



# Town of Johnsburg

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## North Creek Water District Charges

2023M-51 | July 2023

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# Report Highlights

## Town of Johnsburg

### Audit Objective

Determine whether the Town of Johnsburg (Town) officials effectively managed the billing of water charges.

### Key Findings

Town officials did not effectively manage the North Creek Water District's (District) billing of water charges. The lack of effective management of water billing resulted in the Town not billing for \$8,461 (6 percent of the average annual water revenue) in water revenues it was entitled to. Officials did not:

- Ensure services provided by the contractor were billed to the customers.
- Identify and bill all new water customers.
- Ensure all water rates were Board-adopted and accurately charged to customers.
- Perform an annual audit of the Water Clerk's (Clerk's) records.

### Key Recommendations

- Establish procedures to accurately bill for water charges to maximize District revenues.
- Ensure new water customers are added to the Town's records and billed for services.
- Ensure all water rates are Board-adopted and accurately charged to customers.
- Perform an annual audit of the Clerk's records.

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

### Background

The District's drinking water is derived from three drilled wells. The Town Board (Board) establishes the billing rates based on a property's estimated daily usage (EDU). The Town contracts with an engineering firm to perform the function of the Water District Engineer (contractor), which includes installing and repairing connections and servicing the infrastructure.

The Town, located in Warren County, is governed by the Board, which is comprised of a Supervisor and four Board members. The Board is responsible for the general oversight of the Town's operations and finances.

The Board-appointed Clerk is responsible for billing all water rent charges. The Clerk maintains individual water customer accounts in a ledger book and Excel spreadsheets. The Clerk generates bi-annual billings and mails them to property owners who are connected to the Town's water service.

#### Quick Facts

District is located in the Town of Johnsburg	
Water Connections	380
Water District Revenue	
January 1, 2020 through December 31, 2022	\$425,542
Annual (Average)	\$141,847

### Audit Period

January 1, 2020 - December 31, 2022

# North Creek Water District Charges

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## **How Should a Town Board Provide Oversight of Water Charges?**

A town board (board) is responsible for managing its water district financial operations. The board and officials should establish procedures that provide guidance for employees involved in the billing of water charges. Employees should have a clear understanding of who is responsible for processing applications for water services; informing the clerk of new connections so the clerk can add new water customers to the town's records; and billing for water usage, customer service reimbursement fees and new application fees. Once the board establishes procedures, it should monitor compliance with them.

The board must establish rates for all water charges and establish procedures to ensure all customer billings are accurate. The board also must annually audit, or obtain an audit from an independent public accountant, of all records and reports of officers and employees who collect and disburse funds in the previous fiscal year in accordance with Section 123 of Town Law. An annual audit could help the board detect deficiencies in the water district records.

## **The Board Did Not Ensure Adequate Procedures Were in Place to Bill for Water Charges**

The Board did not develop procedures to ensure applications for water services were filed with the Town or that the Clerk was informed when the services were provided. The Town's established District policy identifies service costs that are the District customer's responsibility, including water connections, repairs past the curb stop and water turn on/shut-offs. However, the lack of procedures to ensure these services were communicated to the Clerk resulted in new customers not being added to the Town's records and billed for services and water usage.

The contractor submitted monthly invoices to the Town that were not always itemized by daily individual services. Instead, invoices were organized by date, total hours worked and included a brief service(s) performed description. Without itemized invoices, the Town could not always determine what customers received services, whether the service was for a new customer that should be added to the Town's records, which services should be billed to customers, or how much should be billed to the customers for services.

We sampled 15 contractor services totaling \$5,755 that were billed to the Town by the contractor and for which the Town should have billed customers for reimbursement. We determined the Town did not receive reimbursement for 13 (87 percent) of these services. Specifically, Town officials did not bill water customers for nine water shut-off and/or turn on service charges totaling \$325, three service repair charges totaling \$630 and one application fee for water hook-up totaling \$1,600. This occurred because Town officials did not have procedures

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in place to identify these charges and facilitate billing to customers, resulting in lost revenue totaling \$2,555.

