



Audit Report on Onondaga County Sanitary Unit Charges

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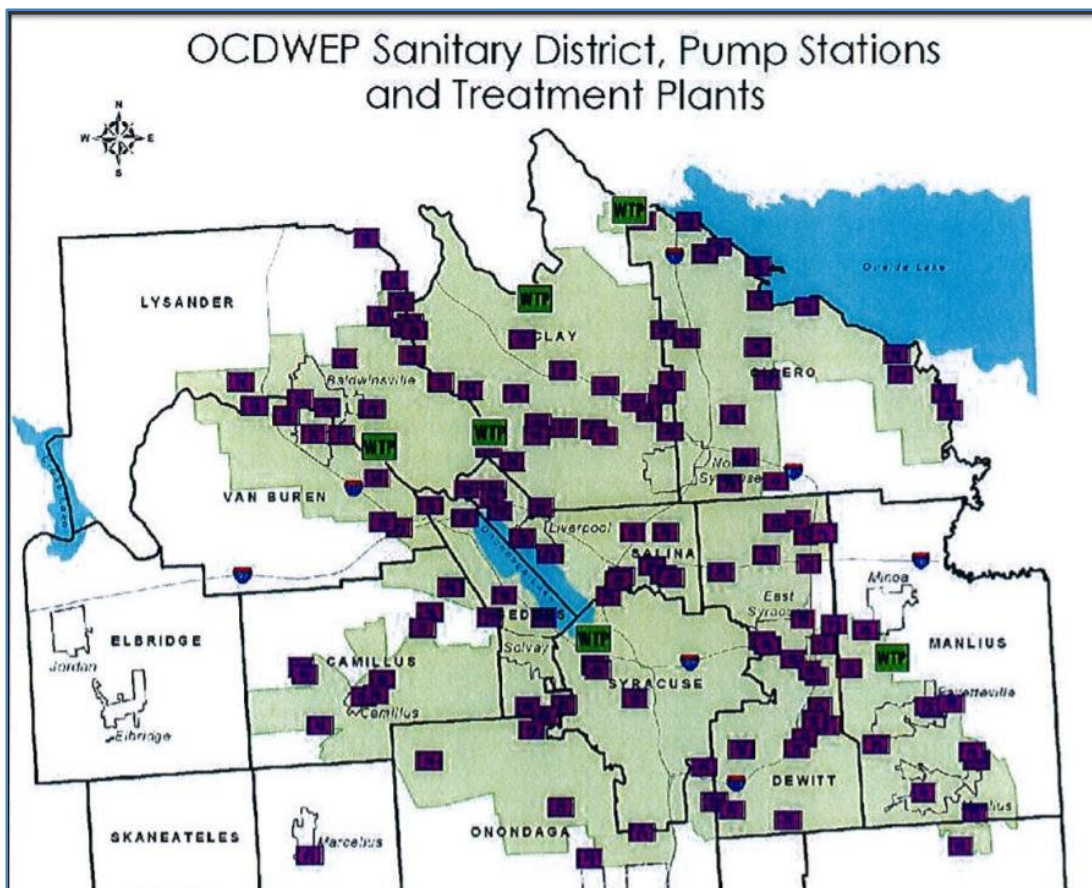
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SECTION I BACKGROUND AND EXECUTIVE SUMMARY

Background

The Onondaga County Department of Water Environment Protection (WEP) is responsible for operating and maintaining the sewer system throughout the Onondaga County Consolidated Sewer District. The Sewer District does not encompass the entire county. It begins just south of the City of Syracuse and spans north, east and west (light green area in map below) and includes all or parts of several towns and villages as well as the entire City of Syracuse.



WEP's website (<http://ongov.net/wep/aboutus.htm>) states the sewer system services approximately 346,000 Onondaga County residents (nearly 75% of the county's population) and consists of 2,100 miles of sewers and six treatment plants. Their facilities collect over 33 billion gallons of wastewater annually and treat it prior to returning it to the environment.

Properties connected to the County's sewer system are assessed a user fee in the form of a sanitary unit charge to cover the costs associated with the operation and maintenance of the wastewater

treatment facilities. This sanitary unit charge is billed annually in conjunction with the property owner's tax bill from the Onondaga County Division of Real Property Tax Services. The charge is noted as a separate line item that reads "CSW 15" on the tax statement (see Exhibit A). If a property is owned by a tax exempt entity and does not receive a tax bill, the property owner is billed directly by WEP. All other properties not on the county public sewer system usually have a private septic or a local sewer system (e.g. Village of Skaneateles).

The calculation of the sanitary unit charge for a property owner is based on the following steps being taken by several different, but interconnected, parties:

- An initial designation by a town, village or City of Syracuse property assessor as to whether a property is coded as a residential or a non-residential property. Non-residential properties include commercial, industrial and multi-use properties as well as apartment buildings.
- An assignment of the appropriate number of sanitary units by the property assessor based on the code designation.
- Water consumption measurements are provided to WEP for non-residential properties by their respective water supplier for the appropriate water billing periods.
- The adoption of an annual county resolution of the Sanitary Unit Tax Rate by the Onondaga County Legislature.
- WEP utilizing this tax rate and properly calculating a property's water consumption rate to determine the appropriate sanitary unit charge to assess the property owner.

Residential properties are assigned one sanitary unit. During the audit period, one unit equated to 115,000 gallons of water. Properties coded as a commercial, industrial or multi-use property are assessed their number of sanitary units (a minimum of at least one) based on the amount of water used. Apartment buildings are assigned .75 sanitary units per apartment. The Sanitary District Unit Rate changes from year to year based on the total number of sanitary units assessed in the county and the rate as adopted by the County Legislature annually. WEP's ETS personnel are responsible for compiling water consumption data necessary for calculating the sanitary unit charges for properties outside the City of Syracuse. The City's water department calculates sanitary units for properties within its borders.

Once the Sanitary District unit rate has been determined by the County Legislature, it's shared with the town, village and City assessor offices. They in turn update their records to reflect the new unit charges for properties in their respective areas. Typically, the water consumption period is from July through June of the preceding year with quarterly readings taken during that year.

