

OSC Recommendation # 1:

JWB should ensure that the City makes the required quarterly payments.

The Inter-Municipal Agreement created the “Poughkeepsie Joint Water Board” (the “Joint Board”) to administer the Joint Water Project, and section 9.1 of said Inter-Municipal Agreement under 9 POWERS AND DUTIES OF THE PARTIES reads:

- 9.1 The City shall have the following powers and duties:
 - 9.1.1 To review, in consultation with the Town, and approve the annual budgets for the Joint Project.
 - 9.1.2 To pay the City’s share of the budgeted expenses of the Joint Project.
 - 9.1.3 To make quarterly deposits in advance to the appropriate account, on or before the first days of January, April, July, and October based on statements received.

The New York State Comptroller’s Office, in their report “City and Town of Poughkeepsie Joint Water Project – Board Oversight – Report of Examination, Period Covered January 1, 2013 to May 31, 2014” states: (Page 2) **The Board (Joint Water Board) does not ensure that the JWP (Joint Water Project) is operated in accordance with the IMA. (Inter-Municipal Agreement) While the City (City of Poughkeepsie) and Town (Town of Poughkeepsie) are required to make quarterly payments to cover JWP operating costs, the JWB Board has not required the City to make its required payments. As a result, the JWP does not have sufficient funds to pay its expenditures in a timely manner.”**

The Joint Water Board as part of our Corrective Action Plan as required by the New York State Office of the State Comptroller and as set out in their recommendations, specifically recommendation #1, accepts said recommendation **and hereby directs that the City of Poughkeepsie is required to comply with the Inter-Municipal Agreement 9.1.3 to make their Quarterly deposits in advance, to the appropriate JWP account, on or before the first days of January, April, July, and October based on statements received, and Joint Water Board directs the Town of Poughkeepsie to adhere to the same requirements of the City of Poughkeepsie in regards to their quarterly deposit responsibilities.**

The Joint Water Board hereby directs the City, as administrator of the JWP Operating Fund shall report to the Joint Water Board the status of said deposits at the Joint Water Board meeting following the month that the quarterly payments were due. Specifically the report of the City as administrator of the JWP Operating Fund shall make said reports to the Joint Water Board at the Board meeting in February for the January deposit; May for the April Deposit; August for the July deposit and November for the October deposit, and

Did the City and the Town comply with this JWB resolution by making their quarterly payments for FY 2015, under 9.1.3 of the Inter Municipal Agreement?

Has the City of Poughkeepsie as Administrator of the Operating Fund, reported to the Joint Water Board at the Board meeting in February for the January deposit; May for the April Deposit; August for the July deposit and November for the October deposit?

OSC Recommendation # 2:

JWB should ensure that bills are paid before or on due dates.

Section 11.2 of said Inter-Municipal Agreement reads:

11.2 Administration of the Joint Project Operating Fund

11.2.1 The Joint Project Operating Fund shall be administered by the City of Poughkeepsie, in an account separate from all other City funds;

11.2.2 The Joint Project Operating Fund shall be sued solely for items in the approved Joint Project operating budget;

11.2.3 The fiscal officer having custody of these monies may temporarily invest them pursuant to Section 11 of the General Municipal Law. Any income from such investments will inure to the benefit of the Joint Project;

11.2.4 A monthly budget report of all income and expenses shall be prepared by the City and supplied to the Town, the City the Joint Water Board and the Water Plan Administrator;

11.2.5 The City and the Town shall be supplied with copies of the annual report required to be filed with the State of New York by Article 3 of the General Municipal Law, and

September 22, 2014, the New York State Comptroller's Office, in their report "City and Town of Poughkeepsie Joint Water Project – Board Oversight – Report of Examination; Period Covered January 1, 2013 to May 31, 2014" states: (Page 2) "The Board (Joint Water Board) does not ensure that the JWP (Joint Water Project) is operated in accordance with the IMA (Inter-Municipal Agreement) While the City (City of Poughkeepsie) and Town (Town of Poughkeepsie) are required to make quarterly payments to cover JWP operating costs, the Board has not required the City to make its required payments. As a result, the JWP does not have sufficient funds to pay its expenditures in a timely manner," and

