



Village of Herkimer

Payroll

2025M-37 | July 2025

Contents

Audit Results	1
Audit Summary	1
Payroll Findings and Recommendations	3
Finding 1 – Village officials paid salaries and wages as authorized, but did not maintain adequate employee time records.	3
Recommendations	4
Finding 2 – Village officials did not ensure separation payments were consistent with language in an applicable CBA or supported by an employment contract or local enactment, resulting in errors and questionable or unsupported payments and benefits provided to former employees totaling \$73,877.	5
Recommendations	7
Finding 3 – The DPW and the Water and Sewer Department did not have a detailed written overtime policy.	8
Recommendation.	8
Finding 4 – DPW and Water and Sewer Department employees incurred overtime that was not adequately documented or consistent with language set forth in their applicable CBA.	8
Recommendations	10
Finding 5 – Direct supervisors did not review or certify payroll registers before officials and employees were paid.	10
Recommendation.	11
Appendix A: Profile, Criteria and Resources.	12
Appendix B: Response From Village Officials	14
Appendix C: OSC Comments on the Village’s Response	16
Appendix D: Audit Methodology and Standards.	17

Audit Results

Village of Herkimer



Audit Objective

Audit Period

Did Village of Herkimer (Village) officials pay salaries, wages and separation payments as authorized and ensure adequate employee time records were maintained?

June 1, 2022 – December 20, 2024

Understanding the Program

Employee compensation, including regular salaries and wages, overtime and payments to employees for unused leave accruals or other benefits upon separation from service, represent significant costs for the Village. For the 2024-25 fiscal year, the Village's budgeted appropriations totaled \$9.5 million, with employees' salaries, wages and benefits accounting for \$7.0 million (74 percent) of the total.

To properly control and account for these costs, Village officials must ensure employees only receive the compensation approved by the Village Board (Board) to which they are entitled, and time records adequately support and document employees' hours worked.

Audit Summary

Village officials paid salaries and wages as authorized, but did not maintain adequate employee time records or ensure separation payments were accurate or adequately supported. Furthermore, employees were paid for overtime that, in some instances, was not adequately documented or consistent with language in their applicable collective bargaining agreement (CBA). Direct supervisors also did not review or certify payroll registers, a detailed record of all payroll information for a specific pay period, including employee names, hours worked, gross pay, deductions, and net pay, before officials and employees were paid, as required by New York State Village Law (Village Law) Section 5-524.

We reviewed the gross payments and time records for 15 employees¹ that were paid a total of \$260,030 for six pay periods. In general, salaries and wages were paid as authorized and employees' hours were correctly entered into the payroll system. However, time records were not always:

¹ Refer to Appendix D for further information on our sample selection.

-
- Prepared by the employees,
 - Certified (signed) by the employees,
 - Completed properly to include the employees' beginning and ending times, or
 - Reviewed by a supervisor.

We also identified three employees who retired from the Village and received separation payments and other separation-from-service benefits totaling \$128,254. While calculations were available for the three employees to substantiate the cash payments and benefits each received upon separation, these calculations were not always consistent with the language in the applicable CBA or there was no individual employment agreement (employment contract) or local enactment to authorize and support the amounts paid. As a result, these employees received either questionable or unsupported separation payments and benefits or did not receive certain benefits to which they were entitled, totaling \$73,877.

The Board did not develop or adopt any written policies or procedures for overtime, and instead relied on each Village department to complete this task. While both the Police and Fire Departments developed adequate written procedures for overtime, no written policies or procedures were developed by the Department for Public Works (DPW) or Water and Sewer Department. Therefore, we reviewed the time records for five employees from these two departments to determine whether overtime was adequately documented. In total, these five employees were paid \$67,727 for 1,974 hours of overtime that was either not adequately documented or, in some instances, consistent with language in their applicable CBA.

In addition, although payroll registers were reviewed by either the Clerk-Treasurer or Deputy Treasurer during payroll processing, they were not provided to direct supervisors for review or certification as required by Village Law Section 5-524.

When adequate employee time records are not maintained, and separation payments and overtime are not adequately documented or supported, there is an increased risk the Village may provide compensation to employees that they are not entitled to receive.

The report includes 14 recommendations that, when implemented, will improve the Village's payroll process. Village officials agreed with our recommendations and have initiated or indicated they plan to initiate corrective action. Appendix C includes our comments on issues raised in the Village's response.

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. Our methodology and standards are included in Appendix D.

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 the New York State 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 Clerk-Treasurer's office.

Payroll Findings and Recommendations

When processing payroll, employees should only receive salaries and wages as established and approved by the board. Furthermore, to evidence actual hours worked, detailed time records should be prepared by employees and reviewed and approved by supervisory personnel.