Moreover, the service fees for water shut-off/ turn on services in the District policy did not align with the actual cost the contractor charged the Town for the services. Specifically, the Town charged \$25 for a water shut-off/turn on service; however, the cost charged by the contractor to the Town was typically \$90 per shut-off/turn on service.

Additionally, Town officials did not develop a process to inform the Clerk when a water hook-up occurred. The Supervisor told us that several events could result in a water hook-up service. For example, the contractor could be informed directly by builders that water hook-ups needed to be performed on properties. The contractor would then complete the water hook-up services without obtaining formal confirmation from Town personnel that an application was filed and approved, and the Town received payment. Also, Town employees received applications for water hook-up services and then informed the contractor without notifying the Clerk the hook-up occurred. The contractor confirmed approval and payments of applications informally with the former Clerk. However, after the current Clerk started in March 2021, the contractor no longer obtained confirmation. This resulted in water hook-ups occurring without an application being processed and paid for, and the Clerk not being notified. Therefore, the Clerk did not add the new customers to the records, and the Town was not paid for services that should have been billed to the customers.

Based on our review of all properties within the District and discussion with the contractor and Assessor, we determined eight properties connected to the water system did not receive bills. Once we identified these properties, we obtained the proper billing amounts from the District application for residences, or the Supervisor and contractor calculated the amounts for commercial properties. Specifically, during the six billing cycles within our audit period, five properties were connected to water services prior to our audit period, resulting in a total of 30 bills not being sent to five users. In addition, three properties were connected to water services during our audit period, resulting in an additional six bills not being sent to these three users. The lack of billings to these eight properties resulted in \$5,906 of revenue loss for the District during our audit period.

The lack of itemized invoices from the contractor, and new customer connections not being added to the water customer listing, led to the Town not billing for \$8,461 in revenues it was entitled to.

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...[E]ight properties connected to the water system did not receive bills. ... [This] resulted in \$5,906 in revenue loss. ...

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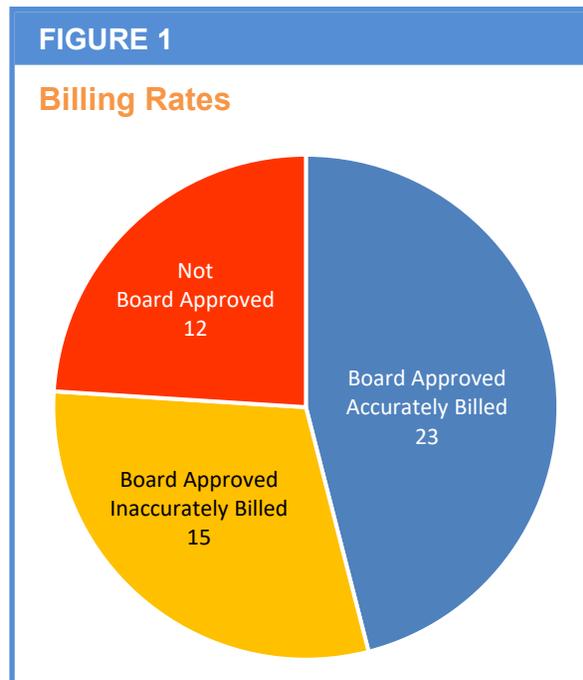
## Water Customers Were Not Accurately Billed

We reviewed 50 water bills totaling \$26,235 and determined that 27 (54 percent) of the properties were not billed accurately. Specifically, 15 bills were not in agreement with the Board-approved rates, which resulted in billing discrepancies totaling \$2,585. In addition, 12 bills totaling \$3,044 were for properties that had no Board-established rate (Figure 1). This occurred because, while the Board adopted water billing rates (residential by property type and commercial by retailer name) in September of 2017 and periodic rate increases, it did not ensure the former Clerk applied the 2017 rates to the billing system. Also, the Board did not approve rates for all property types (one story small structure-multi-occupant, residence with incidental commercial, association pool house) and businesses within the District (shopping center, mini mart, office building, giftshop, lumber yard, café, drugstore, retail space and two apartments) in September of 2017. Therefore, the current Clerk was billing some properties based on historical rates because Board-approved rates were not provided to the current Clerk when she was hired. Had the Board provided adequate oversight of the Clerk's duties, such as periodically reviewing the billing for accuracy, it would have identified billing rates that were inconsistent with established rates and noted instances where rates were not formally established.

