



# Town of Lake Luzerne

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## Payroll

2022M-98 | July 2023

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# Report Highlights

## Town of Lake Luzerne

### Audit Objective

Determine whether the Town of Lake Luzerne (Town) Town Supervisor (Supervisor) ensured payroll payments were accurate and in accordance with Town policies.

### Key Findings

The Supervisor did not ensure payroll payments were accurate or in accordance with Town policies. Town officials:

- Did not properly review and certify payroll; 15 of 54 payroll registers reviewed were not certified.
- Accepted incomplete time records for processing payroll; none of the 67 timecards reviewed contained all punches for time in/out.
- Inaccurately calculated overtime payments to hourly employees, resulting in overpayments of \$8,052 out of \$47,192 overtime payments reviewed.
- Did not always pay wages at Board-approved rates, resulting in \$13,650 annual increase to the Town's payroll that the Board did not approve.

### Key Recommendations

- Ensure payrolls are reviewed and certified.
- Ensure timecards are complete and fully in compliance with the Town's policy.
- Ensure overtime is paid in accordance with the Town's policy.
- Ensure the Board approves the salary or hourly wages of all officers and employees by position.

Town officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

### Background

The Town is located in Warren County (County). The Town is governed by an elected five-member Board composed of the Supervisor and four Board members. The Board is responsible for overseeing the Town's operations and finances.

The Supervisor serves as the chief executive and chief fiscal officer and is responsible for the day-to-day operations. The Supervisor is assisted by a bookkeeper who prepares and processes payroll.

The Town has an elected Highway Superintendent (Superintendent) who is responsible for overseeing all highway department operations. The Director of Building and Grounds (Director) oversees the building and grounds operations.

#### 2021 Quick Facts

|                                 |             |
|---------------------------------|-------------|
| Employees and Elected Officials | 38          |
| <b>Salary/Wages</b>             |             |
| Paid                            | \$1,163,267 |
| Audited                         | \$338,908   |

### Audit Period

January 1, 2020 – March 2, 2022

This report was held due to a separate investigation involving a former Town Board member. He was arrested for stealing a total of \$131,485.96 from the South Warren Snowmobile Club, the Hadley-Luzerne Lions Club and the Luzerne Cemetery Association. In the Spring of 2023, he pled guilty and paid full restitution of \$131,485.96.

# Payroll

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## How Does a Town Accurately Pay Employees' Salaries and Wages?

Town officials should establish internal controls to ensure employees are paid accurately. The governing board should establish and approve all salary and hourly wages by position including any changes in pay rates made during the fiscal year. Further, the board should standardize wage increases for the attainment of credentials or qualifications such as a commercial driver's license. Establishing wages by position and standardized increases for obtaining credentials improves accountability and transparency.

Employees should use timesheets or timecards that document actual days and hours worked to ensure they are paid for only those hours documented. Direct supervisors should sign the timesheets or timecards to certify the hours were actually worked. Further, when staff either forget to punch in/out or when it is not practical for them to do so due to working off-site, the direct supervisor should manually record the staffs' actual in/out work time and initial this entry on the timecard to certify that these times are accurate. Using timeclocks to record arrival and departure times provides additional control over days and hours worked. Towns are required to have all payrolls certified by a town officer or direct supervisor of the employee to provide assurance that services indicated on the payroll were performed.

The Town re-adopted the Town's Employer and Employee Procedure Policy (policy) in 2020, 2021 and 2022. The policy states that overtime shall be paid at the rate of one and one-half times the hourly rate for all hours that exceed 40 hours worked each week, not including paid leave time. The policy also states that all hourly employees shall work Monday through Friday from 7:00 am to 3:30 pm with the 30 minutes between 12:00 pm and 12:30 pm as an unpaid lunch period. The Board must approve exceptions to this schedule. Each employee must personally punch their timecard each time they begin and end the workday, as well as at the beginning and end of any lunch or unpaid period of time.

## Payroll is Not Adequately Reviewed and Certified

We reviewed all 54 biweekly payroll registers for salary and wages paid during our audit period and found that only the last 15 payrolls registers, beginning in July 2021, were certified by the Supervisor or Deputy Supervisor. Under the Town Attorney's advisement, the Deputy Supervisor began certifying the biweekly payroll in July 2021, while the Supervisor was on leave. The Supervisor was unaware of the signature certification prior to June 2021, when he went on leave. When the Supervisor returned in September 2021, the Board formalized the requirement by Board resolution.

