



Village of Freeville

Time Attendance and Leave Accruals

Report of Examination

Period Covered:

June 1, 2015 – December 2, 2016

2017M-24



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	1
INTRODUCTION	2
Background	2
Objective	2
Scope and Methodology	2
Comments of Local Officials and Corrective Action	2
TIME ATTENDANCE AND LEAVE ACCRUALS	4
Recommendations	6
APPENDIX A Response From Local Officials	7
APPENDIX B Audit Methodology and Standards	11
APPENDIX C How to Obtain Additional Copies of the Report	12
APPENDIX D Local Regional Office Listing	13

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

May 2017

Dear Village Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and Board governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of the Village of Freeville, entitled Time Attendance and Leave Accruals. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

This audit's results and recommendations are resources for local government officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Village of Freeville (Village) is located in the Town of Dryden in Tompkins County. The Village has approximately 520 residents and provides various services, including sewage treatment, road maintenance, snow removal and general government support. The Village's 2016-17 fiscal year budgeted appropriations for the general and sewer funds totaled \$410,464, funded primarily by real property taxes, sewer fees and State aid.

The Village is governed by an elected Board of Trustees (Board), which comprises four Trustees and the Mayor. The Board is the legislative body responsible for the general management and control of financial operations, including establishing policies regarding time attendance and leave accruals. The Mayor is the chief executive officer and is responsible for the day-to-day management under the Board's direction. Additionally, department heads, including the Department of Public Works (DPW) Supervisor, Justice and Mayor, are responsible for reviewing and signing all hourly employee time sheets prior to submitting them to the Treasurer for further processing.

Objective

The objective of our audit was to determine if Village officials adopted adequate payroll policies and procedures. Specifically our audit addressed the following question:

- Did the Board establish and enforce adequate policies and procedures over time attendance and leave accruals?

Scope and Methodology

We examined time attendance and leave accrual documents such as Board policies, hard-copy time sheets and Board minutes for the period June 1, 2015 through December 2, 2016.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report. Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

Comments of Local Officials and Corrective Action

The results of our audit and recommendations have been discussed with Village officials, and their comments, which appear in Appendix A, have been considered in preparing this report. Town officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and forwarded to our office within 90 days, pursuant to Section 35 of General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make this plan available for public review in the Clerk's office.

Time Attendance and Leave Accruals

It is important that the Board adopts policies regarding time attendance and leave accruals, including compensatory time. Based on these policies, Village officials should ensure that procedures are in place to enforce maintaining accurate and consistent time attendance records. These records should adequately document when leave accruals and compensatory time are earned and used and should be routinely reviewed by department heads and the Board as appropriate. Further, these policies should define what benefits are available and which employees are entitled to receive these benefits.

The Board adopted an employee handbook in 2005 that outlined policies and procedures regarding time attendance and leave accrual benefits, including compensatory time. However, the Board did not ensure that Village officials and employees consistently followed the established procedures.

Time Sheets — All hourly employees are required to fill out time sheets and submit the signed forms to their direct supervisors for approval. The supervisors are required to review and sign the time sheets approving the hours worked. The time sheets are then submitted to the Treasurer for processing and payment.

We reviewed all 91 time sheets submitted during the audit period and found all time sheets from the Justice Court and DPW were properly approved and signed by the respective supervisors. However, we found the time sheets for the former Deputy Clerk and current Clerk¹ were not consistently approved and signed. Furthermore, the current Treasurer's time sheets were never approved and signed. When supervisors fail to review and approve time sheets, Village employees could be paid for hours not worked.

Compensatory Time — All employees working more than 40 hours per week may earn compensatory time at one-and-one-half time worked in lieu of overtime pay. Each employee is required to maintain a record of his or her compensatory time earned and used. The Board is then required to meet with the employee at least quarterly to review the log to determine if the employee can continue to accrue time throughout the year or if time earned should be paid out. At the end

¹ The Board appoints the Clerk, Deputy Clerk and Treasurer.

of the fiscal year, all balances of compensatory time should be cashed out.²

Currently, one employee is eligible for compensatory time. We found that the Board does not require this employee to maintain a log of compensatory time earned or used and the employee is not maintaining a log. The Board is also not meeting with this employee on a quarterly or annual basis to review compensatory time balances or cashing these balances out annually. Because the employee did not maintain a log, we were unable to determine if he was owed any compensatory time or if he had used past time earned. Compensatory time tracking sheets and Board oversight ensure employees receive time off or payouts to which they are entitled.

Vacation — Employees that work a minimum of 20 hours per week are eligible for one week of vacation per year after the first year of employment. However, the Village’s policy is silent regarding accruing vacation time over multiple years, maximum accrual amounts or payouts upon separation.

Currently one employee, who has worked 28 years for the Village, is eligible for vacation leave. This employee told us he has never used vacation leave when he takes time off,³ does not know how much vacation leave he earns each year and does not know how much leave he has accrued nor how much he will be entitled to as a payout upon retirement. This employee does not use a time attendance system or maintain leave records for time taken or accrued. Because the employee handbook is deficient regarding the accrual of vacation time, the Village could potentially be liable for large payouts for unused vacation time. For example, if the current eligible employee separated at the end of the fiscal year, the Village could be liable for a payout of over \$32,000 at his current salary rate, or 8 percent of the current year’s budget.

These deficiencies occurred because the Board was not aware of the importance of having these controls in place. Further, it was not aware of the Village policies established by the adopted employee handbook, or its duty to oversee and enforce the employee time and attendance policies and procedures.

