



Village of Nelliston

Department of Public Works Payroll

Report of Examination

Period Covered:

June 1, 2013 — November 30, 2014

2015M-104



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

August 2015

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 Village 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 Nelliston, entitled Department of Public Works Payroll. 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 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 Nelliston (Village) is located in the Town of Palatine in Montgomery County and has a population of approximately 600 residents. The Village provides fire protection, street maintenance, refuse disposal and water and sewer service to its residents. The Village's budgeted appropriations for 2014-15 were approximately \$464,000, of which about \$72,000 was for Department of Public Works (DPW) employee salaries. The expenditures were funded primarily with real property taxes, sales tax and water and sewer user charges.

The Village is governed by an elected Board of Trustees (Board) which is composed of two Trustees and the Mayor. The Mayor¹ serves as the Village's chief executive officer. The Board is responsible for managing Village operations, such as establishing and monitoring internal controls, adopting the annual budget, monitoring the finances and overseeing the work of department heads. The Clerk-Treasurer is the Village's chief fiscal officer, appointed by the Mayor, and is responsible for overseeing the Village's finances, preparing payroll and maintaining Village records. The DPW Superintendent (Superintendent), appointed by the Mayor, maintains all time and attendance records for DPW employees.

Objective

The objective of our audit was to examine the Village's DPW employee leave accruals and maintenance of payroll time records. Our audit addressed the following related question:

- Are DPW employee leave accruals calculated and payroll time records maintained accurately?

Scope and Methodology

We examined the Village's DPW payroll records for the period June 1, 2013 through November 30, 2014.

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.

¹ There were two Mayors in office during our audit period. The second Mayor (referred to as the former Mayor in this report) was appointed to fill the remainder of the first Mayor's term in February 2014. Subsequent to our audit work, the Village residents elected one of the Trustees to be the new Mayor (referred to as the current Mayor in this report).

**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. Village 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 the 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-Treasurer's office.

Payroll

Expenditures for salaries and benefits comprise a significant portion of a village budget. Generally, villages establish salaries and benefits for their employees in written policies or board resolutions. Village officials should develop policies and procedures that clearly inform all employees of their responsibilities for recording time worked along with protocols for leave time. Village policies should clearly define leave time benefits available to employees and ensure that department heads and supervisors verify leave is available before it is used and payments for unused leave are properly authorized.

Properly designed and accurately maintained timekeeping records are an important control over payroll expenditures. Timekeeping records should contain the information necessary to account for an employee's entire workday, including start and end times, leave accrual use and dates the work was performed. If a time clock is used to record time in and out, all handwritten entries should be initialed by the employee's supervisor to indicate their accuracy. Supervisors should review their employees' time records and attest to the accuracy of those records. The Board and Village officials must establish and enforce policy limitations on leave time accrual use and maintain accurate records to prevent improper payments or misuse of leave benefits.

The Board did not establish policies and procedures to provide guidance to Village employees or implement sufficient controls over leave accruals and payroll timekeeping to ensure that the Superintendent's leave time was accurately accounted for. As a result, the Superintendent carried over unused leave time from year-to-year valued at approximately \$57,000 as of November 28, 2014. Although Village officials discussed the Village's payroll and leave accrual procedures with employees, no comprehensive written payroll timekeeping and leave time accrual policies and procedures were in place to provide further guidance.

The former Mayor told us that each pay period the Superintendent is required to complete a time sheet and accrue vacation and sick leave and use accrued vacation time during the calendar year, when possible. The Superintendent told us DPW employees are supposed to use the time clock to record their work hours. However, without a written policy, there is no formal guidance regarding the accrual and use of leave time or time clock use.

Leave Accruals – The Superintendent is the only full-time Village employee and the former Mayor stated he is entitled to paid leave

time, accruing four hours of vacation leave and four hours of sick on a biweekly basis for a total of 104 hours of vacation and 104 hours of sick leave each calendar year. However, he does not prepare leave request forms to obtain the Board's approval to use leave time.

The Superintendent maintains leave accruals balances on his handwritten time sheets, documenting leave time earned and used each pay period and the ending sick and vacation leave accrual balances. While the former Mayor reviewed and signed the Superintendent's time sheets, he told us he did not verify if leave accrual balances were accurate. The former Mayor also stated that the Superintendent is expected to use the vacation time accrued during the calendar year; however, the Board has not adopted any formal guidance regarding the accrual and use of leave time. Therefore, the Superintendent carries any unused leave time balances from one year to the next.² As of November 28, 2014, the Superintendent accrued 1,115 hours of vacation leave and 1,935 hours of sick leave. The combined value of 3,050 hours of unused leave time totaled approximately \$57,000 or 12 percent of the Village's annual budget.

