

SPECIAL REPORT

2020

UTILITY & TELECOMMUNICATION FORENSIC AUDIT RESULTS



**OFFICE OF THE
DUTCHESS COUNTY COMPTROLLER**

ROBIN L. LOIS, COMPTROLLER

JUNE 2020



Office of the Comptroller

Dutchess County

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Robin L. Lois
Comptroller

Karl G. Schlegel
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Dear County Officials & Taxpayers,

The Dutchess County Comptroller's Office has completed a Special Utility Audit Report on the electric, gas, and telecommunication billing of Dutchess County operations for the previous six years ending December 31, 2019.

The Comptroller's Office engaged an outside specialized utility auditing firm to conduct most of the activities of the audit on a contingency basis. Of the nearly \$2 million in utility expenses paid per year, the consultant found \$24,508 in credits, refunds, and future savings from the telecommunication vendors and from Central Hudson. This resulted in the consultant being paid a commission of \$5,882 as a portion of the refunds and future savings to the County.

We believe this low percentage of errors found by the outside consultant is a result of the strong internal controls for vendor payments of the Office of Central and Informational Services (OCIS) and the diligent review of county departments and the Comptroller's Office. For comparative purposes, the same consultant found \$1.36 million in refunds or savings in Erie County and \$426,000 in refunds and futures savings in Rockland County. We appreciate the return of nearly \$25,000 of taxpayer dollars and have corrected the minor vendor issues of which the returns resulted.

The Comptroller's Office thanks OCIS for their assistance in gathering telecom invoice information needed to perform this audit.

Respectfully submitted,

Robin L. Lois
Dutchess County Comptroller

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Background & Summary

Each year, Dutchess County spends approximately \$1.6 million for utility costs and \$300,000 for telecommunication services.¹ A priority of the Dutchess County Comptroller’s Office is to confirm payments to vendors are accurate, correct rates are being charged, and that fees or taxes from which the County is exempt are not being charged. In order to assist in this review, a Request for Proposals (RFP) was issued in July 2018² and a contract was awarded to Troy and Banks, an industry expert on utility and telecommunication billings, to perform a forensic audit of rates and services for the 72 months immediately preceding the audit.

The audit contract was contingency based and provided fees would be paid from the refunds received from the ‘overages’ determined. A total of **\$24,508** was identified as follows: \$16,356 from Telecommunication vendors and \$8,152 from Central Hudson. Included in the \$24,508 was a refund check in the amount of \$2,197 received in July 2019 from New York State for taxes paid on invoices.

The chart below indicates \$5,882 was paid to Troy & Banks for compensation of the negotiated rate of 24% of the total credits, refunds, and savings. Additional actions taken as a result of this audit included the closing of inactive accounts.

	Credit	Refund	Future Savings	Total	Commission (24%)
Verizon	2,986	3,548	9,724	16,258	3,902
Frontier	13	85	-	98	24
Total Telecom	2,999	3,633	9,724	16,356	3,925
Total Utility (Central Hudson)	6,024	2,128	-	8,152	1,956
Totals	9,023	5,761	9,724	24,508	5,882

Troy and Banks in testimonies and news reports stated they found between \$100,000 and \$1,000,000 in savings for several municipalities in New York State (*see examples provided in Exhibit I*). In comparison this highlights the amount found for Dutchess County was minimal. It is our opinion, based on the due diligence exercised by the County departments including Office of Central and Information Services (OCIS) and the Comptroller’s Office, the results point to sound billing and review practices in place. The contingency-based forensic audit was a success by not only receiving tax dollar refunds, but by also verifying that the utility and telecommunication charges paid by Dutchess County were free from material error. Additionally, any accounts that were coded incorrectly by vendors for tax purposes were changed to reflect Dutchess County’s tax-exempt status.

Scope & Details of Review

Request for Proposals RFP-DCP-56-18 dated July 27, 2018 were sent out for a forensic audit of telecommunication and utility services. Troy & Banks, a specialist in reviewing these types of services was awarded the contract.

A contract was signed November 28th, 2018, effective October 1, 2018 to September 30, 2020 providing an agreement for the consultant, Troy & Banks, to perform a utility audit concentrating on rates and services, not consumption, for the 72 months immediately preceding the audit. Troy & Banks provides industry specific

1 2016 – 2019 County Financial Records – Annual Expenditures by Line Item Annual Average

2 RFP-DCP-56-18

expertise with the understanding of how utility and telecommunication companies invoice the County, as well as, the tariffs, regulations, and contracts that govern the County's services.

The Comptroller's Office provided to the consultant invoices from each utility account servicing the County. Telecommunication invoices were provided by the Dutchess County Office of Central and Information Services (OCIS). The consultant audited and analyzed bills and contracts with those vendors. Invoices for various utility vendors included electric and heating fuels (natural gas, propane, oil, etc.). Telecommunication services include phone and internet services, as well as, ancillary services.

Troy & Banks fee for this utility audit was 24% of any refunds, credits, or rebates obtained for the County, and on future savings for up to 12 months.

In December 2018, an invoice with account information and location was provided for each utility account with the various vendors to the consultant. In some cases, vendors which provided limited invoice history and/or had overcharges were further reviewed with the County providing our County invoice copies to Troy & Banks. Frontier only provided invoice information and credits for invoices three months prior to the audit process which included the months January through March 2019. Two accounts with this vendor were further reviewed for 2018. Central Hudson provided invoices back to March 2017 and the County provided Troy & Banks additional invoices for three accounts between March 2016 and March 2017. In April 2019, a refund request was submitted to the State for sales and use taxes paid through Central Hudson.