ETS staff perform an annual review of the database of properties to look for those that reflect large quantities of water usage yet are assigned a low number of sanitary units. Those properties that

display large discrepancies are to be reviewed more closely and re-calculated. A database specific to only non-residential properties is not maintained by WEP and thus, a database of all properties in the District has to be reviewed during this process of searching for large variances.

Executive Summary

Over the course of the audit we determined the following:

- In 2022 WEP's Sanitary District Unit Charge program showed revenue of \$31 million from 6,803 non-residential properties. In 2021 it showed revenue of more than \$30 million from 6,756 non-residential properties.
- We selected 160 non-residential properties (just over 2% of all non-residential properties) for testing over the six year look back period of 2017-22. During that period, an average of 66 of the 160 tested properties had miscalculation errors each year (**41% average error rate**). The miscalculations included both under billings and over billings.
- For 2017-22 WEP had a net under billing in excess of \$224,175 in sanitary unit charges non-residential properties. If the calculations for the remaining untested properties in the County were to show results consistent with those tested, that would equate to a net under billing of more than **\$9.3 million** (\$1.56 million per year).
- Some written policies and procedures for the annual Sanitary District Unit Charge Program were not being adhered to. Others were in need of updating as they did not match current practices.
- WEP does not perform a year-to-year reasonableness test of the businesses likely to have potential high water usage (e.g. car washes, supermarkets, hair/nail salons) versus the actual water consumption reported or units charged in the tax system.
- WEP does not keep an accurate year to year list of non-residential properties for review and comparison to parcels reported on the tax rolls.
- The City of Syracuse calculates the sanitary units of properties within city limits and WEP does not review the accuracy of the billing information provided.
- Water suppliers are providing incomplete, inaccurate and antiquated records to WEP.
- One WEP employee oversees the over \$31 million Sanitary Unit Charge Program and it is done on a seasonal basis (i.e. not year round). In 2022, the program was overseen by someone who was new to this annual WEP project.
- The County's Geographic Information System (GIS), located on the County website and used by both WEP staff and town property assessors in their calculation of sanitary units, is antiquated and does not provide complete tax map records for billing purposes.

Based on the above findings, we recommend the following:

- A. We recommend WEP's Commissioner, Deputy Commissioners, select Administrative staff and select ETS staff review and update the current set of policies and procedures related to the calculation of sanitary unit charges for non-residential properties in the Onondaga County Consolidated Sewer District. This should include the creation of, or a review/update of, policies and procedures specific to properties that are:
 - Commercial, industrial or multi-use
 - Apartment complexes
 - Properties with multiple water accounts
 - Properties directly billed for their water use as opposed to billed via their property tax bill
- B. We recommend assigned WEP staff maintain an accurate year to year database of all non-residential properties as a means of performing analytical comparisons of water usage and sanitary unit charges. Large differences should be communicated to the water supplier as a possible faulty meter.
- C. We recommend WEP administration and the Director of Real Property Tax Services (RPTS) devise and implement controls to ensure sanitary unit data can be accurately transferred from WEP's data system to RPTS's.
- D. We recommend WEP administration annually review a random sample of non-residential sanitary unit charge calculations done by WEP ETS staff. This review should be signed off by WEP administration when completed.
- E. We recommend assigned WEP staff annually review a random sample of sanitary unit calculations of non-residential properties located in the City of Syracuse.
- F. We recommend assigned WEP staff obtain a periodic listing of plumbing permits issued for new commercial properties and for changes to commercial/residential properties as means to check the status of these properties with the local assessor's office and ensure sanitary unit charges will be in line with business operations.
- G. We recommend WEP administration update their policy to include a documented deviation standard relating to year over year changes in either water consumption or applicable sanitary units which would require further review. This review should be signed off by WEP administration when completed.
- H. We recommend assigned WEP staff ensure water consumption data used in calculating sanitary unit charges is performed as described in WEP policies and procedures Section III A. Non-Residential Unit Charges which states the sanitary unit charge "should be calculated from consumption for the year prior to, and including, the most current available reading. A typical water consumption period would be from July through June of the preceding year with quarterly readings taken during that period." Staff should determine if

all readings have been actually provided by the water supplier. Any deviation from this policy should require documentation for the reason why and written approval by a WEP administrator.

- I. We recommend WEP administration review their process for making decisions when requests for refunds or credits are made by non-residential property owners. The process should document all necessary information and contain criteria for granting or denying such requests. There should also be clear documentation of the approval or denial of the request by the Commissioner of WEP. All documentation should be forwarded to the Chief fiscal Officer and Director of real Property Taxes for further review and evaluation.
- J. We recommend a WEP Deputy Commissioner and select ETS staff meet in-person annually with town, village and City of Syracuse property assessors so as to review existing and updated policies and procedures with their staff.
- K. We recommend a WEP Deputy Commissioner and select Administrative and ETS staff meet in-person annually with all parties providing water use data to WEP so as to review existing and updated policies and procedures with their staff.
- L. We recommend WEP's Commissioner and Deputy Commissioners dedicate sufficient resources to the annual process of calculating sanitary unit charges for non-residential properties in the Onondaga County Consolidated Sewer District so as to significantly reduce the error rate in calculating sanitary units as well as the overall number of over billings and under billings.

SECTION II

SCOPE AND METHODOLOGY

Scope

The purpose of this report is to determine if the sanitary unit charges billed to commercial, industrial and multi-use properties in the Onondaga County Consolidated Sewer District are being accurately calculated and billed.

Our objectives were to:

- Determine if existing policies and procedures were effective and being adhered to.
- Determine if established internal controls were adequate to ensure bills were accurately calculated.
- Determine if commercial, industrial and multi-use properties within Onondaga County's Consolidated Sewer District are adequately identified to facilitate the charge calculation.