Without proper oversight of the billing process and accurate billing by the Clerk, Town officials cannot be assured they are maximizing District revenue.

## The Board Did Not Conduct an Annual Audit of the Clerk's Records and Reports

The Clerk provided the bookkeeper with her collections spreadsheet after each billing period and relevy spreadsheet. However, the Board did not audit or obtain an audit of the Clerk's records and reports for the 2020 through 2022 fiscal years, as required by Section 123 of Town Law. The Supervisor and a Board member



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told us that they were not aware that the Board was required to annually audit the Clerk's financial records and reports. Had the Board conducted the annual audit of the Clerk's records, the deficiencies found during the audit could have been identified and addressed sooner.

### **What Do We Recommend?**

The Board should:

1. Establish procedures to ensure all water services are accurately billed for by the Clerk.
2. Require the contractor to submit itemized invoices for District services.
3. Ensure all services performed by the contractor are billed to the customers, and all related documentation is provided to the Clerk to ensure new customers are added to the Town's record of water customers.
4. Perform annual audits of the Clerk's records.

Town officials should:

5. Ensure water rates are Board-adopted and accurately charged to customers.

# Appendix A: Response From Town Officials



## TOWN OF JOHNSBURG

219 Main Street, North Creek, NY 12853  
Phone: (518) 251-2421 ~Fax: (518) 251-9991

**Bakers Mills**  
**Johnsburg**  
**Garnet Lake**  
**North Creek**  
**North River**  
**Riparius**  
**Wevertown**

**Town Supervisor**  
Mark Smith  
(518) 251-2421x4

**Town Council**  
Gene Arsenault  
Arnold Stevens  
Justin Gonyo  
Alexander Hoskins

**Highway Superintendent**  
Fred Comstock  
(518) 251-2113

**Town Clerk**  
Jean Comstock  
(518) 251-2421x3

**Town Assessor**  
Letitia Williams  
(518) 251-2421x6

**Zoning Enforcement**  
518-251-2421x5

June 30, 2023

Office of the State Comptroller  
One Broad Street Plaza  
Glens Falls, NY 12801-4396

RE: *Audit Response*  
*Town of Johnsburg*  
*North Creek Water District Charges*  
*Report of Examination*  
*2023M-51*

Chief of Municipal Audits:

Please find below our response to the audit your office conducted for the North Creek Water District in the Town of Johnsburg, New York for the period of 01 January 2020 to 31 December 2022. This matrix includes your key findings, your key recommendations, our proposed corrective actions, and the timelines for implementing those corrections.

Audit Findings	OSC Key Recommendations	Proposed Corrective Actions	Anticipated Implementation of Corrective Actions
Ensure services provided by the contractor were billed to the customer	Establish procedures to accurately bill for water charges to maximize District revenues	Implement a service call form that details services performed, cost for services and entity responsible for payment of services.	EOM August 2023
		Draft SOP to coordinate billing and record-keeping protocol between Town Clerk and Water District Clerk.	EOM September 2023
Identify and bill all new water customers	Ensure new water customers are added to the Town's records and billed for services	Draft and implement SOPs that describe: <ul style="list-style-type: none"> <li>detailed procedures for water hook-up; and</li> <li>water disconnects.</li> </ul> Verifying accounts against water district users/properties	EOM August 2023
Ensure all water rates were Board-adopted and accurately charged to customers	Ensure all water rates were Board-adopted and accurately charged to customers	Review water district properties against assessor rolls to verify accuracy of billing vs. type of property and standardized set EDUs. Review and approval by Town Board resolution.	01 October 2023
Perform an annual audit of the Water Clerk's (Clerk's) records.	Perform an annual audit of the Water Clerk's records.	Draft SOP specifying process and scope of annual audit of Clerk's water records.	01 October 2023