We reviewed the Superintendent's time sheets during six months of our audit period (14 time sheets)³ to verify that the days he recorded using leave on his time records were properly deducted from the leave accrual balances. We found that all of the leave used was properly deducted from the leave accrual balances. We also verified that the amounts of leave credited and carried forward were in accordance with the former Mayor's expectations of four hours for vacation and four hours for sick per pay period.

Timekeeping – Village officials did not develop formal policies and procedures to provide guidance on documenting the time worked by employees and require an adequate review of time and payroll records. The Village uses time sheets and timecards to track DPW employee work hours. The Superintendent prepares a time sheet which he signs and the Mayor approves. The part-time DPW employees punch a timecard on an electronic time clock and sign the timecard at the end of each pay period and the Superintendent initials the back of the cards to indicate his approval of the employees' timecards.

We reviewed 45 timecards of part-time DPW employees for six months during our audit period⁴ and found these timecards showed the month and year but not the actual days the employee worked.

² The Village has not established a policy regarding the amount of leave time the Superintendent may carry over or maximum accrual limits.

³ See Appendix B, Audit Methodology and Standards, for information on our sample selection.

⁴ Ibid.

The Superintendent made 77 hand written notes on these timecards for a variety of reasons, including if the time clock was not working correctly, if the employees forgot to punch the time clock or if the employees left work from the field at the end of the workday rather than returning to the DPW garage. Due to the small workforce, the Superintendent said he was aware of his employees' work schedules. Our review of the Superintendent's timecards notes did not disclose any entries that appeared inaccurate.

We also traced the number of hours shown on the payroll records to the Superintendent's time sheets and employees' timecards to determine whether the hours recorded on payroll records agreed with the hours shown on the time sheets and the timecards. We found the hours on the payroll records agreed with the time records.

Although we did not find any material deficiencies with accounting for the Superintendent's leave time and DPW employees' timekeeping, the failure to develop and implement formal policies and procedures over leave accruals and timekeeping, including a review of time and payroll records, increases the risk of errors or abuse occurring and remaining undetected. The current Mayor told us he would prepare a Village employee handbook to address leave accrual time earned and used.

Recommendations

The Board should:

1. Adopt comprehensive written payroll timekeeping and leave time accrual policies and procedures.
2. Ensure timekeeping records for the DPW employees contain detail information of the dates of the days worked.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

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

MAYOR
Douglas Bathrick

OFFICE OF
BOARD OF TRUSTEES
Village of Nelliston
P.O. Box 305
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Nelliston, NY 13410

Incorporated
as a Village
in 1878

TRUSTEES
Debra Gros
Sarah Yerdon

CLERK/TREASURER
Lynda D. Conrad

August 7, 2015

State of New York
Office of the State Comptroller
Jeffrey P. Leonard, Chief Examiner
Glens Falls Regional Office
One Broad Street Plaza
Glens Falls, New York 12801-4396

RE: Village of Nelliston
Department of Public Works Payroll
Period Covered:
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Dear Chief Examiner Jeffrey P. Leonard:

We are combining our Audit Response Letter and our Corrective Action Plan with this letter.

On behalf of the former Village of Nelliston Board Members and Mayor, we agree (the newly elected Village Board as of April 1, 2015) with the findings in this report, and the matter has been resolved with the employee to everyone's satisfaction.

The new Village Board's (as of April 1, 2015) corrective action plan (CAP) is, we have drafted an Employee Handbook, to be finalized and implemented with full agreement and satisfaction of the complete Village Board. This new Employee Handbook is to be implemented on or about our September 17, 2015 Village Board meeting.

Douglas Bathrick, Mayor Village of Nelliston

8/10/15

Date

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to review the Village's payroll operation. We obtained an understanding of the Village's payroll system by interviewing appropriate Village officials, performing tests of the payroll operation and reviewing pertinent documents.

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

- We determined if the Board adopted written policies and procedures providing guidance and internal controls as it relates to the DPW employee timekeeping process and leave accruals.
- We determined if DPW employees complied with the policies and procedures for employee timekeeping.
- We determined if the Superintendent's leave time earned and used was adequately and accurately documented. We tested the leave accrual records during June, September and November in 2013 and June, August and October in 2014. We use a random number generator to select these months.
- We determined if the Town's timekeeping mechanisms (e.g., handwritten time sheets, punch clocks) adequately and accurately documented the time worked by DPW employees. We reviewed payroll records for all DPW employees during the six previously selected months. We traced the hours worked from payroll records to the timecards and time sheets. We also calculated the number of hours employees were paid for each week of the selected month and compared our calculation to the hours shown on the respective timecards.
- We interviewed Village officials and documented the reasons why the exceptions we identified during our testing were not in accordance with Village policy and good business practices.

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.

APPENDIX C

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