Methodology:

In order to complete our objectives we:

- Reviewed the County's Sanitary Unit Charge policies and procedures (dated August 2021) to determine the effectiveness and adequacy of the calculation practices.
- Interviewed the WEP employee charged with overseeing the 2022 sanitary unit charges.
- Communicated with staff from the Office of Real Property Tax.
- Gathered the electronic files from WEP used to calculate the 2022 and 2021 sanitary unit charges for taxable and nontaxable (direct billed) properties.
- Obtained raw water data for 2017-22 from Onondaga County Water Authority (OCWA), and the water departments in the village of Baldwinsville, and the towns of Clay and Dewitt.
- Selected a test sample of various types of businesses in Cicero, Clay, Lysander, Manlius and Salina.
- Recalculated sanitary unit charges based on data received and compared it to the actual billed amount.
- Reviewed appeals submitted by non-residential property owners for refunds and credits due to potential errors on tax bills.
- Reviewed and discussed our findings and recommendations with WEP.

SECTION III FINDINGS

There are a number of key factors that need to be in place for the accurate calculation of sanitary units for non-residential properties. A breakdown in any one of these steps will result in errors, delays and/or inefficiencies.

- Property assessors must be accurate in properly recording/coding non-residential properties as CSW 15. They must also keep current on new construction and changes in property usage via their respective permitting processes.
- Water suppliers must ensure water meters are working properly and provide WEP with current and accurate meter readings. This data must be in a format which is easily comparable to property tax records and easily manipulated to facilitate the unit charge calculation.
- WEP needs to be diligent in reviewing any water variations over an agreed upon criteria.
- The data residing in WEP’s Microsoft Excel spreadsheets must be able to be merged into the data that resides in the County Office of Real Property Tax’s data system.

The chart below shows the revenue generated by non-residential sanitary unit charges from 2019-2022. The information was provided by the Onondaga County Department of Real Property Taxes.

Total Non-Residential Revenue Expected			
Year	Non-Residential Sewer Fee Units	Unit Rate	Total Revenue
2022	70,547	\$448.58	\$ 31,645,888
2021	66,172	\$457.48	\$ 30,272,412
2020	70,658	\$448.81	\$ 31,711,968
2019	64,454	\$438.89	\$ 28,288,054

For this audit, 160 commercial, industrial or multi-use properties were selected for testing (see chart below). The properties encompassed a wide spectrum of property/business types located in Cicero, Clay, Lysander, Manlius and Salina which are all towns and villages located in the Sanitary District.

Number of Businesses Tested	Types of Businesses Tested
24	Car Washes
24	Hotels
24	Other*
21	Salons
17	Restaurants
16	Plazas/Malls
14	Schools
12	Laundromats
5	Trailer Parks
3	Courtesy Split Properties
160	Total

* Office buildings, retail, etc.

From 2017 - 2022, an average of 66 of the 160 properties were calculated incorrectly, including both over billings and under billings, for an average error rate of 41%.

Errors - 160 Tested Commercial/Industrial Properties							
	2017	2018	2019	2020	2021	2022	AVERAGE
Total # Calculation Errors	82	67	50	57	55	83	66
Error Rate per Year	51%	42%	31%	36%	34%	52%	41%

Over the 6-year testing period, categories with some of the highest error rates included Salons (80%), Plazas/Strip Malls (52%) and Other (44%). For businesses considered high volume water users, error rates ranged from 19% (Car Washes) to 47% (Trailer Parks).

Errors - 160 Tested Commercial/Industrial Properties									
# Tested	Type	2017	2018	2019	2020	2021	2022	Avg. # Errors	Error Rate
3	Courtesy Splits	3	2	2	3	3	3	2.7	89%
21	Salons	18	16	16	17	17	17	16.8	80%
16	Plazas/Malls	10	9	7	8	8	8	8.3	52%
24	Other	11	12	8	9	10	14	10.7	44%
5	Trailer Parks	3	3	2	2	2	2	2.3	47%
14	Schools	5	4	3	3	3	7	4.2	30%
12	Laundromats	6	6	2	2	3	5	4.0	33%
24	Hotels	15	8	6	8	5	15	9.5	40%
24	Car Washes	8	4	3	4	2	7	4.7	19%
17	Restaurants	3	3	1	1	2	5	2.5	15%
160	Totals	82	67	50	57	55	83	65.7	

In 2022, there were 6,725 residential properties in the County’s Sanitary District. The 160 properties tested represent 2% of those properties and of those, 83 of the 160 properties tested either were over billed or under billed for an error rate of 52%. The net result of the miscalculations in 2022 was an under billing totaling **\$10,358**. Were that error rate to be applied to the remaining 98% of the non-residential properties, it would equate to an under billing of some property owners in the Consolidated Sewer District of more than **\$436,397**. This under billing did not affect all taxpayers in Onondaga County. It was passed on to the other rate payers in the District, including residential rate payers.

In 2021, there were 6,756 non-residential properties in the County’s Sanitary District. The 160 properties tested represent 2% of those properties and of those, 55 of the 160 properties tested were either over billed or under billed for an error rate of 34%. The net result of the miscalculations in 2021 was an under billing totaling **\$9,900**. Were that error rate to be applied to the remaining 98% of the non-residential properties, it would equate to an under billing of some property owners in the Consolidated Sewer District of more than **\$413,462**. This under billing also did not affect all taxpayers in Onondaga County. It was passed on to the other rate payers in the District, including residential rate payers.

Chart Showing Projected Error Based on Test Results			
Year	Percent of Tested with Errors and/or Missing Data	Total Commercial, Industrial or Multi-Use Properties	Number of Properties with Potential Errors
2022	52%	6,725	3,497
2021	34%	6,756	2,297
2020	36%	7,071	2,687

From 2017-22, the miscalculation of sanitary units in the 160 tested properties resulted in a net under billing by the County in the amount of \$224,178. With a conservative estimate of some 6,700 commercial properties in Onondaga County, and a 41% average error rate in sanitary unit calculations over the six year period, potential net under billing by the County could amount to **\$9.39 million** or more than **\$1.57 million per year**.

