DECEMBER 2012

FOLLOW-UP AUDIT OF THE ERIE COUNTY WATER AUTHORITY FOR THE PERIOD JANUARY 1, 2011 THROUGH AUGUST 31, 2012

DAVID J. SHENK
ERIE COUNTY COMPTROLLER

HON. DAVID J. SHENK
ERIE COUNTY COMPTROLLER'S OFFICE
DIVISION OF AUDIT & CONTROL
95 FRANKLIN STREET
BUFFALO, NEW YORK 14202

December 31, 2012

Honorable Members
Erie County Legislature
92 Franklin Street, 4th Floor
Buffalo, New York 14202

Dear Honorable Members:

The Erie County Comptroller's Office has completed a follow-up audit of our April 1997 audit of the Erie County Water Authority (ECWA).

We conducted our audit in accordance with Generally Accepted Government Auditing Standards. 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. Our objectives were to: (1) follow-up on audit findings and recommendations from the October 2000 audit; (2) evaluate internal controls over the payroll and procurement processes; (3) compliance with the requirements of the New York State Public Authorities Law and internal operating policies and procedures; and (4) conduct an operation and performance analysis between the ECWA and similar-sized Water Authorities. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Management of ECWA is responsible for establishing and maintaining a system of internal control. The objectives of such a system are to provide management with reasonable, but not absolute, assurance that transactions are executed in accordance with management's authorization and are recorded properly. Because of inherent limitations in any system of internal control, errors or irregularities may nevertheless occur and not be detected.

In our opinion, internal controls over the payroll and procurement processes are adequate.

Sincerely,

David J. Shenk
Erie County Comptroller

cc: Hon. Mark C. Poloncarz, County Executive
Robert A. Mendez, Executive Director Erie County Water Authority
Robert W. Keating, Director Budget & Management
Erie County Fiscal Stability Board

Table of Contents

Executive Summary 5

Background 5

Audit Findings 7

- Previous Audit Findings 7
- New Hire Policies 9
- Reporting of Fringe Benefit Amounts for Personal Use of ECWA-Owned Vehicles ... 10
- Timekeeping and Payroll 13
- Pay-outs of Accumulated Paid Time-Off for Employees Terminating Service with the ECWA 14

Expense Reports 15

Comparison with Other Water Authorities 17

Results of Exit Conference 19

Auditee Response 20

Appendix 1 – Job Titles and Exam Requirements 21

Executive Summary

- Internal controls over the payroll and procurement processes are adequate.
- ECWA implemented corrective action on findings from our previous audit report.
- Fringe benefit amounts for ECWA-owned vehicles provided to employees were properly calculated; however employee documentation was insufficient.
- Only minor exceptions were noted in our audit of payroll and timekeeping.
- Pay-outs for accumulated paid time off for employee's whose service was terminated with the ECWA were accurately calculated and properly approved.
- Exceptions were noted in testing of Expense Reports to ECWA's policy.

Background

The ECWA is an independent public benefit corporation, created in 1949, codified under §1053 through §1073 - the "Erie County Water Authority Act" (Act) of Title 3, Article 5 of the New York State Public Authorities Law (NYSPAL). The Act provides ECWA with the authority to produce, develop, distribute, and sell water and water services within the territorial limits of the County of Erie, as well as to, among other things, finance, construct, operate, and maintain a water supply and distribution system to benefit the residents of Erie County, NY. The Act was amended effective August 15, 1988 to allow ECWA to provide wholesale or retail supplies of water to the Town of Hanover, Village of Silver Creek, and the Seneca Nation of Indians, Cattaraugus Reservation.

Operations at the ECWA began in 1953. It is not an agency of the government of the State of New York or the County of Erie. The ECWA is self-sustaining enterprise, paying for all of their operating expenses from the revenue derived from the sale of water to its 160,088 customers. The ECWA's 2011 operating revenue totaled $59.53 million. Operating expenses for 2011 were $50.34 million, with additional net interest expense of $3.87 million. The ECWA's 2012 adopted budget projected operating revenue of $59.52 million, operating expenses of $41.32 million, and net interest expense of $3.24 million.

There are five classifications of employees at the ECWA: (1) Management/Confidential – Exempt; (2) Competitive; (3) Non-Competitive; (4) Labor Class; and (5) Unclassified (Commissioners). Employees are either non-represented, represented by the AFSCME Union, or represented by the CSEA Union. The AFSCME and CSEA Contracts are negotiated independently from the union contracts for Erie County employees

Competitive positions require the employee to pass a Civil Service examination and be reachable on the list as defined by Civil Service Laws, in order for an employee to

obtain permanent status. Should a vacancy occur for a position in which a valid Civil Service list does not exist an employee may be appointed provisionally. The employee must then take the Civil Service examination when offered, and be reachable on the list in order to remain in their position permanently. A list of current positions, the union they are represented by, and whether the position is competitive or non-competitive can be found in Appendix 1.

