

ERIE COUNTY WATER AUTHORITY

INTEROFFICE MEMORANDUM



January 14, 2019

To: Commissioners Schad, Carney and Jones

From: Robert J. Lichtenthal, Jr., Deputy Director
Richard Planavsky, Chief Business Office Manager

Subject: Potential Utility Billing Audit

The Authority's Department of Administration was tasked to do a feasibility study of possibly engaging a consultant to conduct an audit of ECWA utility and telecommunications bills. The purpose of the audit is to check for possible refunds available to the Authority due to billing errors. In 2017 Erie County Executive Mark C. Poloncarz reported that his administration, working with an auditing consultant, discovered that Erie County had been overbilled by utilities approximately \$900,000. This money was ultimately refunded to Erie County. The consultant, Troy & Banks, received 24% of the recovered amount, or approximately \$216,000 for its contractually authorized services in recovering the overbillings.

The Department of Administration did a search to find a group of well qualified consultants that might be able to provide this service to the Authority. Attached is a chart showing the search criteria used to identify a list of companies that could potentially provide this service. The minimum years of experience for the companies selected are 20 years. All the companies will do utility and telecommunications except American Utilities Consultants which will do utilities only. In researching this market, firms typically work on a contingent basis with a fixed percentage paid to them of refunds collected. The firms will go back six years to find refunds. The contingent percentage charge varies by firm. The firms also typically request a percentage charge for future savings found based upon initial refunds. The companies won't charge a fee if no savings are found.

ECWA Purchasing Policy and the Procedures and Guidelines outline the process to retain a firm to provide a professional service of this type, namely to do either a Request for Proposal (RFP) or use a State-approved list, created by a governmental unit or purchasing cooperative. The State also has approved the use of a "piggyback" contract. Piggyback guidelines are found in State Finance Law § 163 (10) (e). Staff believes the Authority is eligible to piggyback on a contract between Rockland County, New York ("Rockland") and Troy and Banks of Buffalo, NY. In 2017 Troy and Banks announced that it had recouped more than \$100,000 through an audit of Rockland telecommunications and

utility bills. The audit was implemented through Rockland's Purchasing Department working with Troy and Banks. Troy and Banks was awarded the audit contract through a competitive Request for Proposals (RFP) process. The RFP was sent to companies specializing in telecommunication and utility bill audits. The contract is structured on a contingency basis so Rockland only pays if refunds are received. Rockland received refunds from Orange & Rockland Utilities, Verizon, and Verizon Wireless. Rockland continues to work with Troy and Banks in audits of the payments made by Rockland for the Gross Receipts Tax and water bills from Suez Water Company.

Before the Authority goes to the effort and expense of issuing an RFP I would like to have the Legal Department determine if the Authority can "piggyback" off of the Rockland contract to engage Troy and Banks to conduct a utility billing audit of the Authority's relevant accounts. If the Authority can piggyback, I would then like to present an agreement to the Board for its consideration. If "piggybacking" is not applicable, then staff will propose the issuance of an RFP for these services.