



NEWS

From the Office of the New York State Comptroller

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STATE AUDIT FINDS HEMPSTEAD SANITARY DISTRICT #1 WASTEFUL, OVERLY GENEROUS TO COMMISSIONERS AND TOP MANAGERS

**Non-Competitive Contracts and Lack of Internal Controls Cited;
Auditors Also Find Minor Retirement Reporting Problems
at Five Other Nassau County Sanitary Districts**

Hempstead Sanitary District #1 in Nassau County provides benefits to its top management and Board of Commissioners that are far more generous than neighboring sanitary districts, according to an audit issued today by the Office of the State Comptroller (OSC). Auditors found that the District operates in an uneconomical and inefficient manner, fails to follow appropriate procurement procedures and has weak internal financial controls.

Auditors also found that District #1 continued to pay health, dental and vision insurance premiums for some current and retired employees and dependent spouses after they died. In one instance, the District continued payment of health insurance premiums for three years after the employee's death, until auditors brought the matter to the District's attention. In total, the District paid more than \$28,000 in excess premiums.

A 2005 analysis by the Nassau County Comptroller Howard Weitzman determined that District #1 had among the highest garbage collection costs in the county. After a series of county audits found a lack of financial controls and fiscal mismanagement at several sanitary districts, Weitzman referred his findings to OSC. An initial review of the information led to a decision to audit six districts.

Auditors found that District #1:

- Provided health, dental and vision insurance for life to commissioners serving as little as a single five-year term.
- Provided life insurance policies for top managers and commissioners ranging from \$75,000 to \$300,000. The largest such policy at one nearby sanitary district was \$50,000, and two other districts provided no life insurance policies at all to top managers and commissioners.
- Lacked necessary internal financial controls over procurement, payroll and revenues.
- Among its many contracts that were not competitively procured, contracted to purchase diesel fuel from a local vendor at a far higher price than was available

through a State contract – thereby overpaying by more than \$46,000 over three years.

- Treated its attorney and accountant as employees – paying salaries and providing health insurance, life insurance and retirement benefits including lifetime health coverage – but also paid the attorney \$200 per hour as an independent contractor for much of the legal work he did. The district treated the accountant as a full-time employee even though he worked only a few hours per week in addition to attending semi-monthly meetings.
- Overpaid \$52,000 in health insurance premiums, including \$16,000 over three years for an employee who had died and approximately \$24,000 for employees who left their jobs and continued to receive health coverage to which they were entitled, but for which they failed to make the required reimbursement.
- Continued to pay health, dental and vision insurance premiums for some current and retired employees and dependent spouses after they died. In one instance, the District continued payment of health insurance premiums for three years after the employee's death, until auditors brought the matter to the District's attention. In that case, the District paid more than \$28,000 in excess premiums.
- Provided union employees with \$20,000 life insurance policies, while the largest such policy at one nearby sanitary district was \$5,000 and two other districts provided no life insurance policies at all to union employees.
- Provided all employees and retirees with fully-paid dental and vision insurance coverage. Other nearby districts either required employees to pay all or part of the cost, or did not make dental and vision coverage available to any employees.
- Incorrectly reported to the New York State and Local Retirement System (NYSLRS) – which is administered by OSC – the number of days worked for three employees and did not prepare supporting documentation for service credit for commissioners, as required by the NYSLRS.

Nassau County Comptroller Weitzman said, “Too many special districts have operated for decades as private clubhouses where nothing is too good for friends of the commissioners – while Town government looks the other way. I have repeatedly urged the Hempstead Town Supervisor to join the Supervisors of the Towns of Oyster Bay and North Hempstead in reviewing special district budgets in their towns line by line, just as they review the budgets of districts and departments under direct town management. New York's Town Law clearly authorizes these reviews, but Hempstead disagrees. I believe the Town of Hempstead should want to help taxpayers by exercising its legal right to review the spending and practices of an errant district within its borders.”

Hempstead Sanitary District #1 is located in Lawrence and collects and disposes of trash and rubbish for approximately 16,500 residential and commercial customers in Cedarhurst, Hewlett, Inwood, Lawrence, Woodmere, Green Acres, Valley Stream South, and the incorporated villages of Hewlett Harbor, Hewlett Neck, Woodsburgh, Hewlett Bay Park and Meadowmere Park, as well as part of Lynbrook. District #1 employs 110 individuals and has an annual budget of more than \$15 million.

District officials agreed with most of the audit findings and indicated that, among other things, they have recovered or expect to recover most of the health insurance overpayments identified

in our report; hired a CPA firm to conduct annual audits of the District and conduct a study of the District's internal controls; and limited future Board member life insurance coverage to \$50,000. The District's complete response is included in the audit.

OSC also issued audits of five other Nassau County Sanitary Districts today, including:

- Hempstead Sanitary District #2
- West Hempstead Sanitation District #6
- Oceanside Sanitary District #7
- Roslyn Garbage District (North Hempstead)
- Hempstead Sanitary District #14

These five audits looked solely at reporting by the districts to the NYSLRS of salaries paid and time worked by employees and officials. Auditors found minor discrepancies in reporting and related matters at each of the districts, and district officials generally agreed with auditors' findings. The complete responses from each district are included in the audits.

Garbage collection in Nassau is arranged by the county's towns, cities and villages within the county or by 24 town-created special sanitary districts. These local sanitary districts, some of which have elected commissioners, provide services to residents and commercial establishments within their borders, and district expenses are funded through local tax levies.