September 22, 2014, the New York State Comptroller's Office, in their report "City and Town of Poughkeepsie Joint Water Project – Board Oversight – Report of Examination; Period Covered January 1, 2013 to May 31, 2014" states: (Page 6) "The JWP paid \$ 2,814,720.00 to 153 vendors during our (New York State Comptroller's Office) audit period. We examined payments to the ten highest paid vendors, a total of 271 invoices. These included vendors for power supplies, water treatment chemicals, sludge disposal and health insurance. The City (as JWP administrator) did not pay 189 tested invoices (70 percent) timely. Bills were paid between one and 130 days late; on average invoices were paid 25 days late. As a result, the JWP incurred and paid late fees totaling \$ 13,121.00 on 189 invoices," and

Joint Water Board hereby directs: City of Poughkeepsie, as administrator of the JWP Operating Fund, to pay all bills on or before their due dates.

Are all the bills for the JWB in 2015, paid by their due date?

OSC Recommendation # 3:

JWB should ensure that the annual reconciliation is performed by March 1 of each year.

Section 7.2.7 of said Inter-Municipal Agreement reads:

7 Joint Board

7.1 The Joint Project shall be administered by a Joint Board, to be known as the "Poughkeepsie Joint Water Project Board" (the "Joint Board.")

7.2 The Joint Board shall have the following powers and duties and the City and the Town delegate such powers and duties to it:

7.2.7 Before the first day of March, the Joint Board shall retroactively calculate the actual operational, maintenance and capital costs in accordance with the terms of this agreement for the preceding calendar year. The actual costs shall be compared to the payments received from each party or third party for that calendar year and an appropriate credit or debit calculated, the credit or debit shall be included in the March 1 bill, and

The IMA requires that the Board (Joint Water Board), before March 1 of each year, to calculate the actual operational, maintenance and capital costs for the completed calendar year and compare payments received from each party for the calendar year. Appropriate credits or debits should be included in the March bills. The purpose of this annual reconciliation is to ensure that all JWP costs are properly allocated between the City and Town.

In their audit the New York State Comptroller's Office found that the reconciliation for 2013 was not completed until July 22, 2014 instead of March 1, 2014 as required.

The Joint Water Board hereby directs: that the Joint Water Board submits the proposed reconciliation statements to the City of Poughkeepsie and the Town of Poughkeepsie before February 1 of each year. The Joint Water Board is to insure that the annual reconciliation is completed before March 1 of each year.

Was the annual reconciliation for FY 2014 completed before March 31, 2015?

OSC Recommendation # 4:

City of Poughkeepsie, as administrator of the JWP Operating Fund, to comply with the Inter-Municipal Agreement and deposit all Joint Water Board funds, from any source, into a Joint Water Board account, separate from all other City of Poughkeepsie accounts (IMA Section 11.2.1

Section 9.1 and section 9.4 of said Inter-Municipal Agreement under -

9 POWERS AND DUTIES OF THE PARTIES reads:

9.1 The City shall have the following powers and duties:

9.1.1 To review, in consultation with the Town, and approve the annual budgets for the Joint Project.

9.1.2 To pay the City's share of the budgeted expenses of the Joint Project.

9.1.3 To make quarterly deposits in advance to the appropriate account, on or before the first days of January, April, July, and October based on statements received.

9.4 The Town shall have the following powers and duties"

9.4.1 To review in consultation with the City, and approve the annual budgets for the Joint Project

9.4.2 To pay the Town's share of the budgeted expenses of the Joint Project.

9.4.3 To make quarterly deposits in advance to the appropriate account, on or before the first days of January, April, July and October, based on statements received.