Bottini Fuel

On November 27, 2018, Bottini Fuel, headquartered in Wappingers Falls, pled guilty to falsifying business records and agreed to pay more than \$3.2 million in restitution and civil damages. The New York State Attorney General in conjunction with the New York State Comptroller's Office audited Bottini Fuel for the period of 2004-2016 based on a tip from a whistleblower. The State's audit found the only county department defrauded was the Department of Community and Family Services for \$52.31.

Due to this investigation and guilty plea, the Comptroller's Office felt it necessary to further scrutinize county held Bottini Fuel accounts.

Bottini account numbers were provided to Troy & Banks as part of the utility review, there were no anomalies noted. It appears the internal controls in place in Dutchess County prevented any concerns which were experienced by other municipalities. Based upon our review, the instance noted above affecting the Department of Community and Family Services appears to have been related to a home energy assistance program for a client of the department, and not related directly to a County account.

Bottini lost the State Bid for provision of fuel in the Hudson Valley as of September 1, 2018. The bid was conducted by New York State Office of General Services (OGS) and was awarded to KOSCO (now known as HOP Energy, Inc. d/b/a KOSCOHERITAGE) the County's current fuel oil vendor. Most county departments stopped using Bottini around June 2018; the last payment was made in November of 2018 to a Parks Department account that had not been terminated by the department.

Comptroller's Office Normal Internal Review Processes

All payments for utilities and telecommunication are submitted via the County's Financial Management System by the respective departments responsible for payment of the services received. Each department reviews the periodic billings (typically monthly) for accuracy and taxes. Once reviewed the department electronically submits the approved payment to the Comptroller's Office for audit review and final payment authorization. The Comptroller's Office reviews all payments for departmental approval, timely payment, and accurate submission.

Additional Internal Review Processes for Telecommunication Services Performed by OCIS

OCIS reported the following information regarding internal review processes on all telecom accounts: Internal reviews occur at least once a year, usually just before each department's annual budget request. A list of both cell and landline phones is sent to departments to verify the use. In addition, a cell phone usage report is run which identifies low or no usage phones for possible discontinuance or a plan reduction to a basic phone. Additionally, in concert with Verizon, OCIS reviews phone plans to make sure the county is using the most cost-effective plans. New State contract pricing is now available, and OCIS has completed the Verizon wireless review which resulted in a \$5,000 a month savings. OCIS is working with the land line side of Verizon to do a similar review of county plans and reported they will continue this process annually.

EXHIBIT I - EXAMPLES OF COSTS SAVINGS TO OTHER MUNICIPALITIES & ENTITIES

Provided in Response to RFP-DCP-56-18

County of Dutchess, NY
Utility and Telecommunication Auditing/Consulting Services
RFP-DCP-5-186

Examples of our utility and telephone refund expertise:

1. County of Erie, NY
Audits of utilities (electricity, natural gas, heating oil), water, and telecommunications (telephone, mobile phone and data) billing accounts
 - Over \$1.36 million in refunds or savings to date
2. County of Rockland, NY
Utility and telecom auditing services
 - Approx. \$70,000 per month in bills analyzed
 - \$425,585 in refunds and future savings to date
3. Port Authority of New York and New Jersey
Telecommunications Audit Services and Utility & Automotive Fuel Billing Audit
 - Over \$2.2 in refunds and annual savings

Also included in the attachment section are several reference letters we received from municipalities as a result of our work for them.

RESPONSE FROM OFFICE OF CENTRAL AND INFORMATION SERVICES

MARCUS J. MOLINARO
COUNTY EXECUTIVE



GLENN R. MARCHI, PH.D.
COMMISSIONER

COUNTY OF DUTCHESS
OFFICE OF CENTRAL AND INFORMATION SERVICES

June 12, 2020

Robin L. Lois
Comptroller
Dutchess County Office Building
Office of the Comptroller
22 Market Street, 4th Floor
Poughkeepsie, NY 12601

Dear Comptroller Lois,

Thank you for contracting Troy & Banks to conduct a forensic audit of Dutchess County Utilities and Telecommunications and confirming the audit results reflect appropriate billing and review practices are in place in the Department of OCIS. The firm only found \$24,508 in savings after a two-year effort, covering a 72-month timeframe and is a testament to the due diligence and professionalism performed in the areas of Finance, Information Technology, Procurement, Public Works, and the Comptroller's Office.

Dutchess County demonstrated extraordinary proficiency with only \$24,508 identified in savings compared to over \$1.36 million in Erie, and \$425,585 identified in Rockland. The \$16,356 refunds/savings from Telecommunication vendors and \$8,152 from Central Hudson verified the utility and telecommunication charges paid by Dutchess County were free from material error. Additionally, any accounts that were coded incorrectly by vendors for tax purposes were updated to reflect Dutchess County's tax-exempt status.

We will continue the same level of diligence, attention to detail, and sound management practices moving forward. Thank you for your support.

Regards,

Glenn R. Marchi

Glenn R. Marchi, Ph.D.

Commissioner

Dutchess County Office of Central & Information Services (OCIS)

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ROBIN L. LOIS, COMPTROLLER

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