The audit found issues in several areas:

1. WEP Policies and Procedures
2. Data from Water Suppliers
3. Calculation Errors
4. Clerical Issues

1: WEP Policies and Procedures

The Sanitary District Unit Charge program is overseen by one WEP staff member. This employee was new in 2022 and stated that they did not work on the program year round. The employee stated there are written policies and procedures (dated August 2021) for administering the program and in 2022, some policies and procedures were followed, some were not and others were in need of updating. Examples include:

Section III – B Sanitary Units (A). Non-Residential Unit Charges: Indicates the sanitary charge is calculated from water consumption for the year prior to and including the most current available reading. A typical water consumption period would be from July through June of the preceding year with quarterly readings taken during that period.

Finding 1:

We noted 7 properties were calculated with 3 readings giving the appearance of a lower water consumption and ultimately a lower number of units charged. Based on the full year’s water consumption records provided to us we determined approximately \$21,000 in under billing occurred during 2020 and 2022 for these properties.

<u>7 Properties Underbilled Using Less Than 1 Years' Water Consumption</u>					
Business	Address	Tax Year	Units Charged	Correct Units	Underbilled
Car Wash	3571 NY-31	2022	24	32.52	\$ 3,959.07
Hotel	5396 S. Bay Rd.	2022	6	7.83	\$ 850.36
Laundromat	8440 Oswego Rd.	2022	12.09	16.87	\$ 2,221.17
Hotel	7010 Interstate Island Rd.	2022	10.87	15.91	\$ 2,341.99
Hotel	3948 State Rt 31	2022	4.17	12.52	\$ 3,880.08
Hotel	5414 S. Bay Rd.	2022	22.96	31.22	\$ 3,838.26
Hotel	5418 S. Bay Rd.	2020	16.72	25.84	\$ 4,093.15
Total					<u>\$21,184.08</u>

Section VII – Water Consumption Records (B): Addresses how water consumption rates should be determined when there is more than one water account associated with a single tax map number. It indicates unit charges should be based on water consumption respective of each business entity not based on the total of the whole tax map account. An example is presented in the following table.

**Comparison Illustration of Calculation of a
Multi Unit Strip Mall with ONE Tax Map Account**

Properly Determined			Improper	
Yearly			Yearly	
Consumption in	Equivalent		Consumption in	
Gallons	Units		Gallons	
Store #1	5,000		Store #1	5,000
Store #2	210,000		Store #2	210,000
Store #3	7,000		Store #3	7,000
				222,000
				÷
Base Units (gallons)				115,000
				1.93
Units Charged	3.50			

The total amount of units to charge this property is 3.50 units.

Finding 2:

We were informed WEP personnel did not follow the above procedure. We noted 26 of the 160 properties tested had more than 1 water account and 25 of these were not calculated properly. The following chart is a list of these parcels, the number of water accounts associated with each and the cumulative net effect on the sanitary unit charges for tax years 2017 – 2022.

Properties With More Than One Water Account

Property	PropertyTax Map Number	Number of Associated Water Accounts	Under/(Over) Billing 2017 - 2022
240 W Seneca St, Manlius, NY 13104	033.-07-04.1	16	\$ 18,082.19
7608 Oswego Rd, Liverpool, NY, 13090	094.-01-08.1	16	\$ 5,734.41
Air Cargo Rd, North Syracuse, NY 13212	058.-01-22.0/110	14	\$ (5,848.22)
4100-4160 State Route 31, Clay, NY 13041	055.-01-06.1	10	\$ 1,407.12
4635-4729 Onondaga Blvd, Syracuse NY 13219	055.-01-02.3	9	\$ 1,334.66
8015 Oswego Rd, Liverpool, NY 13090	080.-01-01.0	8	\$ 6,618.00
3179 Erie Blvd E., Syracuse, 13214	044.-07-09.1	6	\$ 17,978.35
7192 Buckley Rd, Liverpool, NY 13088	117.-02-47.0	6	\$ 524.54
7687-7785 Frontage Rd, Cicero, NY 13039	035.-01-06.3	6	\$ (12,849.65)
3955 NY-31, Liverpool, NY 13090	021.-01-05.3	4	\$ (21,027.33)
113 7th North St., Liverpool, NY 13088	086.-02-02.1	4	\$ 16,339.88
7519 Oswego Rd, Liverpool, NY 13090	093.-04-08.1	3	\$ (8,671.32)
7952 Brewerton Rd, Cicero, NY 13039	043.-01-13.1	3	\$ (2,951.44)
610 Nottingham Rd, Syracuse, NY 13224	068.-15-01.1	3	\$ 8,173.22
3407 Walters Rd. Syracuse , NY 13209	055.-03-05.1	3	\$ 1,340.14
3400 & 3406 Erie Blvd. E, Syracuse NY 13214	048.-06-01.1	3	\$ 9,331.21
6344 E Molloy Rd, East Syracuse NY 13057	024.-05-06.2	2	\$ 18,459.22
6415 Yorktown Cir, East Syracuse NY 13057	025.-03-09.0	2	\$ 6,621.78
6789 E Genesee St, Fayetteville, NY 13066	063.-02-10.1	2	\$ 14,754.01
203 S Bay Rd, Syracuse, NY 13212	008.-03-47.0	2	\$ 7,642.70
3670 NY-31, Liverpool, NY 13090	053.-01-09.1	2	\$ 3,977.66
2203 W Genesee St, Syracuse, NY 13219	015.-01-01.0	2	\$ 6,099.66
815 Fay Rd, Syracuse, NY 13219	052.-01-01.1	2	\$ 270.64
103 W Seneca St., Manlius, NY 13104	030.-01-16.1	2	\$ (1,179.19)
3216 Erie Blvd E, Ste1, Syracuse, NY 13214	045.-05-01.1	2	\$ 713.19

Finding 3:

We noted that one of the properties (8015 Oswego Road) has two tax parcels with the same location address and multiple water accounts. Based on our calculations WEP has undercharged this location \$2,788 in sanitary unit charges in 2022 and \$3,830 between 2017 and 2021. It is unclear why WEP only assesses this location 1 sanitary unit charge given the methodology outlined previously. If the methodology were followed, it would have resulted in the equivalent of 7 additional sanitary unit charges per year. Proper calculation for the account is illustrated in the chart below.

