



Dutchess County Water and Wastewater Authority Cash Receipts

Report of Examination

Period Covered:

January 1, 2015 — August 17, 2016

2016M-360



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

November 2016

Dear Authority Officials:

A top priority of the Office of the State Comptroller is to help authority officials manage their authorities efficiently and effectively and, by so doing, provide accountability for dollars spent to support authority operations. The Comptroller oversees the fiscal affairs of authorities statewide, as well as authorities' compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving authority operations and Board governance. Audits also can identify strategies to reduce authority costs and to strengthen controls intended to safeguard authority assets.

Following is a report of our audit of the Dutchess County Water and Wastewater Authority, entitled Cash Receipts. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article X, Section 5 of the State Constitution.

This audit's results are resources for authority officials to use in effectively managing operations and in meeting the expectations of taxpayers. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Dutchess County Water and Wastewater Authority (Authority) is a public benefit corporation that was established in 1991 by an act of the New York State Legislature, at the request of Dutchess County (County). The Authority is governed by a Board of Directors (Board), which is composed of five members. The County Executive appoints two Directors, the County Legislature Chair appoints two Directors and they jointly appoint one Director. The Board is responsible for the general management and control of Authority financial affairs. The Board appoints an Executive Director who is the Authority's chief executive officer and is responsible for the Authority's day-to-day operations. The Deputy Director is responsible for managing daily financial activities, accounting for the daily deposit of money received and maintaining the accounting records.

The Authority currently owns and operates 14 water systems, six sewer systems and one water transmission system. Collectively, these systems serve over 5,500 residential and commercial customers within 10 municipalities. The Authority's 2016 budget was \$9.3 million funded primarily by fees, rents and service charges established by the Board and special assessments levied by the County for debt payments.

Objective

The objective of our audit was to assess the Authority's internal controls over cash receipts. Our audit addressed the following related question:

- Are internal controls over cash receipts appropriately designed and operating effectively to safeguard the Authority's assets?

Scope and Methodology

We examined the internal controls over the Authority's cash receipts for the period January 1, 2015 through August 17, 2016.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report. 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 relevant population size and the sample selected for examination.

**Comments of
Authority Officials**

The results of our audit have been discussed with Authority officials, and their comments, which appear in Appendix A, have been considered in preparing this report. Authority officials agreed with our report.

Cash Receipts

The Board is responsible for overseeing the Authority's fiscal activities and safeguarding its resources. To fulfill this duty, it is essential that the Board establish written policies and procedures for cash receipts that address the duties, procedures, records and oversight required to safeguard Authority funds. The Board and Authority officials are responsible for establishing adequate policies and procedures over water and wastewater charges to ensure all money received is properly collected, recorded and deposited. Good business practices require that money should be deposited as soon as possible after collection to reduce the risk of loss or theft. Duplicate press-numbered receipts should be issued to all customers, indicating when and from whom payment was received and the form (i.e., cash or check) in which it was received.

The Board adopted effective policies and procedures for the Authority's cash receipt processes and Authority officials adequately segregated the duties of collecting, recording and depositing cash. The cash receipt process is centralized and all collections are done at the Authority's main office. The majority of payments received are made by check or automatically through the customers' bank accounts and a small amount of cash is received at the Authority office.

The Board and Authority officials implemented specific procedures over the cash receipt process that included providing adequate supervision and oversight. The senior typist opens the mail and date stamps the payment slips or gives a receipt to the customers who come in person to make payment. The senior typist records the amounts collected in a cash receipts book and remits them to the accounts receivable clerk.

The accounts receivable clerk totals the collections in batches, prepares the bank deposits and updates customer accounts in the accounting system. The administrative secretary reviews all account balances by comparing them with the collection totals and makes the bank deposit. The Deputy Director prepares monthly reconciliations and reports for the Board. The Executive Director and the Board review the monthly reports and bank reconciliations.

We reviewed 100 payments totaling \$17,393 (of 1,227 payments totaling \$471,060) that were received during August 2015.¹ We traced these receipts to the corresponding batch totals indicated in the

¹ See Appendix B for information on our methodology.

Authority's accounting records and the deposits shown on the bank statements and found that they were recorded in a timely manner and deposited within a day of being received.

We also reviewed 20 collections totaling \$7,512 (of 125 collections totaling \$16,263) from the cash receipt book and traced them to individual accounting records and also found no discrepancies. Except for minor issues, which we discussed with Authority officials, all the receipts we reviewed were properly recorded and deposited in a timely manner.

We commend the Board and Authority officials for designing and implementing effective controls over cash receipts.

APPENDIX A

RESPONSE FROM AUTHORITY OFFICIALS

The Authority officials' response to this audit can be found on the following page.

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November 17, 2016

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Tenneh Blamah, Chief Examiner
Office of the State Comptroller
33 Airport Center Drive, Suite 103
New Windsor, NY 12553

Dear Chief Examiner Blamah,

We are in receipt of the Draft Report relating to the audit your office conducted of the Dutchess County Water and Wastewater Authority's Cash Receipts for the period January 1, 2015 through August 17, 2016.

We concur with the report's description of the Authority, its presentation of the Authority's policies and procedures concerning cash receipts, and the draft audit findings.

We would like to thank the Office of the State Comptroller, and in particular the staff at the New Windsor office, for an audit process that was clear and positive in approach; and provided insight into opportunities for continued improvement by the Authority in its commitment to customer service, accountability and transparency.

Sincerely,

Bridget E. Barclay
Executive Director

cc: Members of the Board
Mary Morris, Chief Financial Officer

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

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

- We interviewed Authority officials and staff members to obtain an understanding of the Authority's cash receipt process.
- We randomly selected one month during our audit period (August 2015) and randomly selected 100 payments received during that month for review. We traced the amounts received to the Authority's accounting records and bank statements to determine if the amounts received were recorded in the accounting system and deposited in a timely manner.
- We reviewed 20 judgmentally selected collections from the 125 payments recorded in the receipt book and traced them to individual accounting records to determine if they were accurately recorded in the accounting records.

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

APPENDIX C

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