The ECWA employed 237 employees during our audit period (down from 285 employees during the previous audit). Of the employees, 118 (50%) are AFSCME – Blue Collar, 76 (32%) are CSEA White Collar, and 43 (18%) are non-represented Management/Confidential employees. The ECWA is broken down into the following departments: Administration, Distribution, Engineering, Finance, Legal, Office of the Secretary, Production, and Water Quality. Temporary, seasonal employees are also employed as Clerks or Meter Service Workers.

The ECWA is governed by a three member Board of Commissioners (Board). Members of the Board are appointed by the Chairman of the Erie County Legislature upon receiving nominations from the majority of the Majority Caucus or the Minority Caucus, subject to the confirmation by a majority of the Legislature. Each member is appointed to a three year term (terms have staggered expiration dates); and, not more than two members of the Authority's Board, at any time, shall be of the same political party. The Board is responsible for establishing policies, controlling and managing the affairs of the ECWA, as well as the overall operations. The enabling state legislation provides that the members of the Authority shall consist of a Chair, Vice-Chair, and Treasurer who shall be members of the Board of Commissioners, and a Secretary, who need not be a member.

The ECWA's Administrative Offices are located in the Ellicott Square Building in downtown Buffalo. The ECWA also operates a Service Center on Union Road in Cheektowaga, NY. In addition, the ECWA owns and operates two water treatment plants (Sturgeon Point in Derby, NY and Van de Water in Tonawanda, NY), a water quality lab located in Lackawanna, NY, 38 pump stations, 40 water storage tanks, 4 process tanks, and maintains 3493 miles of distribution piping, 17,444 fire hydrants, 29,299 valves, and numerous appurtenances.

In 2011, the ECWA produced approximately 24.6 billion gallons of water for residential, commercial, and industrial use in 35 municipalities throughout Western New York (located in Erie County and parts of Chautauqua, Cattaraugus, Genesee, and Wyoming Counties) as well as the Seneca Nation of Indians. Approximately 17.4 billion gallons of the water produced were sold to customers. The remaining water was used for flushing water mains, fighting fires, training firefighters, filter backwashing, plant processes, equipment and hydrant testing, and water loss due to leaks.

There are three different types of agreements with municipalities for water service: direct service; leased managed service; and bulk sale. In direct service agreements, the ECWA owns the assets and is responsible for their operation, maintenance,

improvement, and replacement. The Towns of Cheektowaga, Clarence, and Hamburg are some of the direct service municipalities. Leased managed service agreements place the responsibility for operation and maintenance of the assets on the ECWA, while the municipality is responsible for the improvement and replacement of assets. The Town of Newstead and parts of the Towns of Amherst and Lancaster are examples of municipalities that have lease service agreements. For both of these agreement types the ECWA is responsible for the billings and customer collections. In bulk sale agreements the ECWA simply sells the treated water to the municipality. The municipality is then responsible for the operations, maintenance, improvement, and replacement of assets, as well as customer billings and collections. Bulk sale agreements are in place with the Town of Elma, Village of East Aurora, and the Cattaraugus Indian Reservation for example.

The cost per thousand of gallons of water for residential customers was $2.96 in 2011 and 2012. The water usage rate will remain the same for 2013, but with the addition of an annual infrastructure surcharge of $12. In 2012, the average rate-payer who used 19,750 gallons of water per quarter, paid $64.46 ($257.84 annually).

Audit Findings

Previous Audit Findings

An audit of the ECWA was completed by the New York State Office of the Comptroller for the fiscal year ended December 31, 1989 (report issued in January 1991). A follow-up audit was conducted by the Erie County Comptroller's Office for the period January 1, 1995 through July 31, 1996 (report issued in April 1997). A summary of the major findings, auditor recommendations, and the ECWA's corrective actions are listed in Exhibit 1.