Comparison of 8015 Oswego Rd. Tax Parcel #080.-01-01.0

	Property Determined		2022 Sewer Unit Fee	Amount
	Yearly Consumption in Gallons per Parcel	Equivalent Units per Parcel		
Real Estate Company	86,000	1		
Large Retail	65,000	1		
Retail	9,000	1		
Education	20,000	1		
Nail Salon	76,000	1		
Moving Company	81,000	1		
Moving Company	12,000	1		
Units that Should Have Been Charged per Section VII		<u>7</u>	\$ 464.68	\$ 3,252.76
Units Actually Charged per 2022 Tax Bill		<u>1</u>	\$ 464.68	\$ 464.68
Loss of Sewer Unit Fee Revenue				<u><u>\$ 2,788.08</u></u>

Section VIII (B) – Verification of Unit Charges: Indicates unit charges for each tax map number are checked against that of the previous year. Any change greater than two units is flagged to be checked and verified with the water retailer.

Finding 4:

We were informed by WEP personnel this procedure was not followed as written. The process used in 2022 was to quickly scan the water consumption difference between years and if one caught their eyes or was a large difference then it would be flagged and researched with the water suppliers. This method of year-to-year comparison does not adhere to the defined policy of looking for variances of two or more sanitary units. When the procedure was followed, it was noted there was no sign off by the employee performing the review of water consumption or by an administrator approving the decision ultimately made.

Section XI (A) – Review Process: States the purpose of the review process is to identify previously unaccounted for non-residential sewer system users and add these properties along with their corresponding water accounts to WEP’s and/or OCWA’s database.

Finding 5:

We noted WEP did not perform this annual review process. We also noted this review process does not call for an analysis of all four water supplier’s data, just one (OCWA).

Section XI (C) - Review Process – Addition /Removal of Properties: Indicates all properties within the Consolidated Sewer District are added to the Sanitary Unit Charge Program by the local town assessors. It is the responsibility of these officials to modify the list and code the parcels to establish how the parcels are to be assessed a sanitary unit charge.

Finding 6:

We verified properties within the sewer district are added to the Sanitary Unit Charge Program by the local town assessors and WEP does not keep a list of these properties or review the accuracy of the number of parcels assessed in any town.

Finding 7:

We noted the unit charge calculated for a salon in Baldwinsville omitted the 6 apartment units on the property for the years 2017 through 2022. Each apartment should have been considered as .75 units and the hair salon as 1 unit resulting in an overall sanitary unit charge determination of 5.5 (6 x .75 + 1) not just 1 unit. This resulted in an under billing of approximately \$9,400 for this time period. This is defined in the Onondaga County Legislature Resolution 563 from November 28, 1978, which states the basis of “units” on a specified schedule. All multi-family residential structures are to be charged at $\frac{3}{4}$ unit per family. WEP states the town assessor determines the units and uploads this information into the database. On Zillow.com, we found this property to have 6 apartment units with 6 different mailing unit numbers as well as interior pictures for each unit (<https://www.zillow.com/b/41-oswego-st-baldwinsville-ny-5YzqJ4/>).

Section XIV (A) – Refunds and Corrections: Indicates refunds and credits to the unit charge are usually a direct result of one of the following scenarios: (1) a property has been overcharged due to a mistake or an anomaly in water consumption; or (2) a property that is not connected to the sewer has been assessed a unit charge. Sub section (A.) (3.) states that in the event of inquiries regarding the amount of the unit charge, research must be done on the water account in question. Possible reasons for a high water consumption might include, but are not limited to: leaks in the water lines after the meter; constantly running toilets; users which do not discharge a large portion of their water to the sewer (i.e.) nurseries, golf courses and industry using water as part of their end product; and inaccurate meter readings. Once this research has been completed and all the facts are obtained a decision is made as to what portion (if any) of the unit charge is to be refunded.

As a component of any request for a refund/credit, WEP is expected to request and review the form documentation to support the request, recalculate the units and charges as appropriate and send all of the information to the Director of Real Property Tax Services. The Director of RPTS is to verify the new calculation and forward this to the CFO for signed approval if the refund/credit is for \$2,500 or less. Any credit exceeding \$2,500 must be voted on by the County Legislature’s Ways and Means Committee.

Finding 8:

We question the granting of credits in the following cases as it does not appear adequate research or all the facts were obtained to justify a credit:

- In 2022 a private school in East Syracuse applied for a credit and indicated there was a water leak. Their unit charge was subsequently reduced from 25.83 to 18.76 units and were issued a credit of \$3,285.29. That number of units equate to approximately 800,000 gallons of water passing the water meter and ultimately

into the sewer system. It would seem probable this magnitude of a leak would have been noticed somewhere on the premises. WEP did not provide support as to the actual outcome of any results from school administrators such as an invoice relating to fixing a leak.

- In 2022 a church in Fayetteville also applied for a credit and indicated they'd had a water leak but on a much smaller scale. They were approved for a credit of \$1,361.51. Again we were not provided with any supporting documentation a leak was in fact determined and corrected.

2: Data from Water Suppliers

WEP is reliant on data from four water suppliers that is related to consumption by towns and villages in the Sewer District. The water suppliers include the Onondaga County Water Authority (OCWA), the Town of Clay, the Village of Baldwinsville and the Town of Dewitt. The data provided by these suppliers is used to calculate the number of sanitary units to be charged on their upcoming county tax bills. This data must be accurate and complete.

Finding 9:

We noted issues with all four of the water suppliers that provide water use data to WEP. The issues adversely affect WEP accurately calculating sanitary unit charges. These issues range from providing water reports in a different format (PDF, not Excel), providing water readings beyond the required period of time, providing three quarterly readings instead of four, omitting business from one year to the next and omitting water accounts from single site locations (strip mall) with multiple accounts associated with the parcel.