In addition to paying salaries and wages, villages generally have the authority to make cash payments of the monetary value for all or a portion of an officer's or employee's earned but unused leave accruals when they separate from village employment. A village may also establish and provide other separation-from-service benefits or payments to officers and employees that meet certain specified requirements. The authority to make such payments may be pursuant to a CBA, employment contract, or, in some circumstances, pursuant to a preexisting local enactment, and should be paid in accordance with those terms and conditions. However, in the absence of a preexisting local enactment or agreement, the courts have found that the local government should not make such payments.

A board and village officials should also develop and adopt written policies and procedures to help monitor and control overtime costs. Officials should ensure that the overtime worked by employees is necessary, pre-approved and adequately documented.

More details on the criteria used in this report, as well as resources we make available to local officials that can help officials improve operations (Figure 1), are included in Appendix A.

Finding 1 – Village officials paid salaries and wages as authorized, but did not maintain adequate employee time records.

We reviewed the gross payments and time records for 15 employees² who were paid a total of \$260,030 for six pay periods during our audit testing period of June 1, 2022 through March 31, 2024. We assessed whether salaries and hourly wage rates were paid as authorized by a Board resolution, Board-approved CBA or employment contract. In addition, we reviewed hours worked as shown on time records to determine whether they were correctly entered into the Village's payroll system. Finally, we determined whether time records were prepared and signed by employees, adequately documented the days and hours worked, and showed evidence of supervisory review.

Except for minor discrepancies discussed with Village officials, salaries and wages were paid as authorized and employees' hours were correctly entered into the payroll system. However, Village officials did not always maintain adequate time records for the employees we reviewed. For example:

- Some employees did not prepare their own time records, and most did not certify or attest to their hours worked. For the six Police and Fire Department employees in our sample, a supervisor recorded the days and hours worked for each employee each day. At the end of each pay period, another supervisor or the department head totaled the hours worked for each employee

² Refer to Appendix D for further information on our sample selection.

and submitted a summary to the Clerk-Treasurer's Office for processing. As a result, these employees were not involved in documenting their time and attendance, and did not prepare or sign their own time record. In addition, seven employees from other departments, who prepared time sheets or punched timecards, did not sign their time records or provide some other form of attestation. In total, 13 of the 15 employees (87 percent) we reviewed did not sign their own time record or provide some other type of documentation to attest to the hours they worked. Requiring employees to prepare and sign their own time record, or provide some other form of attestation, prior to supervisory review of the time records can increase accountability and can help ensure their time and attendance has been accurately documented.

- Fire Department time records did not properly document employees' hours worked. While the time records showed the total number of hours worked by each employee each day, employees' beginning and ending times were not recorded. Without recording the time periods that employees work each day, Village officials may find it difficult to address time and attendance issues, such as addressing tardiness; holding employees accountable for the specific hours worked each day; or ensuring adequate employee coverage is always maintained.
- Department heads' time records were not reviewed by a supervisor, which would be the Village Mayor (Mayor). We examined the time records for three department heads included in our sample and determined that the Mayor did not review or approve any of the records. Although two of the three department heads are paid a salary that generally does not fluctuate with the hours worked, the Mayor's review of time records is necessary to monitor the use of leave accruals and ensure department heads are sufficiently present to oversee employees and fulfill their duties and responsibilities.

The Clerk-Treasurer stated the Board did not develop or adopt an employee handbook or otherwise communicate to department heads how to properly track employees' time and attendance. The Mayor stated she was in constant communication with all department heads, but was unaware she should have been reviewing and approving their time records.

Recommendations

1. The Board should develop and adopt written policies and procedures for time and attendance that require employees to prepare and certify (sign) detailed time records that include each day's beginning and ending time.
2. The Mayor should review and sign department heads' time records to approve the hours worked and leave accruals used.

Finding 2 – Village officials did not ensure separation payments were consistent with language in an applicable CBA or supported by an employment contract or local enactment, resulting in errors and questionable or unsupported payments and benefits provided to former employees totaling \$73,877.

In addition to establishing wages and salaries, villages generally have authority to make cash payments of the monetary value for all, or a portion of, an officer or employees earned but unused leave accruals upon separating from service. During our audit period the Village had three Board-approved CBAs that generally stipulated the terms and benefits for employees, including provisions related to separation payments and other separation-from-service benefits.

The language in all three CBAs generally allowed eligible employees, upon retirement, to receive cash payments for accrued but unused sick leave, apply the value of their unused sick leave toward the cost of future health insurance premiums, and/or exchange unused sick leave for health insurance coverage to be provided by the Village based upon a pre-determined rate (i.e., two days of unused sick leave for one month of health insurance coverage).