Exhibit 1: Status of Previous Audit Findings and Recommendations

Previous Audit Finding	Recommendation	Corrective Action Status
Water Authority Vehicles Policy for use of Water Authority Vehicles was unclear. Fringe Benefit amount was improperly calculated. Employees were not maintaining mileage logs.	Review and revise Policy.	The Policy was amended, however further modifications are needed. See *Personal Use of Water Authority Vehicles* finding.
Travel Reimbursement Travel and meal expenses appeared excessive. Appropriate documentation was not submitted to support the expenditure.	Establish and implement a policy for reimbursement of travel and meal expenses.	A Policy was established; however employees are not always in compliance with the Policy. See *Expense Reports* finding.
Employee Pay-Outs Pay-outs to employees for out-of-title work, sick leave buy-outs, and comp time were not accurate.	Board approval should be required for lump-sum pay-outs. The calculation and methodology should be presented to the Board.	Pay-outs were reviewed and no errors were found. See *Pay-outs of Accumulated Paid Time-Off* finding.
Cash Management Bank accounts exceeded FDIC coverage levels. Securities pledged did not meet the margin requirements.	Monitor bank balances to take appropriate action to ensure that bank accounts are fully secured and custody agreements are complied with.	The ECWA implemented an Investment Guidelines Policy that is amended annually. The most recent version was approved on May 17, 2012.
Procurement Instances of order-splitting were noted. Vendor contracts were issued without an RFP. A contract extension was improperly granted. Competitive bidding policy was not complied with. 61% of Purchase Orders (POs) were not completed until the goods were received.	Increased oversight is required in the procurement process. Policies and procedures should be documented.	An ECWA Purchasing Guidelines Policies & Procedures Manual was implemented.
Inventory Management Inventory was written off due to incomplete recording of inventory.	Develop and implement supervisory review of inventory additions/deletions.	Facilities manager handles all disposals. Spot inventories are conducted on busy trucks.
Fuel Reconciliation A formal fuel reconciliation was not completed.	Implement a formal monthly fuel reconciliation process.	A Gas Boy system is used for fuel. It is recalibrated twice annually. Stick measures are also conducted.

New Hire Policies

The ECWA created and implemented Policy 92.0 – Employment Opportunity Posting on October 4, 2012 to increase transparency in the new hire process. The Policy requires ECWA to advertise all exempt, competitive, and non-competitive positions on their website[1] for the general public, as well as positions that were filled with provisional appointments pending a Civil Service Examination (Exam).

An exam results in an Eligible List (List) – the list of candidates that took and passed the exam ranked by score. A grade of 70% is required to be placed on the list. When a position vacancy occurs the ECWA contacts the Erie County Department of Personnel (Personnel) for the list. The ECWA will then issue canvass letters to the top three scoring candidates on the list (note: any candidate with the same score as the third place candidate is considered as part of the "top three," as is the rule for all Erie County Exams), schedule interviews, and select a candidate to fill the position. If there are not three eligible candidates on the list, the list can be discarded and a candidate off the list can be selected for a provisional appointment.

In the event a valid list does not exist for a vacant position, or the list does not contain three eligible candidates, a candidate can be appointed to a position provisionally. To be appointed to a position in provisional status the employee must meet the minimum requirements for the position's exam. A provisional employee is required to take the exam the next time the exam is offered. In order to retain their position permanently, the employee must pass the exam and be reachable (i.e. in the "top three") on the list.

Personnel is notified upon a provisional appointment. Personnel requests an exam to be scheduled by the New York State Department of Civil Service (NYSDCS). NYSDCS schedules the exam when there is enough interest in the exam statewide. There is not a specified timeframe in which the exam must be offered to an employee with a provisional appointment.

The following positions are currently filled with provisional appointments at the ECWA:

[1] http://www.ecwa.org

Exhibit 2: Provisional Appointments at the ECWA

Job Title	Status
Business and Financial Analyst	*Pending Jurisdictional Classification*
Business Office Manager	*Exam Not Scheduled*
Confidential Secretary (Executive Director)	Exam Scheduled for February 9, 2013
Contract Monitor (ECWA)	*Exam Not Scheduled*
Crew Chief (2 positions)	*Exam Not Scheduled*
Customer Service Representative	*Exam Not Scheduled*
Director of Employee Relations	*Pending Jurisdictional Classification*
Director of EEO	*Pending Jurisdictional Classification*
Diesel Generator Mechanic	*Pending Jurisdictional Classification*
Network Specialist (ECWA)	*Application due by January 9, 2013*[2]
Production Technician	*Pending Jurisdictional Classification*
Pump Mechanic	*Jurisdictional Classification Pending*
Senior Customer Service Representative[3]	*Exam Not Scheduled*
Senior Data Entry Operator	*Exam Not Scheduled*
Senior Stores Clerk	*Exam Not Scheduled*
Water Treatment Plant Operator	*List Pending – Exam Given on August 18, 2012*

Pending Jurisdictional Classification (PJC) – When a new title is created a request for determination as to the position's classification (competitive, non-competitive, management/confidential-exempt, labor class, or unclassified) is sent to the NYSDCS by Personnel. Titles that are PJC are waiting for NYSDCS's final determination.