Reasons For Insufficient Validity of Water Consumption					
Water Supplier	File Type	Missing Pertinent Information*	Missing Accounts	Lack of Full Years' Consumption	Inoperable Meters
OCWA	Excel	Yes	Yes	Yes	Yes
Clay	Excel	Yes	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
Baldwinsville	Excel	Yes	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
Dewitt	PDF	Yes	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>

* Such as tax map numbers

To properly calculate sanitary units to be charged, WEP must manipulate a tremendous amount of water consumption data and using Microsoft Excel to do those manipulations is key. At times water consumption data is missing for tax map numbers. In other instances faulty meters provide inaccurate water consumption data. We noted one water supplier submits their water use data to WEP in PDF file format, as opposed to Microsoft Excel. WEP must then convert the data from PDF format into Excel for that supplier's approximately 960 properties. This conversion process

sometimes results in numbers being jumbled, illegible and/or difficult to read. This makes the data subject to interpretation and thus, potential reader error.

Finding 10:

We noted the original water account listing provided to WEP had additional account numbers as compared to the account listing provided directly to us in 2022 by OCWA. These properties when originally received by WEP were defaulted to one (1) unit charge resulting in an under billing. This is illustrated below:

<u>Under Billing Due to Omitted OCWA Water Accounts</u>					
Business Type	Tax Year	Units Charged	Units Calculated	\$/Unit	Total Due to County
Car Wash in North Syracuse	2017	1	127.64	\$ 411.11	\$ 52,062.97
Laundromat in Dewitt	2017	1	25.0	\$ 411.11	\$ 9,866.64
Laundromat in Dewitt	2018	1	32.67	\$ 417.07	\$ 13,208.61
Total					\$ 75,138.22

Finding 11:

We noted times when water meters were not reporting accurate water consumption. From 2017-19, a car wash in Baldwinsville reported consumption either significantly below 115,000 gallons, or as zero (0) gallons used. This resulted in the car wash being charged one sanitary unit, similar to a residential property. Had the meter been working properly, the County would have been able to charge around 25 units per year for each of those 3 years (25 units is based on average of 2021 and 2022 consumption). The County could have received about \$31,500 over those three years if the meter was working properly. In 2020 a more reasonable water consumption was provided and 26.64 units were billed.

Finding 12:

We noted in 8 of 160 WEP calculations, there was water consumption data was missing from the data Dewitt and OCWA provided to us.

<u>Missing Consumption Data from Water Suppliers</u>	
Business Type	Area
Salon	East Syracuse
Salon	Syracuse
Salon	Liverpool
Salon	Liverpool
Salon	Liverpool
Salon	Baldwinsville
Salon	Baldwinsville
Salon	Baldwinsville

Finding 13:

We noted the City of Syracuse calculates the units in their assigned areas, therefore the county has no control over the calculations and if they are accurate.

3: Calculation Errors

This section addresses errors discovered during the test work that range from either using incorrect water consumption readings, lacking a CSW-15 code or miscalculating units for properties with more than one water account on them called “courtesy splits” A courtesy split occurs when the owner of a property with a third party renting a portion of that property requests that the third party pay their portion of the taxes directly to the taxing authority (the County) rather than the property owner paying them and then having to collect the taxes from the third party. When a request for a courtesy split is made to the County by a property owner, the County then creates a new tax map number by inserting a forward slash (/) and number after the original tax map number (see below).

Sample Tax Map Number	123.-45-67.8
Sample Courtesy Split	123.-45-67.8/1

Finding 14:

We noted one courtesy split tax map number (033.-07-04.1/1) does not appear in the County’s Geographic Information System (GIS). The GIS, located on the County website and used by both WEP staff and town assessors in their calculation of sanitary units, only shows the original entry (033.-07-04.1) which makes awareness of these properties difficult to determine. The table below illustrates two courtesy splits with unit calculation errors for the time period of 2017 through 2022:

<u>Courtesy Split Comparison</u>					
240 West Seneca St.					
Original Property Tax Number					
033.-07-04.1 Stores					
Tax Year	Units Charged on Taxes	Actual Charged Sewer Unit Fee	Units Determined by Internal Audit	Sewer Unit Fee Determined by Internal Audit	Under (Over) Billed
2022	9.76	\$ 4,535.28	10.68	\$ 4,962.78	\$ 427.51
2021	10.11	\$ 4,625.12	9.74	\$ 4,455.86	\$ (169.27)
2020	9.65	\$ 4,331.02	9.68	\$ 4,344.48	\$ 13.46
2019	9.61	\$ 4,217.73	9.68	\$ 4,248.46	\$ 30.72
2018	4.23	\$ 1,764.21	9.45	\$ 3,941.31	\$ 2,177.11
2017	3.2	\$ 1,315.55	10.21	\$ 4,197.43	\$ 2,881.88
		<u>\$20,788.91</u>		<u>\$26,150.32</u>	<u>\$ 5,361.41</u>

Property Tax Number with Courtesy Split

033.-07-**04.1/1 Car Wash**

Tax Year	Units Charged on Taxes	Actual Charged Sewer Unit Fee	Units Determined by Internal Audit	Sewer Unit Fee Determined by Internal Audit	Under (Over) Billed
2022	9.76	\$ 4,535.28	6.96	\$ 3,234.17	\$(1,301.10)
2021	3.92	\$ 1,793.32	4.75	\$ 2,173.03	\$ 379.71
2020	1	\$ 448.81	3.68	\$ 1,651.62	\$ 1,202.81
2019	1	\$ 438.89	4.89	\$ 2,146.17	\$ 1,707.28
2018	1	\$ 417.07	4.23	\$ 1,764.21	\$ 1,347.14
2017	1	\$ 411.11	3.14	\$ 1,290.89	\$ 879.78
		<u>\$ 8,044.48</u>		<u>\$12,260.09</u>	<u>\$ 4,215.61</u>

This property has multiple small business and a separate and distinctive car wash. The car wash was courtesy split as denoted by the /1 to receive its own tax bill and respective sewer unit fee. This is done to equitably charge the higher water consumption to the car wash instead of the other businesses at this address.