Additionally, a village may establish, typically pursuant to a CBA, “retirement incentives” to officers or employees that meet certain specified requirements (e.g., lump sum payment based on years of service). Pursuant to language in two of the CBAs, employees who notified the Village, in writing, of their intent to retire, were authorized to receive a cash incentive (retirement incentive) if they left Village employment during their first year of retirement eligibility. Finally, all three CBAs authorized longevity payments to eligible employees based upon their years of service with the Village.

The Village had 15 employees who either retired or separated from service during our audit testing period. Three of these employees, who all retired from the Village, received separation payments and other separation-from-service benefits³ totaling \$128,254.⁴ We examined these separation payments and benefits to determine whether they were calculated correctly, adequately supported and provided in accordance with an applicable CBA, employment contract or local enactment. While calculations were available for the three employees to substantiate the cash payments and benefits each received upon separation, in some instances, the calculation was not consistent with language in an applicable CBA or there was no employment contract or local enactment to support the payments and benefits. As a result, these employees either received questionable separation payments and benefits that could not be supported, or did not receive certain benefits to which they were entitled, totaling \$73,877. Specifically,

³ For purposes of this report, other separation-from-service benefits include different options to convert earned, but unused sick leave in exchange for post-retirement health insurance coverage.

⁴ Amount includes the estimated value of health insurance coverage still being provided to a former department head each month. Our calculation of this benefit is detailed further below in this report.

-
- A former department head who retired in January 2023 received a separation payment totaling \$18,725 for a portion of their unused sick leave, a retirement incentive and longevity. In addition, the department head was allowed to exchange 114 days of unused sick leave for 57 months of health insurance to be provided by the Village. Using the cost of this coverage for the first month of the department head's retirement, the total cost to the Village, and value of this insurance benefit to the former department head, could total \$49,151 for all 57 months. The separation payment and insurance benefit provided to the department head was based upon language in a CBA applicable to the employees that the department head supervised. However, the department head was not a member of the union who was covered by the CBA and the CBA explicitly stated that the department head was not represented by the agreement. Furthermore, the Village had no employment contract with this department head stipulating benefits. While a municipality may extend benefits set forth in a CBA to non-union employees, pursuant to a local law, the Village provided no documentation demonstrating (i.e., a local law) that such benefits had been extended to non-union employees, such as the former department head. In the absence of such documentation, we question the appropriateness of the Village making a separation payment and offering health insurance benefits totaling \$67,876 to the former department head.
 - A former employee retired during their first year of eligibility and notified the Village, in writing, of their intent to do so. As a result, the employee was eligible for a \$4,000 retirement incentive, pursuant to language in their applicable CBA. However, the retirement incentive was not included in the employee's separation payment calculation and was not provided to the employee upon retiring from Village service.
 - Employees generally receive longevity payments at the beginning of the Village's fiscal year (June) for employment anniversary dates to be reached within the fiscal year. Additionally, it has been the Village's practice to provide prorated longevity payments to employees who retire from the Village, based upon the number of months they had already worked, at the time of separation, toward their next June longevity payment. Two former employees received a combined total of \$2,001 for prorated longevity, which was included in the separation payments they received upon their retirement.

However, the CBAs applicable to these employees are silent with respect to whether covered employees are entitled to a prorated longevity payment upon separation and the method used to prorate such payments. Given the Village's long-standing practice of providing longevity payments to its employees in this manner, we believe the Village has likely established a "past practice," which would allow for such payments to be made. However, going forward, if the Village intends to continue making such longevity payments, we recommend that future CBAs be amended to clearly provide for this benefit.

These separation payment issues occurred, in part, because the Board and Village officials did not develop any written policies or procedures for separation payments, which would have provided a process for calculating, reviewing and approving payments. As a result, none of the three separation payment calculations we examined showed evidence of review and approval prior to payment. Furthermore, the Clerk-Treasurer acknowledged that the \$4,000 retirement incentive, missing from one

former employee's separation payment calculation, was an oversight, which was corrected and paid to the employee during our audit fieldwork.

The Clerk-Treasurer also stated it had been the Village's long-standing practice to provide department heads with the same separation benefits upon their retirement as outlined in the CBA applicable to the employees in their department and to provide a prorated longevity payment to all retiring employees. However, Village officials could not provide any support, such as an employment contract or enactment of a local law, to demonstrate that the Board intended to extend benefits set forth in the CBA to non-union employees. Therefore, when separation payments and benefits are received by employees, in the absence of an applicable Board-approved CBA, employment contract or local enactment, the Board, Village officials, taxpayers and residents have less assurance that such payments and benefits are proper, calculated correctly and provided as the Board intended.