We confirmed that valid lists did not exist for the positions listed above at the time of the provisional appointment.

Reporting of Fringe Benefit Amounts for Personal Use of ECWA-Owned Vehicles

Personal-Use Vehicles

During the audit period the ECWA had eleven authority-owned vehicles that were provided to employees. Some employees have 24-hour use of their assigned vehicles (including personal travel) while others only have the authority to use the car for their commute and daily business-related travel. The following positions are eligible for vehicles that the employee has 24-hour use of:

- Chemist & Chief Water Treatment Plant Operator
- Distribution Engineer (Unit Head for Line Maintenance)
- Executive Director

[2] This position does not require a typical Civil Service Examination. To be considered for this position candidates must complete an *Erie County Application for Examination or Employment*. Approved candidates will receive instructions for completing an online questionnaire regarding their experience and training as well as a PC-administered Exam. Candidates will receive scores and be ranked based upon the information provided on the questionnaire and their exam results.

[3] This position was eliminated from ECWA's 2013 Budget.

- Executive Engineer
- Production Engineer (Control Unit Head)
- Senior Distribution Engineer (Engineering/Construction Department Head)
- Senior Production Engineer (Production Department Head)

These employees are allowed to use the authority-owned vehicle for personal travel within Erie County and a 100 mile radius of the ECWA's service district. ECWA Policy 9.0 last amended on June 18, 2009 advises the employees that the Internal Revenue Service (IRS) requires the employees to maintain a "*personal travel mileage log*," and "*submit a statement containing the total mileage incurred for the year and the percentage attributed to the personal use*" to the Comptroller each December. Using the IRS's *Lease Valuation Method* and the personal use percentage submitted by the employee, ECWA determines the employee's taxable fringe benefit amount. This amount is reported on the employee's W-2, and the appropriate FICA tax is withheld from their paycheck on this amount in their last paycheck of December. We found that the vehicle fringe benefit amount as calculated by the ECWA, based on the personal-use percentages provided by employees, was properly calculated and reported.

Employees with personal-use vehicles maintained their own daily mileage logs. The logs for four of the six employees contained the date, beginning and ending odometer readings, number of business miles driven, number of personal miles driven, and number of total miles driven for the day. One employee's log omitted the beginning and ending odometer readings. The sixth employee has since retired, and no longer has his vehicle mileage log. The employees then submitted a one-page statement with their vehicle personal-use percentage. While relying on a statement submitted by the employee is an acceptable practice, we find that the employees' logs were deficient.

Internal Revenue Code (IRC) §1.274-5T(c) states:

... a taxpayer must substantiate each element of an expenditure or use by adequate records or by sufficient evidence corroborating his own statement.

IRC §1.275-5T(c)(2)(i):

To meet the "adequate records" requirements of section 274(d), a taxpayer shall maintain and account book, diary, log, statement of expense, trip sheet, or similar record (as provided in paragraph (c)(2)(iii) of this section), which in combination, are sufficient to establish each element of an expenditure or use specified in paragraph (b) of this section. It is not necessary to record information in an account book, diary, log, statement of expense, trip sheet, or similar record which duplicates information reflected on a receipt so long as the account book, etc. and receipt complement each other in an orderly matter.

IRC §1.275-5T(e)(B)(ii):

Reliance on employee records. … Alternatively the employer may rely on a statement submitted by the employee that provides sufficient information to allow the employer to determine the business/investment use of the property unless the employer knows or has reason to know that the statement is not based on adequate records or on the employee's own statement corroborated by other sufficient evidence. If the employer relies on employee's statement, the employer must retain only a copy of the statement. The employee must retain a copy of the adequate records or other evidence.

WE RECOMMEND that the ECWA revise their Policy 9.0 to include the information and support that must be maintained on the employees' mileage logs to include:

- Business Miles
- Business Purpose
- Trip Destination
- Beginning and Ending Odometer Reading

WE ALSO RECOMMEND that the Policy be revised to inform the employees' that they are responsible for maintaining a copy of the records and/or evidence.