Finding 15:

We noted a hotel located in Liverpool was not charged any units on their 2020 taxes (tax bill shows 0 units at \$0). This hotel was charged numerous units every year before and after the 2020 tax bill. Upon further review, we came to the conclusion the number of units to be charged was not filled in on the CSW 15 report that WEP sends to the Director of Real Property Taxes. In WEP’s Excel spreadsheet this entry was the only property that was missing a number in the “units” column (no number, just blank). It appears this caused the 0 unit charge on the taxes as the number of units are transferred from excel into the Real Property Tax Department’s system. Since the cell was left blank, 0 units were charged on the tax bill for 2020 and it appears this was never corrected. The correct number of units to have been charged based on consumption was 24.32 units totaling almost \$11,000 in charges that should have been charged and received by the County.

Finding 16:

We noted the calculation for a Laundromat at 100 Matty Ave. in Syracuse, as their sanitary unit charge was based on 5 readings or about 460 days resulting in an over billing of approximately \$2,900.

4: Clerical Issues:

We noted additional issues that might be best described as clerical in nature. The issues are related to matching addresses in the Real Property Tax system when the tax map number and address for the correlating water account are different.

Finding 17:

We noted for 3 of the 160 properties tested we were unable to locate all tax bills available in the County assessment information system to determine if the sanitary unit charge was accurate. Consequently, water consumption could not be matched to the water supplier's information for the following properties:

- 417 7th North Street, Syracuse 2017 – 2021
- 113 7th North Street, Syracuse 2017 – 2020
- 3216 Erie Blvd East, Syracuse/Dewitt 2017

Finding 18:

We noted for a Laundromat in Westvale, the taxes list 101 Fay Road as the property location but the account is listed as 2205 W. Genesee St. by OCWA. Audit research determined the actual address is 2203 W. Genesee Street. Per water consumption data, this property has been under billed by over \$6,000 in sanitary unit charges from 2017 – 2022.

Finding 19:

We noted for a salon in Towne Center (Fayetteville), the taxes state the address as 5351 Burdick Street North, yet the actual physical address is 309 Towne Drive and the water accounts associated with this show as 310 and 600 Towne Drive. For 2017 and 2022 the number of units appear to have been under billed, resulting in a loss to the County of over \$12,200 in sanitary unit charges.

SECTION IV EXHIBITS

Exhibit A:

Example of a tax bill showing the unit charges

In Person Payment	TOWN HALL - 315-638-0597 8220 LOOP ROAD MONDAY THRU FRIDAY 9:00 A.M. - 4:30 P.M.	2017 COUNTY AND TOWN REAL PROPERTY TAXES TOWN OF LYSANDER - ONONDAGA COUNTY, NEW YORK				
		Roll Sect.	SWIS Code	School Tax Code	Bill No.	Sequence No.
		0	313601	033	1271	0
Payment by Mail	LYSANDER RECEIVER OF TAXES 8220 LOOP ROAD BALDWINSVILLE, N.Y. 13027	Fiscal Year		Property ID		
		01/01/17 - 12/31/17		[REDACTED]		
		Warrant Date	Bank Code	Estimated State Aid		
		12/27/16	5HSB329	\$153,053,586	\$646,582	

[REDACTED]
Baldwinsville NY 13027

PROPERTY IDENTIFICATION		Full Market Value
Parcel ID	[REDACTED]	360000
Location	[REDACTED]	Total Assessed Value
Dimensions	37.00 X 235.00	360000
School	313601 BALDWINSVILLE	Uniform Percentage
Prop. Class	1 482 DETACHED ROW BUILDING	100.00

Exemptions			
EXEMPTIONS		FULL VALUE	
47615 BUSINAF897	15000	15,000	

PROPERTY TAXES					
Taxing Purpose	Total Levy	% Change in Levy from Prior Year	Taxable Assessed Value or Units	Tax Rate	Tax Amount
County tax - (100% applied to state mandated costs)	141,096,060	1.0	345,000	5.2636	1,815.94
Town govt services	738,538	12.7	360,000	.3900	140.40
CSW15 Onan co san un			1.74 Unit	411.1100	715.33
CWR40 County water	1,696,205	.0	345,000	.0629	21.70
FR041 North West Fire Dist	601,783	1.0	360,000	1.6702	601.27

PENALTY SCHEDULE				Total Tax Due: 3294.64
PENALTY SCHEDULE:	PERCENT	PENALTY	TOTAL DUE	Due By: 01/31/17
JAN 01 - JAN 31:	0.00%	.00	3,294.64	
FEB 01 - FEB 28:	1.00%	32.95	3,327.59	
MAR 01 - MAR 14:	1.50%	49.42	3,344.06	
MAR 15 - MAR 31:	1.50% + \$1	50.42	3,345.06	
APR 01-APR 30 PAY TO COUNTY (TAX+\$1)+6%			3,493.38	



J. Ryan McMahon, II, County Executive
Shannon L. Harty, P.E., Commissioner
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May 8, 2023

Martin Masterpole, Comptroller
Office of the Onondaga County Comptroller
14th Floor, John H. Mulroy Civic Center
421 Montgomery Street
Syracuse, New York 13202

Re: Audit of Onondaga County Sanitary Unit Charge

Dear Mr. Masterpole:

The Onondaga County Department of Water Environment Protection (WEP) is in receipt of the draft Audit of the Onondaga County Sanitary Unit Charge (“Audit”) dated May 2023 and completed by your office. Recognizing the importance of sewer unit revenue to the WEP department income, WEP management had already initiated an internal review of the Sanitary Unit Charge assessment process in 2021, which was discussed during the 2022 Budget Ways & Means presentation in October 2021 and again during the September 2022 presentation for the 2023 Budget. It is important to note the sanitary unit charge is calculated based on the adopted Legislative budget for Sewer Unit Revenue divided by the total CSD rate base. Underassessment of any connected parcel decreases the overall rate base and results in a higher user charge for the remaining assessed properties.

There are approximately 121,800 parcels connected to public sewers within the Consolidated Sanitary District (“CSD”) – which in 2023 represented a total sanitary unit rate base of 190,915 units. There are two methods of sewer unit assessment – flat rate for residential or multi-unit residential/apartment buildings and volumetric based on water usage for commercial, industrial, and multi-use parcels. Approximately 21% of the sewer units fall into the volumetric based method – and of that – 8% of the sewer units are properties located within and assessed by the City of Syracuse. The Audit only tested volumetric assessment performed by WEP – which is 13% of the rate base or ~4,140 parcels/ 24,556 units in 2023. The estimation of “underbilling” of \$1.56 million per year, as noted in the Audit on page 4, is based on the application of 41% error rate to all volumetric assessments and should have only been applied to the WEP parcels. Adjusting the test findings results in an under billing of approximately \$882,000 per year. A separate audit of the City of Syracuse assessment would need to be completed to establish an error rate of that process.