Recommendations

The Board and Village officials should:

3. Require separation payments and benefits be independently reviewed and approved to help ensure they are accurately calculated, supported and disbursed in accordance with the terms of applicable CBAs, employment contracts or local enactments.
4. Develop and adopt written policies and procedures for calculating separation payments, which should require adequate supporting documentation and an independent review and approval process.

The Board should:

5. Consult with legal counsel and determine the appropriate course of action to address the payments identified in this report that are inconsistent with the CBAs, contracts or local enactments.
6. Establish, through approved employment contracts or local enactments, the separation benefits to be provided to department heads and other employees not covered by the CBAs.
7. Consult with legal counsel and consider amending future CBAs to include additional language to help specify how to calculate longevity payments for eligible employees.

Finding 3 – The DPW and the Water and Sewer Department did not have a detailed written overtime policy.

The Board has not developed or adopted any written policies or procedures for overtime. The Clerk-Treasurer stated overtime rates and eligibility are generally outlined in the Village's CBAs. However, the CBAs did not include detailed policies or procedures with respect to when overtime may be incurred, and how the justification and preapproval of overtime should be documented.

We interviewed department heads and reviewed supporting documentation to determine whether additional overtime policies and procedures were available for Village departments. Both the Police and Fire Departments developed additional written procedures for overtime and used supplementary logs or forms to document the reason for and approval of the overtime worked. However, we determined that the DPW and the Water and Sewer Department did not develop similar policies or procedures for overtime.

The heads of the DPW and the Water and Sewer Department, who were appointed just prior to or during our audit fieldwork, stated they were new to their roles and had not been directed to develop written policies or procedures for overtime. However, in the absence of detailed policies or procedures for how and when overtime may be incurred, the use of overtime by DPW and Water and Sewer employees may not be adequately documented or supported.

Recommendation

8. The Board should consult with department heads and develop and adopt written policies and procedures that specify how and when overtime may be incurred and require documented prior approval and written justification for the work performed.

Finding 4 – DPW and Water and Sewer Department employees incurred overtime that was not adequately documented or consistent with language set forth in their applicable CBA.

Employees in the DPW and the Water and Sewer Department were paid wages of \$183,038 for overtime incurred during our 22-month audit testing period. The five employees with the most overtime wages during this period were paid \$114,279 (62 percent) of the total overtime incurred by these departments. Because these departments lacked written policies and procedures for overtime, we reviewed the time records for these five employees to determine whether the recorded overtime was adequately documented.

In total, these five employees were paid \$67,727 for 1,974 hours of overtime that was not adequately documented. Furthermore, in certain instances, the overtime incurred by these employees was inconsistent with language in their applicable CBA. Specifically,

- Employees were paid \$31,248 for 910 hours of overtime received when they reported to work, at the request of a department head, outside of their regularly scheduled shift. Department heads verbally preapproved this overtime when they called employees to ask that they perform after-hours work. However, no documented reason was available for 271 hours (30 percent) of this overtime. Furthermore, although a documented reason was available for the remaining 639 hours of overtime, the documentation did not adequately explain the nature of the work to be performed or justification for why it had to be done after hours. The documented reason for the overtime, as written on employees' timecards, was often a one-word description such as: "repair", "rain", "samples", "sewer" and "meters."
- Employees were paid \$26,098 for 750 hours of overtime received for working past the end of their scheduled shift. No documented preapproval was available for any of these overtime hours. Furthermore, there was no documented explanation or justification for 449 hours (60 percent) of this overtime, and inadequate documentation for the remaining 301 hours of overtime.
- Employees were paid \$10,381 for 314 hours of overtime received for lunch periods. The CBA applicable to these employees states the specific hours to be worked each day (i.e., 7:00 a.m.-3:30 p.m.), and further states these hours are to include "one half hour unpaid lunch." However, these employees did not always include lunch periods on their timecards or otherwise have a half hour of unpaid lunch deducted from their daily hours worked. As a result, these employees were paid for an extra half hour each day, which was in addition to their regular working hours and paid at their overtime rate. Furthermore, there was no documented approval or rationale for incurring this overtime and deviating from the unpaid lunch stipulation in the CBA.