**Abbreviations:**  
OSC: Office of the State Comptroller  
EOM: End-of-Month  
SOP: Standard Operating Procedures



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**Bakers Mills**  
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**Town Assessor**  
Letitia Williams  
(518) 251-2421x6

**Zoning Enforcement**  
Colin Mangan  
518-251-2421x5

Office of the State Comptroller  
Chief of Municipal Audits  
Audit Response  
Town of Johnsburg  
2023M-51

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Please note that the proposed corrective actions above have not yet been officially resolved by the Town Board; that resolution is slated for the 18 July 2023 Board Meeting.

The Town thanks OSC for its audit and its finding; we look at this as an opportunity to better manage our water district in a more equitable and efficient fashion that will inure to the benefit of both the municipality and to its users. Should there be any need for your agency to communicate with the Town further, please direct those communications to me at the address above or the email and/or telephone number provided below.

Sincerely,

Mark Smith  
Supervisor  
Town of Johnsburg  
supervisor@johnsburgny.com  
518.321.7667

## Appendix B: Audit Methodology and Standards

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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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed Town officials and reviewed Town policies, Board minutes, and water district financial records and reports to gain an understanding of the Town's procedures relating to the billing, collecting, enforcing, and accounting of water charges and any associated effects of deficiencies in those procedures.
- We reviewed contractor invoices and used our professional judgment to select 15 contractor charges due for reimbursement from a water customer and compared them to the water collections to determine whether the fees were received from the water customer.
- We compared all the property IDs within the water district to the property IDs in the billing spreadsheet to identify properties within the water district that were not being billed. We met with the Assessor and contractor to determine which identified properties were connected to the Town's water system and should have been billed.
- We reviewed the District's application to identify residential water customer rates for residential properties and had the Supervisor and contractor calculate the proper EDUs<sup>1</sup> for two commercial properties to determine rates that should have been charged to the unbilled water-connected customers.
- We compared the Board-adopted water rates to the rates set up in the billing and collection registries during the audit period to determine whether the rates agreed.
- We used our professional judgment to select 50 water bills to include the various property types (such as: commercial, one family residential, two family residential, apartment buildings, mobile homes), as well as Town officials and employees. We reviewed their corresponding payments to determine whether the billing rates were accurate, the payments agreed with the amount billed (including penalties, if applicable), and the payments were correctly recorded in the customers' accounts.

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.

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<sup>1</sup> One EDU is equal to 320 gallons per day.

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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's office.

## Appendix C: Resources and Services

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### **Regional Office Directory**

[www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf](http://www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf)

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

[www.osc.state.ny.us/local-government/publications](http://www.osc.state.ny.us/local-government/publications)

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

[www.osc.state.ny.us/local-government/fiscal-monitoring](http://www.osc.state.ny.us/local-government/fiscal-monitoring)

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

[www.osc.state.ny.us/local-government/publications](http://www.osc.state.ny.us/local-government/publications)

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

[www.osc.state.ny.us/local-government/resources/planning-resources](http://www.osc.state.ny.us/local-government/resources/planning-resources)

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

[www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.pdf](http://www.osc.state.ny.us/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.state.ny.us/local-government/required-reporting](http://www.osc.state.ny.us/local-government/required-reporting)

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

[www.osc.state.ny.us/local-government/publications](http://www.osc.state.ny.us/local-government/publications)

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

[www.osc.state.ny.us/local-government/academy](http://www.osc.state.ny.us/local-government/academy)

## Contact

Office of the New York State Comptroller  
Division of Local Government and School Accountability  
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: [localgov@osc.ny.gov](mailto:localgov@osc.ny.gov)

[www.osc.state.ny.us/local-government](http://www.osc.state.ny.us/local-government)

Local Government and School Accountability Help Line: (866) 321-8503

**GLENS FALLS REGIONAL OFFICE** – Gary G. Gifford, Chief of Municipal Audits

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