The commercial/multi-use unit assessment performed by WEP, as noted in the Audit, requires data

collection from multiple water vendors and relies on the accuracy and completeness of the water meter data provided. Common errors within these data sets, beyond WEP's control, include missing water account data if water supplier has coded a property as "residential", missing/low usage water data due to broken water meter, account number change or new account not properly matched to tax parcel.

In addition, approximately 80% of the CSD rate base, or 152,104 units, are residential properties including single and multi-family homes and apartment complexes, whose assessment is developed by assessors within each of the local municipalities. Accurate assessment of all connected parcels is vital to ensure an accurate rate base for equitable cost sharing to all connected users. WEP Management supports and encourages a comprehensive evaluation of the entire sanitary unit assessment process for all parcels.

To that end, the following responses are provided to each of the findings and recommendations (A-L) presented in the draft Audit:

- A. *We recommend WEP's Commissioner, Deputy Commissioners, select Administrative staff and select ETS staff review and update the current set of policies and procedures related to the calculation of sanitary unit charges for non-residential properties in the Onondaga County Consolidated Sewer District. This should include the creation of, or a review/update of, policies and procedures specific to properties that are:*
- *Commercial, industrial or multi-use*
 - *Apartment complexes*
 - *Properties with multiple water accounts*
 - *Properties directly billed for their water use as opposed to billed via their property tax bill*

WEP Management agrees with this recommendation and is currently in the process of evaluating the current guidance documents, software, processes and staffing requirements of unit assessment.

- B. *We recommend assigned WEP staff maintain an accurate year to year database of all nonresidential properties as a means of performing analytical comparisons of water usage and sanitary unit charges. Large differences should be communicated to the water supplier as a possible faulty meter.*

WEP Management agrees with this recommendation. The water data was previously managed through a Microsoft Access database that has become obsolete. Recent unit assessments were completed in Microsoft Excel while work is underway to transition to a new SQL Database.

- C. *We recommend WEP administration and the Director of Real Property Tax Services (RPTS) devise and implement controls to ensure sanitary unit data can be accurately transferred from WEP's data system to RPTS's.*

WEP Management agrees with this recommendation and will work with RPTS to improve the

transfer process.

- D. We recommend WEP administration annually review a random sample of non-residential sanitary unit charge calculations done by WEP ETS staff. This review should be signed off by WEP administration when completed.*

WEP Management agrees with this recommendation and will incorporate into the development of new policies and procedures.

- E. We recommend assigned WEP staff annually review a random sample of sanitary unit calculations of non-residential properties located in the City of Syracuse.*

WEP Management agrees with this recommendation and will work with the City of Syracuse to perform annual random sample reviews.

- F. We recommend assigned WEP staff obtain a periodic listing of plumbing permits issued for new commercial properties and for changes to commercial/residential properties as means to check the status of these properties with the local assessor's office and ensure sanitary unit charges will be in line with business operations.*

WEP Management agrees with this recommendation and will incorporate this into the updated guidance manual.

- G. We recommend WEP administration update their policy to include a documented deviation standard relating to year over year changes in either water consumption or applicable sanitary units which would require further review. This review should be signed off by WEP administration when completed.*

WEP Management agrees with this recommendation and will incorporate this into the updated guidance manual.

- H. We recommend assigned WEP staff ensure water consumption data used in calculating sanitary unit charges is performed as described in WEP policies and procedures Section III A. Non-Residential Unit Charges which states the sanitary unit charge "should be calculated from consumption for the year prior to, and including, the most current available reading. A typical water consumption period would be from July through June of the preceding year with quarterly readings taken during that period." Staff should determine if all readings have been actually provided by the water supplier. Any deviation from this policy should require documentation for the reason why and written approval by a WEP administrator.*

WEP Management agrees with this recommendation and will incorporate this into the updated guidance manual.

- I. We recommend WEP administration review their process for making decisions when requests for refunds or credits are made by non-residential property owners. The process*

should document all necessary information and contain criteria for granting or denying such requests. There should also be clear documentation of the approval or denial of the request by the Commissioner of WEP. All documentation should be forwarded to the Chief fiscal Officer and Director of real Property Taxes for further review and evaluation.

WEP Management agrees with this recommendation and will incorporate this into the updated guidance manual.

- J. We recommend a WEP Deputy Commissioner and select ETS staff meet in-person annually with town, village and City of Syracuse property assessors so as to review existing and updated policies and procedures with their staff.*

WEP Management agrees with this recommendation and will incorporate this into the updated guidance manual.

- K. We recommend a WEP Deputy Commissioner and select Administrative and ETS staff meet in-person annually with all parties providing water use data to WEP so as to review existing and updated policies and procedures with their staff.*

WEP Management agrees with this recommendation and will incorporate this into the updated guidance manual.

- L. We recommend WEP's Commissioner and Deputy Commissioners dedicate sufficient resources to the annual process of calculating sanitary unit charges for non-residential properties in the Onondaga County Consolidated Sewer District so as to significantly reduce the error rate in calculating sanitary units as well as the overall number of over billings and under billings.*

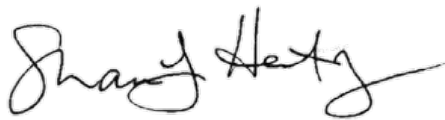
WEP management agrees with this recommendation.

We appreciate the collaborative approach your office has allowed for on this very complex process and the opportunity to respond to the findings and recommendations within the Audit. WEP is committed to long term improvements to the sewer unit assessment process.

If you have any questions, please contact our office.

Sincerely,

ONONDAGA COUNTY DEPARTMENT OF
WATER ENVIRONMENT PROTECTION



Shannon L. Harty, P.E.
Commissioner