Further, the Supervisor explained that he reviewed the payrolls and manually signed each payroll check and reviewed each direct deposit slip. However, the

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The Supervisor was unaware of the signature certification requirement prior to June 2021. ...

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Supervisor's review was inadequate because he did not perform additional procedures to ensure payroll complied with Town policy with regards to preparing complete timecards, calculating overtime pay, and paying salaries and wages in accordance with Board approval. The Supervisor's failure to perform such procedures contributed to the findings detailed in this report.

In addition, Town employees are not required to sign their timecards, and the two department heads (Superintendent and Director) responsible for reviewing timecards and preparing payroll summaries for their departments do not sign employees' timecards to attest the hours were worked and do not always sign the summary sheets they prepare and submit to the bookkeeper for processing.

The certification signature provides some assurance that payroll was reviewed by someone other than the payroll preparer. When payrolls are not properly reviewed and certified, there is an increased risk that employees could be paid for hours not worked, and that errors or irregularities could occur without detection.

### **Timecards Were Incomplete**

Town officials did not enforce the Town's policies or ensure payroll records accurately recorded the number of hours employees worked each day. Hourly employees are required to utilize a time clock to document hours worked. We found that timecards submitted by all Town departments (highway and buildings and grounds) did not reflect punch out/in time for the unpaid lunch period as directed by the Town's policy. However, we did note that 30 minutes was generally subtracted from daily hours. We also found instances where employees in the buildings and grounds department were credited with hours worked even though the mechanical punch in and/or punch out times were missing from their timecard. When the bookkeeper processes payroll, she relies on the pay summaries that the department heads prepare and generally does not review timecards. As a result, there is a high risk the Town has paid employees for time not worked.

Based on the incomplete timecards submitted by the building and grounds department, we reviewed 67 timecards from this department for all nine employees. While none of the timecards reflected a punch out/in time for lunch, 30 minutes was generally subtracted from daily hours. There were also 48 missed punch time entries on 35 timecards reviewed that did not include a punch in and/or out time clock entry. According to the acting Director, when employees are working off-site (such as for Town beach cleanup), they did not always return to the building and grounds building at the end of their shift to punch out. As a result, officials have no assurance employees working off-site actually worked a full shift. The Director or acting Director (the former Director retired July 2020) wrote the total work hours for those days on the timecards and included them in the total hours for the time period on the payroll summary sheet. However, the actual in/out times were not recorded on the timecards, and the Director or acting Director

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did not sign or initial the timecards to indicate approval of this correcting entry. For 26 of the 48 missed punches, 99 hours of overtime was paid at a cost of \$1,530. Without complete and accurate time records, there is a risk that employees are not properly paid for the hours worked.

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### **Overtime Was Not Properly Paid**

We reviewed all 164 instances when hourly employees (highway and buildings and grounds) were paid a total of \$47,192 for leave time and overtime in the same pay period from January 1, 2020 through November 21, 2021. We found the bookkeeper improperly calculated paid overtime, resulting in overpayments to employees totaling \$8,052 because paid time off was incorrectly included in the overtime calculation. This occurred because the Supervisor and Deputy Supervisor directed the bookkeeper to include paid time off when calculating overtime pay, which is not consistent with the Town's policy. On December 13, 2021, the Board passed a resolution amending the Town's overtime policy to include paid leave time when calculating overtime pay and made it retroactive to November 22, 2021. While the Board later approved this practice for calculating overtime, it was not provided with an opportunity to assess the impact of this change on the Town's budget and finances prior to the Supervisor's direction for the bookkeeper to include paid leave when calculating overtime payments. As our audit found, this practice cost taxpayers an additional \$8,052 during our audit period.

### **The Board Did Not Approve All Wage Increases**

The Town generally increases employee salaries and wages during the budget development process based on the resources available and cost of living increases. The Board then approves the salary and wage increases as part of the Town budget adoption. While the Board lists the salaries of elected officials in a public notice as required by law and lists the approved salaries of appointed and elected officials in the Town's organizational meeting minutes, it does not annually list the hourly wages for positions such as laborers, truck drivers, machine operators and mechanics, nor does the Board standardize wage increases for the attainment of credentials or qualifications such as a commercial driver's license.