In June of **2004** in an Audit of the City of Poughkeepsie, Financial Accounting Operations by the Office of the New York State Comptroller on page 14, the Comptroller's Office reports that **"The City (City of Poughkeepsie) Commissioner serves as the fiscal officer for the Water Project. During 2003 the Commissioner deposited Water Project money into City accounts. The Water Project is a joint venture of the City and Town and, as such, Water Project moneys should not be commingled with City moneys."**

On **May 5th, 2014** the City of Poughkeepsie Common Council unanimously approved a resolution (R-14-35), which reads: **"NOW THEREFORE, BE IT RESOLVED, the City of Poughkeepsie Common Council directs the Finance Commissioner to segregate Joint Water Board funds from City of Poughkeepsie funds and prohibit the utilization of water board funds except for expenses approved by the Joint Water Board."**

Section 11.2 of said Inter-Municipal Agreement reads: **11.2 Administration of Joint Project Operating Fund; 11.2.1 The Joint Project Operating Fund shall be administered by the City of Poughkeepsie, in an account separate from all other City funds; 11.2.2. The Joint Project Operating Fund shall be used solely for items in the approved Joint Project operating budget;** 11.2.3. The fiscal officer having custody of these monies may temporarily invest them pursuant to Section 11 of the General Municipal Law. Any income from such investments will inure to the benefit of the Joint Project; 11.2.4. A monthly budget report of all income and expenses shall be prepared by the City and supplied to the Town, the City the Joint Water Board and the Water Plan Administrator; 11.2.5 The City and the Town shall be supplied with copies of the annual report required to be filed with the State of New York by Article 3 of the General Municipal Law, and

The Joint Water Board as part of our Corrective Action Plan as required by the New York State Office of the State Comptroller, as set out in their recommendations, specifically recommendation #4, hereby accept said recommendation and **gives directions to the City of Poughkeepsie, as administrator of the JWP Operating Fund, to comply with the Inter-Municipal Agreement and deposit all Joint Water Board funds, from any source, into a Joint Water Board account, separate from all other City of Poughkeepsie accounts (IMA Section 11.2.1)**

The City of Poughkeepsie shall give a copy of the monthly bank statement for the JWP account, into which all Joint Water Board funds, from any source, are deposited. City of Poughkeepsie, as administrator of the JWP Operating Fund shall give to all members of the JWB, by the next meeting date of the Joint Water Board, after the month that the Bank Statement is published for.

The funds of the Joint Water Board can be used solely for items in the approved Joint Project operating budget, and further,

Is the City of Poughkeepsie, as the administrator of the Joint Water Board's Operating Fund, depositing all JWB funds, from any source, into an account separate from all other City funds?

Are copies of the monthly bank statement for the JWP accounts being given to all the members of the JWB by the next meeting date of the Joint Water Board after the month that the Bank Statement is for?

Are the Joint Project Operating Funds being used solely for items in the approved Joint Project operating budget?

OSC Recommendation # 5:

JWB should analyze the time and costs incurred by the City to administer the JWP financial activities to determine the accuracy of the four percent administrative service charge to the Town.

Section 11.1 of said Inter-Municipal Agreement under

11 JOINT PROJECT FUNDS AND BUDGETS reads:

11.1 Joint Project Operating Budget

111.1.5.5 Reimbursement to the City at cost for administering the Joint Project Operating Fund including budget preparation costs.

It is the desire of the Joint Water Board to comply with the recommendation of the New York State Comptroller as indicated in their audit and report entitled: "City and Town of Poughkeepsie Joint Water Project – Board Oversight – Report of Examination – Period covered January 1, 2013 0- May 31, 2014 which reads "Recommendations – The Board should: 5. Analyze the time and costs incurred by the City to administer the JWP financial activities to determine the accuracy of the four percent administrative service charge to the Town.

The City of Poughkeepsie, as administrator of the JWB financial activities, shall give the Joint Water Board as complete and accurate list of all of the functions performed by City of Poughkeepsie employees for the Joint Water Project, excluding the actual employees, who physically work at the Joint Water Project and the Water Plant Administrator, who are treated as City of Poughkeepsie employees under the Inter-Municipal Agreement. This list should be for the period of time as reviewed by the OSC during the period of time between January 1, 2013 and December 31, 2013. This list should reflect the true costs to the City of Poughkeepsie for their employees to perform the administration. It should include the date and time that the functions were performed and by employee description, i.e. clerk, accountant, with the hourly rate that the City has to pay these individuals, including the costs for the associated benefit. This list should also include any other costs that the City of Poughkeepsie incurs to perform the administration of the Joint Water Project. The Joint Water Board wants to be able to determine the accuracy of the four percent Administrative services charge to the Town.