Vehicles for Commuting and Business Travel
The following positions are assigned a vehicle for commuting and business travel:

- Control Operator Crew Chief
- Director of Drinking Water Quality
- Electrical Engineer
- Production/Distribution Engineer – Plants
- Pump Mechanic Crew Chief

The positions listed above require frequent travel between the ECWA's facilities and response to emergencies during non-business hours. These employees are provided vehicles to use for their commute to and from their worksite (which is considered a taxable benefit), as well as their travel between worksites. These employees are not required to maintain mileage logs, as they are not permitted to drive these vehicles for non-business related reasons. The ECWA uses the IRS's *Commuting Rule* for determining the employee's taxable fringe benefit amount. This method values the benefit at $1.50 per one-way commute ($3.00 daily) regardless of the number of miles the employee drives between their home and their work site. The fringe benefit amount is also reported on the employee's W-2, and the appropriate FICA tax is withheld from the employee's last paycheck in December.

Six employees were provided vehicles for commuting and business purposes. There were no exceptions noted in ECWA's calculation and reporting of the fringe benefit amount.

Timekeeping and Payroll

The ECWA has some employees that are paid on a weekly basis and some that are paid on a bi-weekly basis. Employees that are represented by AFSCME and CSEA and Seasonal employees are paid on a weekly basis. These employees are paid on Thursday for the regular hours they worked the previous Monday through Sunday. They are also paid differentials and overtime for the hours worked the prior payroll week.

All AFSCME-represented and Seasonal employees are required to clock in and out using a time clock (with the exception of the Bill Collector, whose normal work assignment is at the Ellicott Square Building). AFSCME and Seasonal employees also complete Daily Crew Tickets or a daily timesheet, based on their assignment. Timesheets and Daily Crew Tickets are approved by the Crew Chief, Supervisor, or Department Manager as appropriate. A separate Daily Crew Ticket is used for all AFSCME employees that are utilizing accumulated paid time off (i.e. sick, vacation, comp, etc.).

For overtime hours AFSCME-represented employees are required to complete a Daily Crew Ticket – Overtime sheet. The Overtime sheet specifies the hours worked by the employee and their job assignment. Overtime sheets are also approved by the employee's Crew Chief, Supervisor, or Department Head.

A Daily Crew Ticket is completed daily for each crew and each shift. At a minimum an employee has five Daily Crew Tickets a week, excluding overtime. An employee can work with different crews during the day, each of which requires their own separate Crew Ticket.

WE RECOMMEND that the ECWA consider developing a more efficient system for timekeeping. Relying on computerized reports would eliminate the possibility of data entry and calculation errors.

Timesheets are completed daily for each department or area for CSEA-represented and Seasonal employees assigned to the Ellicott Square Building. The daily timesheets are approved by the Supervisor or Department Manager. The employee writes-in any paid time off that is used. Overtime hours are recorded on a Unit/Department Daily Time Sheet-Overtime form. Overtime is approved by the Supervisor/Department Manager.

WE RECOMMEND that the ECWA consider implementing a time clock system for employees assigned to the Ellicott Square Building (CSEA and some Seasonal employees). Utilizing a time clock for payroll purposes would decrease the ability of

employees to falsify time records, and eliminate the possibility of data entry and calculation errors.

Management/Confidential (non-represented) employees are paid on a bi-weekly basis. They are paid for the two-week period beginning on Monday and ending the Sunday of the payroll week. Management submits a written representation of the number of total hours or days worked in the payroll period as well as any paid time-off that is used.

Two payroll periods were selected for review (one from 2011 and one from 2012) – both were payroll dates that included employees that were paid weekly and bi-weekly. A random sample of 25 employees from each payroll date were selected in the same proportion of the employee type – AFSCME, CSEA, Management/Confidential, and seasonal. The employees' pay rates were traced back to the appropriate pay schedule (for AFSCME, CSEA, and Management/Confidential employees) and to Board Minutes for approval of their current step or longevity increment. The hours they were paid for were traced back to their respective timesheets. Their gross wages, including regular pay, differentials (Shift/Weekend, Control Relief Operator, and Meter Service Lead), 1.5 Overtime, 1.5 Overtime Differentials, 2.0 Overtime, 2.0 Overtime Differentials, and Paid Time Off (Vacation, Sick, Union Business, and Comp Time), were recalculated. Tax withholdings, pre-tax, and after-tax deductions were recorded for these employees as well as their payment type (direct deposit, pay check, payroll savings, and credit union) to determine that: (1) their earnings were properly calculated, and (2) all monies earned by these employees were accounted for in their payroll records. Only minor exceptions were noted.

WE RECOMMEND that the ECWA discuss with the AFSCME and CSEA unions changing all employees to a bi-weekly pay schedule. Due to the reduction in staff of the Finance Department, a shift from weekly to biweekly payroll would allow the staff that processes payroll to be available to assume other functions within the department.

