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Contact: Mike Loughran, (212) 669-3747

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LIU: DEP BILLING PRACTICES DON'T HOLD WATER
Audit Finds Hotels Owed City \$2.7 Million for Service

NEW YORK, NY – New York City Comptroller John C. Liu announced that a recent audit determined that the City is owed nearly \$2.7 million from approximately 70 hotels because the Department of Environmental Protection (DEP) either did not properly bill them or failed to fully go after deadbeat customers.

“We’re pleased that DEP is finally collecting on this money we’ve identified,” said Comptroller Liu. “As water rates continue to soar and some residents are now threatened with lien sales because they can’t pay their bills, it’s only fair that DEP also collects from these major players.”

The hotels with outstanding balances were scattered across the City and included five-star luxury landmarks, downtown boutiques, airport chains, and single room occupancies. The unpaid bills fell into two categories:

1. Hotels that the DEP either did not bill or improperly billed;
2. Hotels that received bills and simply did not pay or did not abide by their payment agreements.

Category 1:

Auditors found 20 hotels owed an estimated \$1.1 million either because the DEP failed to bill them or they received incorrect bills. These hotels included the W Hotel on Washington Street and the Ace Hotel.

The DEP itself generally does not identify new hotels subject to water and sewer billing, but relies on licensed plumbers to request and return DEP permits. Not all plumbers follow this rule. In these instances the DEP is left unaware of the new meter and cannot properly bill. Hotels can go years without receiving water and sewer usage bills if the plumber installing the meter never informs the DEP. In other cases, a plumber may install an incorrect meter and the DEP again cannot properly bill the hotel.

Some Category 1 hotels and their outstanding charges due the City include:

Lexington Marco LaGuardia Hotel	137-07 Northern Blvd. Queens	\$127,804
Ace Hotel	1186 Broadway, Manhattan	\$108,834
W Hotel	123 Washington Street, Manhattan	\$76,657
Ravel Hotel	8-08 Queens Blvd. South, Queens	\$41,815
Wyndham Garden Hotel Chelsea	37 W 24 ST, Manhattan	\$39,566
Hotel Le Jolie	235 Meeker Avenue, Brooklyn	\$30,815

Category 2:

Another 49 hotels owed approximately \$1.6 million because they were behind on their water and sewer bills. The DEP did not take action against 21 of these hotels, which had not paid a dime in six months, until the audit brought them to the agency's attention.

Recommendations:

The agency agreed with four of the audit's five recommendations, including:

- The DEP should bill all hotels identified in the audit. The DEP has stated that it has billed all identified hotels as of June 8.
- The DEP should coordinate with the Department of Buildings to investigate why the 20 hotels obtained a certificate of occupancy without proper water metering and ensure the problem does not reoccur.

Background:

The DEP maintains 834,000 accounts for water and sewer service. There are 1,049 hotels that hold 1,509 of these accounts, which comprise some of the DEP's customers that make heaviest use of water and sewer services. The audit was launched in September 2010 in order to determine whether DEP properly billed hotels for water and sewer usage and collects on outstanding bills. This audit covered water and sewer usage fees billed and collected through calendar year 2010.

Comptroller Liu credited Deputy Comptroller for Audit Tina Kim and the Audit Bureau for presenting their findings. The full report is available at <http://comptroller.nyc.gov/audits>.

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