In 2020, eight employees received mid-year wage increases. These raises ranged from 50 cents to \$2.50 per hour with an estimated increase of \$525 to the Town's biweekly payroll, or \$13,650 annually. We found no evidence that the Board approved these pay raises. The Supervisor explained that pay raises during the year resulted from increases in responsibility, changes in job duties, or the attainment of additional qualifications or credentials. The Supervisor told us that five of the eight employees who are assigned to the buildings and grounds department took on additional duties and responsibilities with the

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former Director's retirement. The remaining three employees are assigned to the highway department and were also given wage increases by the Town Supervisor to match wages with the increases given to the building and grounds department. However, the wage increases were not approved as part of the budget or by Board resolution. While annual pay increases approved by the Board for 2021 and 2022 agreed to the payroll for all hourly employees, the Supervisor did not prepare a schedule of current pay rates by title and employee and the impact of any proposed rate increases for Board review and approval during the annual budget development process.

Wage increases must be approved by a Board resolution. The Supervisor approving pay raises after the budget was developed resulted in the lack of transparency and lack of any Board oversight or approval.

The Board would have been transparent with Town taxpayers and residents if had it reviewed and approved a formal, complete salary schedule for all employees been prepared and approved by the Board each year. Without clear Board authorization for salaries and wages by resolution, there is an increased risk that officers and employees will not be paid accurately or in the amounts the Board intends.

## **What Do We Recommend?**

The Board should:

1. Establish and approve the salary or hourly wages of all officers and employees by position or by name.
2. Standardize wage increases for the attainment of credentials or qualifications such as a commercial driver's license.
3. Require employees and department heads to sign timecards and their respective supervisor to certify that the time was worked.

The Supervisor should:

4. Ensure the Town's payroll complies with Town policy with regards to preparing complete timecards, calculating overtime pay and paying salaries and wages in accordance with Board approval.
5. Ensure all summary payroll sheets are certified by the appropriate department head prior to submission to indicate they are accurate and for services rendered.
6. Certify the Town's final payroll.

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Department heads should:

7. Ensure timecards are complete, signed by employees and fully compliant with the Town's policy.
8. Review, approve and sign all timecards to ensure accuracy of hours worked.

# Appendix A: Response From Town Officials



## *Town of Lake Luzerne, New York*

P.O. Box 370, 539 Lake Avenue 12846

*Gene Merlino*

*Supervisor*

E-mail: [supervisorlakeluzerne@hotmail.com](mailto:supervisorlakeluzerne@hotmail.com)

*Cynthia Sherwood*

*Town Clerk*

E-mail: [lakeluzerne@albany.twcbc.com](mailto:lakeluzerne@albany.twcbc.com)

Website: [townoflakeluzerne.com](http://townoflakeluzerne.com)

*Town Council*

*Michael Fazio*

*Timothy Hanlon*

*Paul Lewandowski*

*James Niles*

Phone - 518-696-2711

Fax - 518-696-2773

June 28, 2023

NYS Office of the State Comptroller  
Gary G. Gifford, Chief Examiner, Glens Falls Regional Office  
One Broad Street Plaza  
Glens Falls, NY 12801

Dear Mr. Gifford:

The Town of Lake Luzerne is in receipt of the preliminary draft findings for the payroll audit period of January 1, 2020 – March 2, 2022. The Town of Lake Luzerne does not dispute the findings in the audit report.

The Key recommendations and subsequent corrective actions:

- Ensure Payrolls are reviewed and certified: The Supervisor was previously unaware of the signature certification; upon learning of the requirement each payroll has been certified beginning in July 2021.
- Ensure timecards are complete and fully in compliance with the Town's policy: The Town Board will be reviewing the Employer and Employee Procedure Policy regarding timecards, specifically the requirement that employees punch in and out for lunch. This does not prove efficient for the departments that are working away from the garage for the day, these were a large portion of the missing punches.
- Ensure overtime is paid in accordance with the Town's policy: The Town Board of Lake Luzerne passed Resolution # 182 of 2021. The Town's Overtime Policy is amended to include Sick-Leave time, Vacation time, and Personal time in calculating time worked in excess of forty hours per week.
- Ensure the Board approves the salary or hourly wages of all officers and employees by position: The Town Board has been provided with a Proposed Salary listing for all employees during the budget process for the last two years. This document then becomes the bookkeeper's reference for all salaries.