Pay-outs of Accumulated Paid Time-Off for Employees Terminating Service with the ECWA

Employees of the ECWA are eligible for pay-outs of certain accumulated paid time-off upon their retirement, resignation, or termination. Employees are eligible for the following pay-outs:

Exhibit 3: Pay-outs of Accumulated Paid Time-Off

	AFSCME	CSEA	Management
Current Year Vacation	✓	✓	✓
Vacation Accrual for Subsequent Year	✓	✓	
Accrued Sick Time (80%)	✓	If hired prior to 06/30/94	
Sick Leave Bonus	✓		

Twenty-seven employees were eligible for pay-outs during the audit period. All twenty-seven were recalculated with no issues noted.

The recommendation in the previous audits conducted by the New York State Comptroller and the Erie County Comptroller recommended that *"lump sum payments including methodology for calculation"* should be submitted to the Board for their approval. The pay-outs were not approved by the Board, however they were prepared and reviewed by Assistant Manager of Accounting Services and the Comptroller, and also approved by the Secretary to the Authority, Executive Director, Deputy Director, and an Attorney. We find that their approval process is sufficient.

Expense Reports

The Erie County Water Authority Employee Policies and Procedures Manual (Manual) Policy 8.0 Travel and Training Expenses as amended on September 12, 2006 states:

The Authority will reimburse its employees for all necessary and legitimate expenses actually incurred when traveling on authorized Authority business and properly documented on an Expense Report.

The following requirements are noted in the policy:

- Parking fees and tolls will be reimbursed by the Authority upon presentation of receipts. All other expenses will be reimbursed using the standard mileage rate established by the Internal Revenue Service.
- All expenses must be fully documented on an Expense Report accompanied by vendor and/or credit card receipts.
- Expense Reports must be filed either upon returning from a training session or seminar or, for local expenses, at least monthly to facilitate audit of direct billed and credit card items.
- Expense Reports must be signed by the employee and approved by the Department Head and the Executive Director or Secretary to the Authority.
- Expenses incurred by the Executive Director, Secretary, and Counsel must be approved by either the Chairman or the Treasurer to the Authority.
- Expense Reports submitted by a member of the Authority must be approved by either the Treasurer or Chairman of the Authority. The Chairman and the Treasurer may not approve their own Expense Report.
- It is important that all expenses be adequately documented on the Expense Report including:

- Date(s) of travel;
- Purpose of travel;
- Location/Destination
- The purpose and participants for business entertainment.

During the course of the audit period thirty-eight Expense Reports were submitted by employees containing 371 mileage reimbursements and 91 reimbursements of other expenses, including tolls, membership dues, parking, and training seminar fees. An Internal Audit Memorandum (IAM) with the following findings was issued to the Executive Director and the Deputy Director of ECWA, and reviewed with the Deputy Director and Comptroller:

WE RECOMMEND that Department Managers, the Executive Director, the Secretary to the Authority, and other Expense Report approvers confirm that the Expense Report is completely and accurately completed and appropriate documentation of expenses is attached to the Expense Report prior to approving the report.

WE ALSO RECOMMEND that the Finance Department review Expense Reports for accuracy and completeness, as well as the required approvals prior to processing and issuing reimbursement for Expense Reports. This review should also verify that the correct mileage reimbursement rate was used, and calculations were performed properly.

WE FURTHER RECOMMEND that ECWA amend Policy 8.0 in regards to the following areas:

- Document the Expense Report approver's responsibility for reviewing the Expense Report for accuracy and completeness (including documentation of expenses, including receipts) prior to issuing their approval.

- Document the Finance's Department's responsibility to review Expense Reports for accuracy, completeness, and all proper approvals prior to processing and issuing reimbursement.

- Clarify whether Department Heads have the authority to approve their own Expense Report, or if they require another member of Management's approval (such as requiring the approval of the Secretary of the Authority and the Executive Director or Deputy Director).

- Clarify which Legal Department employees require the approval of their Expense Report by the Treasurer or Chairman of the Authority.

- Clarify whether employees who are subjected to approval by the Treasurer or Chairman of the Authority for their Expense Reports are also required to obtain approval by their Department Head (or other designated member of management) and the Secretary to the Authority or the Executive Director.

Comparison with Other Water Authorities

We sent requests for information for comparison purposes to thirteen Water Authorities located in New York, Pennsylvania, and Ontario. We received responses from three of the New York Water Authorities – Monroe County, Onondaga County, and Suffolk County.

