments were received, the Clerk-Treasurer would record the amount and date of collection on her copy of the water bill and would prepare and make the deposits. However, she did not maintain or prepare:

- Collection logs to record daily water collections for reconciliation to deposits to ensure all collections received were deposited in a timely manner and intact,
- Reconciliation of customers billed to collections received each billing cycle to ensure all billings and collections are accounted for,
- Separate water customer accounts to manage and track customer bills and if they have paid by the due date or not,
- Monthly or periodic bank reconciliations, and
- General or subsidiary ledgers to track water fund revenues and receivables.

In addition, we determined the Clerk-Treasurer did not consistently record collections on the Village's copy of the water bills. For example, while 52 of the 130 (40 percent) water bills for March 2023 included no indication that the bills were paid, our review of the detailed bank deposit slips and deposit receipts indicated that 24 of these 52 customers (46 percent) had paid \$7,670 towards their water bills. Without adequate accounting records being maintained, the Board and Clerk-Treasurer cannot readily determine who has paid or not paid their water bills and whether those water bills were paid in a timely manner.

The Clerk-Treasurer told us the lack of maintaining adequate records was due to her lack of training and awareness on how to maintain adequate accounting records. Further, a lack of Board oversight and guidance on what records to maintain also contributed to this deficiency. Because these records were not maintained, the Clerk-Treasurer was unable to provide the Board with periodic financial reports, such as monthly reports of what was collected and disbursed, or reports on customers who were delinquent in paying their water bills.

The Board Did Not Formally Adopt Customer Billing Rates

Although the Village's water system rules and regulations authorize the Board to change the annual water customer rates as needed, the Board did not adopt a formal rate schedule when they passed a motion on February 7, 2022, to change the water billing structure from a flat semiannual customer rate to a usage-based

rate structure. According to the Mayor, Clerk-Treasurer and a Trustee, the Board decided to change its billing structure, but no approved water rate schedules were recorded in the minutes. This change in billing rates was implemented in the March 2022 water billing. Prior to the March 2022 billing, customers were charged a flat fee twice a year in September and March. Following the change in the water billing structure, customers were charged on a usage-based rate structure twice per year in September and March. The Clerk-Treasurer told us that the flat fee rate structure had remained unchanged for at least a decade; however, she could not find any prior resolutions establishing the former rate.

Officials told us they were unaware a detailed rate schedule and formal resolution authorizing the billing rates was necessary. While such formality may not be a legal requirement, when rates are not formally adopted by the Board, the Board is not providing a transparent process to customers and a lack of assurance is present that the rates being charged to customers are accurate, reasonable and in accordance with the Board's expectations.

The Clerk-Treasurer Did Not Properly Assess Penalties on Unpaid Customer Accounts

We reviewed all customer water bills for the two billings (September 2022 and March 2023) occurring during our audit period, that were billed after the moratorium on imposing penalties on delinquent accounts expired to determine whether the Clerk-Treasurer accurately assessed penalties. We determined the Clerk-Treasurer did not properly assess penalties. During the two billings (September 2022 and March 2023), we found 110 occurrences where a customer did not pay their water bill in a timely manner, which should have resulted in penalties, totaling \$4,330 of which none were collected. As a result of not assessing penalties when payment is not made by the due date, in accordance with Village rules and regulations, the Village relinquished \$4,330 in revenue.

Due to the Clerk-Treasurer not accurately assessing penalties on unpaid bills, and the lack of any tracking and reporting on the status of customer billing and collections to the Board, the Board was unaware of the lost revenue from not enforcing penalties on unpaid customer accounts.

The Board Did Not Take Action to Enforce Delinquent Water Bills

The Board did not take any action to enforce payment of delinquent water bills. When a customer does not pay their water bill prior to the next billing cycle, the Clerk-Treasurer told us that she includes the past due balance on the current bill and staples a copy of the delinquent bill to her copy of the current bill. However, we found that as of the March 2023 billing, unpaid balances for 22 customers totaling \$7,868, were not recorded on the customers' March 2023 bills. Further,

no other record or list of delinquent accounts is maintained, nor does the Clerk-Treasurer provide a report of these delinquent accounts to the Board for their review and relevy of unpaid bills on the customers' real property tax bills.

We reviewed the September 2022 and March 2023 water billing cycles to determine whether the Board took action to enforce collection of unpaid accounts. We found that as of July 31, 2023, the Board took no action to enforce 20 customer accounts with unpaid balances totaling \$4,807, that were past due from the September 2022 billing cycle, nor have they taken action to enforce collection of 31 unpaid customer accounts totaling \$9,651, from the March 2023 billing cycle. This includes 12 customers who did not remit payment for either of these two water billings during our audit period. While nothing is actively done to ensure these delinquent payments are collected, these Village customers continue to have access to the Village water system despite not paying their water bills.