² This report does not address whether the Village’s policy relating to compensatory time is consistent with the requirements of the federal Fair Labor Standards Act (FLSA). The Board may wish to review the requirements of the FLSA concerning compensatory time with the Village’s legal counsel and, if necessary, consult with the United States Department of Labor to assess whether the Village’s policy is consistent with the provisions of the FLSA.

³ This employee believes he has used earned compensatory time when he takes leave.

Recommendations

The Board should:

1. Review and update the employee handbook to include guidance on timekeeping procedures and the accrual and use of vacation and sick time.
2. Require that Village officials follow the updated employee handbook policies.

APPENDIX A
RESPONSE FROM LOCAL OFFICIALS

The local officials' response to this audit can be found on the following pages.

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May 8, 2017

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Binghamton, New York 13901-4417

Dear [REDACTED]

This letter is intended to serve as a response from the Village of Freeville Board of Trustees, to the office of the State Comptroller's draft audit report titled Time Attendance and Leave Accruals, and as our corrective action plan (CAP) to address recommendations made in the report. All members of the Board have reviewed the response and the CAP as outlined below, and have approved both.

In response to the OSC's audit report:

1. The Board acknowledges the shortcomings identified through the audit process with regard to procedures relating to the review and approval of employee time sheets. The report found that while all time sheets from the Justice Court and Department of Public Works were properly approved and signed by the employees' direct supervisors, time sheets from the former Deputy Village Clerk and current Clerk were not consistently approved and signed, and those from the current Treasurer were never approved and signed.

The Board recognizes that it is the responsibility of the Mayor, as the direct supervisor of the Clerk and Treasurer, to review and approve their time sheets, and agreed that immediate corrective action was necessary to be in compliance with the requirements of a Village employee handbook issued in November, 2005.

2. The audit report noted that the 2005 employee handbook outlines a policy whereby non-exempt employees who work more than 40 hours per week may earn compensation in the form of overtime pay or compensatory time off at a rate of one-and-one-half times their regular rate of pay. The report further noted that the Village's one full-time employee has not been required by the Board to maintain a log of compensatory time earned or used, as called for in the handbook, or, as the handbook requires, to meet with the Board on a quarterly or annual basis to review compensatory time balances and to cash out those balances annually.

While the Board stands by these reporting and compensation policies for full-time non-exempt employees, and agrees that the required procedures must be followed in cooperation with such employees, we believe that based on the regulations of the Fair Labor Standards Act, the full-time position in question was incorrectly classified as a non-exempt position in the 2005 handbook, and that as a salaried department head and supervisor, this particular employee is not entitled to overtime pay or compensatory time off.

3. The report noted that the employee handbook states that benefit-eligible employees (those working a minimum of 20 hours per week) are eligible for one week of paid vacation per year after the first year of employment, but that the policy “is silent regarding accruing vacation time over multiple years, maximum accrual amounts or payouts upon separation.”

The Board recognizes that the existing vacation policy does not address the accrual and use of vacation time over multiple years, and agrees with the recommendation that the handbook be reviewed and updated with a view to fleshing out the policies on vacation and sick time.

Corrective Action Plan

Audit Recommendations:

The Board should:

1. **Review and update the employee handbook to include guidance on timekeeping procedures and the accrual and use of vacation and sick time.**
2. **Require that Village officials follow the updated employee handbook policies.**

Implementation Plan of Action:

The recommendation that Village officials follow existing policies on the review and approval of employee time sheets was implemented immediately after the OSC pointed out our failure to do so during a meeting with an auditor some two months before the draft audit report was presented to us. Since then, all time sheets have been reviewed and signed.

The Board will update the employee handbook with regard to policies on the accrual and use of vacation and sick time. We will take steps to confirm our assumption that our full-time employee is an exempt employee, and is therefore not eligible for overtime pay or compensatory time off, and will correct the handbook’s classification of that position accordingly.

Once the handbook has been updated, we will ensure that all Village officials and employees are aware of the amended policies, and that those policies are strictly adhered to.

Implementation Responsibility and Time Table:

The Village of Freeville Board of Trustees will undertake the task of implementing the recommendations contained in the OSC's audit report, and will make it a priority to do so. We will plan to complete the recommended additions to the employee handbook during the first half of the coming fiscal year, which will begin on June 1, 2017.

On behalf of the Board of Trustees, I would like to thank you and your colleagues for your careful and thorough review of Freeville's fiscal affairs and operational procedures. We very much appreciate your efforts to help us enhance the efficiency and effectiveness of our local governance.

Sincerely,

David Fogel
Mayor, Village of Freeville

cc: Jason Cuykendall, Deputy Mayor; Lotte Carpenter, Trustee; Miles McCarty, Trustee; Diana Radford, Trustee

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed Village officials and employees and reviewed the Board-adopted employee handbook to gain an understanding of the policies and procedures established by the Board regarding time attendance and leave accruals, including compensatory time.
- We reviewed all time sheets for the audit period to determine if time sheets were signed by employees and their direct supervisor.
- We interviewed the one employee that is entitled to vacation time to determine his understanding of the total accrual and payout of this benefit. We also calculated the total amount of unpaid vacation time this employee may have earned to determine the potential Village liability upon his separation.
- We interviewed the one employee eligible for compensatory time to determine if he is maintaining a log of time earned and used and if he is reviewing this log with the Board.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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