Exhibit 4: Comparative Analysis of Water Authorities

	Erie County Water Authority	Monroe County Water Authority	Onondaga County Water Authority	Suffolk County Water Authority
Total Budget	$62.5 Million	$56.5 Million	$42.9 Million	$173.6 Million
Total Operating Expenses	$50.3 Million	$43.0 Million	$29.2 Million	$116.7 Million
Total Operating Revenue	$59.5 Million	$56.5 Million	$39.2 Million	$138.9 Million
Operating Revenue per Customer	$371.67	$327.54	$417.73	$365.87
# of Commissioners or Directors	3	7	5	5
Average Commissioner or Director Salary	$22,500	$10,500	$5,125	$15,000 Chairman - $32,000
# of Administrative Employees	63	No response	8	172
Actual # of Employees	237	214	128	563
# of Customers	160,088	172,500	93,841	379,640
# of Customers per Employee	675	806	733	674
Amount of Water Produced Annually (gallons)	24.6 Billion	18-24 Billion	13.6 Billion	68.0 Billion
Amount of Water Sold Annually (gallons)	17.4 Billion	17-21 Billion	11.7 Billion	61.6 Billion
Water Production per Customer (gallons)	153,665	110,145	144,926	179,117
Water Mains (miles)	3,493	3,015	1,891	5,920
# of Water Treatment Plants	2	2 + 1 under construction	1	233 pump stations
# of Water Tanks	40	45	51	63
# of Water Pumps	38	37	37	579
# of Fire Hydrants	17,444	24,000	12,078	36,748
# of Valves	29,299	30,000	11,195	~80,000
# of Water Quality Labs	1	1	2	1

The numbers detailed in Exhibit 4 are solely based upon the written responses from those Water Authorities. These numbers may or may not coincide with similar information which may be listed on Authority websites.

We requested salary and employee pay rates from the same Water Authorities for comparison but did not receive any responses to our request.

We also requested rate tables from the Water Authorities. Assuming a water usage of 19,750 gallons per quarter or 79,000 gallons annually, the annual charge to rate-payers serviced by the following Water Authorities would be:

Exhibit 5: Comparison of Water Authority Rates

	Service/Base Fee 3/4" Meter	Frequency Fee	Rate per 1,000 gallons	Usage	Annual Bill for 19,750 Gallons per Quarter
Suffolk County Water Authority	$19.77	quarterly fee	$1.58	$23.32 minimum charge per quarter	$203.90
Monroe County Water Authority	$0.15	daily fee	$2.57		$257.78
Erie County Water Authority	$6.00	quarterly infrastructure charge	$2.96	$35.52 minimum charge per quarter	$257.84
Onondaga County Water Authority	$34.50	quarterly fee	$2.46 $3.26 $4.07	first 10,000 gallons next 13,000 gallons over 23,000 gallons	$363.56

The average annual bill for the Water Authorities is $270.77.

Results of Exit Conference

An Exit Conference was held with the Executive Director and members of his staff on December 27, 2012. ECWA was generally in agreement with our findings and recommendations. Their response is attached to this report.

Auditee Response

Erie County Water Authority

350 Ellicott Square Building • 295 Main Street • Buffalo, NY 14203-2494
716-849-8484 • Fax 716-849-8467

December 31, 2012

Hon. David J. Shenk
Erie County Comptroller
County of Erie
95 Franklin Street, 11th Floor
Buffalo, New York 14202

Re: Follow-up Audit of the Erie County Water Authority for the Period January 1, 2011 through August 31, 2012

Dear Comptroller Shenk:

We are in receipt of the Erie County Comptroller's completed audit report of the Erie County Water Authority for the period January 1, 2011 through August 31, 2012. We are satisfied with the Comptroller's findings that the Authority's internal controls over its payroll and procurement processes are adequate. The Authority also acknowledges the observations and opinions of the Comptroller's Office regarding certain Authority policies and procedures and will take them under advisement. As recognized in this audit report, the Authority has consistently implemented the recommended corrective actions cited in previous audits by the County Comptroller and takes any outside review of its operations, policies and procedures seriously.