Has the City of Poughkeepsie as the Administrator of the Operating Fund, given to the JWB the information for the JWB to determine the accuracy of the four percent administrative charge to the Town of Poughkeepsie?

OSC Recommendation # 6:

JWB should ensure that the annual budget includes a provision for contingencies, as required by the IMA

The City of Poughkeepsie and The Town of Poughkeepsie entered into an Inter-Municipal Agreement, pursuant to Article 5-G of the General Municipal Law on August 3, 1995 creating the Joint Water Project to furnish sufficient quantities of potable water to meet the parties long term water demand on a cost effective basis, and

WHEREAS, the Town of Poughkeepsie paid to the City of Poughkeepsie a sum as described in Appendices 1,2,3,4,5 and 6 of said Inter-Municipal Agreement for a one half interest in all the property owned by the City of Poughkeepsie as described as the water treatment facility of the City of Poughkeepsie, and

Section 11 JOINT PROJECT FUNDS AND BUDGETS of said Inter-Municipal Agreement reads:

- 11.1 Joint Project Operating Budget
- 11.1.1 The Water Plant Administrator shall prepare and propose an Operating Budget for the Joint Project by July 15th of each year.
- 11.1.4 The City and Town shall adopt the operating budget by December 15 of each Year.
- 11.1.5 The Joint Project Operating Budget shall be prepared in accordance with the City's budget system and its system of accounts and shall include provisions for:
- 11.1.5.7 Contingencies

September 22, 2014, the New York State Comptroller's Office, in their report "City and Town of Poughkeepsie Joint Water Project – Board Oversight – Report of Examination; Period Covered January 1, 2013 to May 31, 2014" states: (Page 2) The JWP (Joint Water Project) is governed by the Joint Water Board (JWB) which comprises six members, three selected by the City and three selected by the Town. The Board is responsible for the overall financial management of the JWP (Joint Water Project), including establishing internal controls to ensure that financial transaction are executed in accordance with statutory and managerial authorizations and the IMA (Inter-Municipal Agreement,)"

September 22, 2014, the New York State Comptroller's Office, in their report "City and Town of Poughkeepsie Joint Water Project – Board Oversight – Report of Examination; Period Covered January 1, 2013 to May 31, 2014" states: (Page 8) "Contingency Fund" The IMA (Inter-Municipal Agreement) stipulates that the JWP (Joint Water Project) budget include a provision for contingencies. A contingency line item may be included in the budget by a governing board to provide funding for unexpected events. It is important that the JWP be prepared for any such events.

The Joint Water Board has not set aside funds for a contingency fund. JWP expenditures are reconciled to the penny at the end of each year, leaving no fund balance. In the case of an emergency or any unforeseen expenses, the JWP would need to amend its budget and either transfer from a budget line or request additional funding from the City and Town. The Board Chair told us that in the case of an emergency, the City and the Town would need to provide the money to cover the emergency.

As a result, the JWP is at risk of not having sufficient resources in the case of an emergency or not being able to pay unforeseen incidental expenditures that may incur" and,

The Joint Water Board as part of our Corrective Action Plan as required by the New York State Office of the State Comptroller, as set out in their recommendations, specifically recommendation #6, **hereby directs the Water Plant Administrator shall include in his proposed budget a Contingency line item, with sufficient**

funds proposed to have sufficient resources in the case of an emergency or not being able to pay unforeseen incidental expenditures that may incur.

The City and the Town in adopting the proposed budget for the year shall insure that sufficient funds are in the contingency line in the approved budget, to have sufficient resources in the case of an emergency or not being able to pay unforeseen incidental expenditures that may incur.

Has the Joint Water Board, through their Plant Administrator, included in the Joint Water Project budget for FY 2015 an item for contingencies?

Did the City of Poughkeepsie and the Town of Poughkeepsie in adopting the proposed Joint Water Project budget for FY 2015 include an item for contingencies?