Since the Board did not review the Clerk-Treasurer's water billing and collection records, the errors and omissions identified in our report were not detected by officials in a timely manner. A routine review of the Clerk-Treasurer's records by the Board would have helped ensure that all unpaid water bills were accounted for and action taken to enforce collection of unpaid water bills. Further, according to the Clerk-Treasurer, the former Mayor was opposed to relevying unpaid water bills on customers' real property tax bills, which led to the unpaid customer bills not being enforced.

The lack of Board oversight and monitoring over the water billing and collection process prevents the Board from ensuring they are adequately made aware of and can address any outstanding unpaid water bills in a timely manner. Further, the lack of Board guidance from formally developed and adopted policies and procedures regarding actions to enforce unpaid water bills increases the risk of misunderstandings among officials and uncertainty regarding what procedures to follow to ensure unpaid customer bills are collected in the most efficient manner. Therefore, until the Board takes action to correct these deficiencies, the errors and omissions with water billings will likely continue, and customers with delinquent accounts may not pay their past due water bills.

What Do We Recommend?

The Board should:

1. Develop and distribute written policies and procedures that provide adequate guidance for billing, collecting, adjusting and enforcing Village water charges. Policies and procedures should address maintaining adequate accounting records, segregation of duties and other compensating controls if segregation is not possible.

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2. Annually audit the records and reports of the Clerk-Treasurer.
 3. Establish clear billing rates, including establishing a detailed rate schedule and providing copies to Village officials and employees.
 4. Review, or designate an official to review, unpaid water bills each billing period to ensure penalties are applied in accordance with local laws, and outstanding balances are reflected on the customer's next water bill and/or relieved on the customer's real property tax bill in accordance with the Village Law.

The Clerk-Treasurer should:

5. Maintain adequate accounting records to allow for the Board to properly monitor the Village's water billing operations.
6. Attend formal training on the maintaining of accounting records. This can include local official training provided by the Office of the State Comptroller.
7. Perform monthly bank reconciliations of the water fund bank account and prepare and deliver periodic financial reports for the Board's review.
8. Ensure customer bills and assessment of penalties are prepared consistently and in accordance with the rules and regulations of the Village.
9. Annually provide the Board a list of unpaid customer water bills for enforcement action on the real property tax bills.

2 <https://www.osc.ny.gov/local-government/academy/webinars>

Appendix A: Response From Village Officials

VILLAGE OF ARGYLE

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P.O. Box 7
Argyle, NY 12809
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May 12, 2024

Office of the State Comptroller
Glens Falls Regional Office
One Broad Street Plaza
Glens Falls, NY 12801

Re: Village of Argyle's Response to Water Billing & Collections Report of Examination
2023M-148

As the representative of the Village of Argyle, I am grateful for the opportunity to be a part of the audit process and to have a better understanding of my duties, the village boards' duties, and the village clerk's duties.

I do agree with the key findings.

The Board did not provide adequate oversight of water billings and collections. The village needs to maintain adequate accounting records and ensure that penalties are accounted for with unpaid customers. The village has to include unpaid water rents in the annual tax levy. I understand that it is not a requirement that we adopt a formal water billing rate schedule, but in being transparent and open with our customer I understand the importance in adopting the rates. We will be adopting a rate resolution.

When stepping into my role as a new mayor I accepted the policies and the procedures that were already in place. I wrongfully assumed that these were the best practices. After speaking with the principal examiner at our exit discussion I learned that I can make positive changes to provide adequate oversight to the village water billing and collections.

The board and myself will now focus on the CAP and have that submitted to the OSC.

The Village is grateful for the opportunity to learn from the audit and to the Office of the State Comptroller for taking the time to thoroughly review the Village of Argyle's water billing and collections.

Sincerely,

Darren Smith
Mayor
Village of Argyle

Appendix B: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed Village officials and reviewed applicable Village policies, local laws, regulations, Board minutes and financial records and reports to gain an understanding of the Village's procedures relating to billing, collecting, depositing and enforcing customer water charges to identify potential weaknesses or deficiencies and their associated effects.
- We reviewed Board minutes and resolutions to determine whether the Board formally adopted the water billing rates charged to customers.
- We traced the Village's 2022 and 2023 water billing customer master list to the prepared assessment rolls to determine the completeness of the customer master list used for water billing and whether all properties within the Village are being billed. We identified any variances between the assessment rolls and customer master list and held discussions with officials to determine whether there was a reasonable explanation for any variances identified.
- We reviewed all customer water bills for the four billing cycles (September 2021, March 2022, September 2022 and March 2023) during our audit period to determine whether customers were accurately charged for the correct usage and Board-approved billing rates.
- We reviewed all collections and associated deposits within our audit period to determine whether deposits were made intact and in a timely manner.
- We reviewed all customer water bills and collections made after the due dates during our scope period to determine whether penalties were assessed by officials in accordance with the rules and regulations of the Village water system and whether outstanding customer balances were appropriately relieved on future water bills.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results

onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review in the Clerk-Treasurer's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.ny.gov/local-government/publications

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.ny.gov/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.ny.gov/local-government/publications

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.ny.gov/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.ny.gov/files/local-government/publications/pdf/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.ny.gov/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.ny.gov/local-government/publications

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

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Contact

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