Sincerely,

ERIE COUNTY WATER AUTHORITY

Francis G. Warthling
Chairman

Earl L. Jann
Vice Chairman

John F. O'Donnell
Treasurer

Appendix 1 – Job Titles and Exam Requirements

Job Title	Unit	Classification
Account Clerk	CSEA	Competitive
Account Clerk Typist	CSEA	Competitive
Administrative Assistant	Non-Represented	Exempt
Analytical Chemist (Water Quality)	CSEA	Competitive
Applications Programmer	CSEA	Competitive
Assistant Business Office Manager	CSEA	Competitive
Assistant Instrumentation Electrical & Electronic Technician	CSEA	Competitive
Assistant Manager of Accounting Services	Non-Represented	Competitive
Attorney	Exempt	Exempt
Auto Mechanic Crew Chief	CSEA	Non-Competitive
Auto Mechanic Helper	AFSCME	Non-Competitive
Automotive Mechanic	AFSCME	Non-Competitive
Bill Collector	AFSCME	Competitive
Budget & Financial Analyst	Non-Represented	Pending Jurisdictional Classification
Business Office Manager	Non-Represented	Competitive
Cash Manager	Non-Represented	Non-Competitive
Chemist & Chief Water Plant Operator	Non-Represented	Competitive
Chief Account Clerk	CSEA	Competitive
Chief Customer Service Representative	CSEA	Competitive
Civil Engineer	CSEA	Competitive
Claims Representative/Risk Manager	Non-Represented	Competitive
Clerk (Seasonal)	Seasonal	Non-Competitive
Comptroller	Non-Represented	Exempt
Computer Operator	CSEA	Competitive
Computer Support Specialist	CSEA	Competitive
Confidential Secretary (Executive Director)	Non-Represented	Competitive
Confidential Secretary (Legal)	Non-Represented	Competitive
Construction Inspector	CSEA	Competitive
Contract Monitor	Non-Represented	Competitive
Control Operator	AFSCME	Competitive
Control Operator Crew Chief	Non-Represented	Competitive
Crew Chief	CSEA	Competitive
Customer Service Representative	CSEA	Competitive
Data Entry Operator	CSEA	Competitive
Deputy Director	Non-Represented	Pending Jurisdictional Classification
Diesel Generator Mechanic	AFSCME	Pending Jurisdictional Classification
Director of Administration	Non-Represented	Non-Competitive
Director of Drinking Water Quality	Non-Represented	Non-Competitive
Director of Employee Relations	Non-Represented	Pending Jurisdictional Classification
Director of Equal Employment Opportunity	Non-Represented	Pending Jurisdictional Classification
Director of Human Resources	Non-Represented	Non-Competitive
Dispatcher (Water)	AFSCME	Competitive
Distribution Engineer	Non-Represented	Non-Competitive
Electrical Engineer	Non-Represented	Competitive

Job Title	Unit	Classification
Employee Benefits Specialist	Non-Represented	Competitive
Engineering Drafts Worker	Non-Represented	Competitive
Executive Director	Non-Represented	Exempt
Executive Engineer	Non-Represented	Exempt
File Clerk (55A)	CSEA	Non-Competitive
General Crew Chief	Non-Represented	Competitive
Geographic Information Systems Analyst	CSEA	Competitive
Instrumentation Electrical & Electronic Technician	CSEA	Competitive
Junior Customer Service Representative	CSEA	Competitive
Laboratory Technician (Environmental Chemistry)	CSEA	Competitive
Laboratory Technician (Microbiology)	CSEA	Competitive
Line Maintenance Operator	AFSCME	Non-Competitive
Manager of Data Processing	Non-Represented	Competitive
Messenger	CSEA	Labor Class
Meter Service Worker	AFSCME	Competitive
Microbiologist (Water Quality)	CSEA	Competitive
Network Specialist	CSEA	Competitive
Pilot Plant Engineer	CSEA	Competitive
Principal Clerk	CSEA	Competitive
Principal Clerk Typist	CSEA	Competitive
Production Engineer	Non-Represented	Non-Competitive
Production Technician	CSEA	Pending Jurisdictional Classification
Pump Mechanic	AFSCME	Pending Jurisdictional Classification
Pump Mechanical Crew Chief	CSEA	Competitive
Senior Analytical Chemist	CSEA	Competitive
Senior Customer Service Representative[4]	CSEA	Competitive
Senior Data Entry Operator	CSEA	Competitive
Senior Distribution Engineer	Non-Represented	Non-Competitive
Senior Engineering Drafts Worker	CSEA	Competitive
Senior Meter Service Worker	CSEA	Competitive
Senior Microtechnical Support Specialist	CSEA	Competitive
Senior Production Engineer	Non-Represented	Non-Competitive
Senior Stores Clerk	CSEA	Competitive
Senior Water Treatment Plant Operator	CSEA	Competitive
Stores Clerk	AFSCME	Competitive
Supervising Stenographic Secretary	Non-Represented	Competitive
Water Treatment Plant Helper	AFSCME	Labor Class
Water Treatment Plant Operator	AFSCME	Competitive
Water Treatment Plant Operator Crew Chief	Non-Represented	Competitive
Water Utility Worker	AFSCME	Non-Competitive

[4] Position is removed from ECWA's 2013 Budget.