Thank you for your thorough examination and help in understanding and correcting issues raised during the audit examination.

Sincerely,

Eugene J. Merlino

Town Supervisor

## Appendix B: Audit Methodology and Standards

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We conducted this audit 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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed Town officials and reviewed Board minutes and the Board-adopted policy to gain an understanding of the procedures for payroll and time records.
- We reviewed and compared the wages and salaries for elected officials and the bookkeeper during 2020 and 2021 to evaluate whether salaries were paid pursuant to the advertised public notice and documented in the Board minutes.
- We reviewed 54 biweekly payroll registers to determine whether they were properly certified by the Town Supervisor.
- We reviewed 336 timecards in nine judgmentally selected pay periods to determine whether they were complete and compliant with the Town's policy and whether they were signed by the employee or supervisor. We used our professional judgment to select pay periods that covered both winter and summer months during the audit period. We reviewed the same nine pay periods to determine whether proper deductions were being made for the employee's share of health insurance.
- We reviewed all 67 timecards for building and grounds staff for eight consecutive weeks (July 6, 2020 through August 30, 2020) to determine whether they were complete and compliant with the Town's policy and whether they were signed by the employee or supervisor. We selected these eight consecutive weeks to cover the summertime when building and grounds staff work additional hours maintaining the Town's beaches.
- We reviewed all regular hourly employees' pay rates for 2020 through 2022 to determine whether pay rates were approved by Board resolution or within the adopted budget and whether they were accurate.
- We reviewed the records for all 164 instances where employees received paid time off and overtime pay in the same two week pay period.

We conducted this performance audit in accordance with generally accepted government auditing standards (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.

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

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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.

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 provided 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 the CAP available for public review in the Town Clerk's office.

## Appendix C: Resources and Services

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### **Regional Office Directory**

[www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf](http://www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf)

### **Cost-Saving Ideas** – Resources, advice and assistance on cost-saving ideas

[www.osc.state.ny.us/local-government/publications](http://www.osc.state.ny.us/local-government/publications)

### **Fiscal Stress Monitoring** – Resources for local government officials experiencing fiscal problems

[www.osc.state.ny.us/local-government/fiscal-monitoring](http://www.osc.state.ny.us/local-government/fiscal-monitoring)

### **Local Government Management Guides** – Series of publications that include technical information and suggested practices for local government management

[www.osc.state.ny.us/local-government/publications](http://www.osc.state.ny.us/local-government/publications)

### **Planning and Budgeting Guides** – Resources for developing multiyear financial, capital, strategic and other plans

[www.osc.state.ny.us/local-government/resources/planning-resources](http://www.osc.state.ny.us/local-government/resources/planning-resources)

### **Protecting Sensitive Data and Other Local Government Assets** – A non-technical cybersecurity guide for local government leaders

[www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.pdf](http://www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.pdf)

### **Required Reporting** – Information and resources for reports and forms that are filed with the Office of the State Comptroller

[www.osc.state.ny.us/local-government/required-reporting](http://www.osc.state.ny.us/local-government/required-reporting)

### **Research Reports/Publications** – Reports on major policy issues facing local governments and State policy-makers

[www.osc.state.ny.us/local-government/publications](http://www.osc.state.ny.us/local-government/publications)

### **Training** – Resources for local government officials on in-person and online training opportunities on a wide range of topics

[www.osc.state.ny.us/local-government/academy](http://www.osc.state.ny.us/local-government/academy)

## Contact

Office of the New York State Comptroller  
Division of Local Government and School Accountability  
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: [localgov@osc.ny.gov](mailto:localgov@osc.ny.gov)

[www.osc.state.ny.us/local-government](http://www.osc.state.ny.us/local-government)

Local Government and School Accountability Help Line: (866) 321-8503

**GLENS FALLS REGIONAL OFFICE** – Gary G. Gifford, Chief of Municipal Audits

One Broad Street Plaza • Glens Falls, New York 12801-4396

Tel (518) 793-0057 • Fax (518) 793-5797 • Email: [Muni-GlensFalls@osc.ny.gov](mailto:Muni-GlensFalls@osc.ny.gov)

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