The heads of the DPW and the Water and Sewer Department both stated that the overtime incurred by their employees, including as a result of working through lunch periods, was necessary due to both staffing shortages in their departments and the need to respond to emergency and/or weather-related situations. While we recognize that on occasion, employees likely did work through lunch periods, the CBA states that hours worked are to include "one half hour unpaid lunch." Furthermore, pursuant to New York State Labor Law, employers are generally required to provide employees with a meal period after working a certain number of hours.⁵ Therefore, we recommend that Village officials consult with legal counsel as to the appropriateness of how to address circumstances when an employee has to work through lunch to ensure the Village is adhering to the CBA and any other applicable laws relating to meal periods.

In addition, the department heads stated that although employees may break for lunch, these lunches may not always be documented because of the inability of employees to punch their timecards while working in the field. However, when employees cannot punch their timecards for lunch, language in the CBA suggests that the lunches should, nonetheless, be deducted from their total hours worked.

⁵ See, e.g., New York State Labor Law Section 162.

Without detailed documentation of the reason for incurring overtime, the Board and Village officials have less assurance that the overtime incurred by employees was necessary or actually worked. Furthermore, because employees earned overtime for lunch periods, individuals may have received compensation not authorized pursuant to the applicable CBA.

Recommendations

The DPW and Water and Sewer Department heads should:

9. Ensure overtime is preapproved in writing, incurred only when necessary and supported by adequate documentation.
10. Communicate the terms and conditions for lunch periods, as included in the applicable CBA, to the departments' employees.
11. Provide lunch periods to employees as stipulated in the CBA or any other applicable laws and require employees to document all lunch periods on their time records.

Village officials should:

12. Ensure overtime is paid in accordance with the applicable CBA, including provisions relating to employee lunch periods.

The Board should:

13. Consult with legal counsel to determine the appropriate course of action to address circumstances when an employee is required to work through lunch and ensure they adhere to the CBA and any other applicable laws relating to meal periods.

Finding 5 – Direct supervisors did not review or certify payroll registers before officials and employees were paid.

To process payroll, the Deputy Clerk used time records submitted by the department heads to enter the hours worked by each employee into a computerized system. The Deputy Clerk then printed paychecks and stubs, and payroll register reports, to be reviewed by either the Clerk-Treasurer or Deputy Treasurer. Before payroll was completed and paid, the Clerk-Treasurer or Deputy Treasurer compared the hours worked and leave taken as shown on pay stubs and the payroll registers, to the hours and leave reported on employees' time records, to ensure they agreed. In addition, employees' gross wages were reviewed for reasonableness, and any irregularities were checked to ensure the identified employee's hours were properly categorized (i.e., regular time vs. overtime) and paid at the correct rate.

Although payroll registers were reviewed by the Clerk-Treasurer or Deputy Treasurer, they were not provided to direct supervisors for review and certification as required by Village Law Section 5-524. While our audit did not identify inaccuracies with respect to the wages and salaries paid to employees, the review and certification by direct supervisors provides added assurance that payroll is accurate and the work for which employees are being compensated was performed.

Recommendation

14. The Clerk-Treasurer should ensure payroll registers are reviewed and certified (signed) by direct supervisors before officials and employees are paid.

Appendix A: Profile, Criteria and Resources

Profile

The Village is located in the Town of Herkimer in Herkimer County and has a population of 7,234. It is governed by the elected Board composed of a Mayor and four Trustees. The Board is responsible for the general oversight of Village operations and financial activities, including payroll processing.

Criteria – Payroll

All salary and hourly wages paid to employees should be supported by time records and authorized by a board resolution, board-approved CBA or employment contract. Employees should prepare and sign (certify) detailed time records that document actual days and hours worked. These time records should be reviewed and approved by supervisory personnel who have direct contact with the employee.

Separation payments, such as for unused leave accruals, retirement incentives or other separation-from-service benefits, can represent significant expenditures for a village. Therefore, village officials should establish procedures to ensure officers or employees receiving such payments are paid the amounts which they are entitled to and that each payment is accurate, adequately supported and authorized pursuant to a board-approved CBA, employment contract or, in some circumstances, local enactment. Adequate documentation, such as accrual balance reports and board-approved CBAs, employment contracts or local enactments, should be retained to support separation payment calculations. The calculations should be independently reviewed and approved before payments are made to officers and employees to ensure amounts are accurate.

While overtime may be expected and at times necessary to provide essential services, it should be carefully monitored and controlled to minimize costs and incurred only when circumstances arise that cannot be avoided. Adequate controls for overtime include written policies and procedures that address how and when overtime may be incurred and the documentation necessary to support the time worked. Such controls should require documented prior approval and written justification for the overtime.

Before payroll is processed and paid, Village Law Section 5-524 requires payroll registers, or similar records, to be reviewed and certified (signed) by a village officer or direct supervisor of the employee to provide assurance that the services indicated on the payroll were performed.

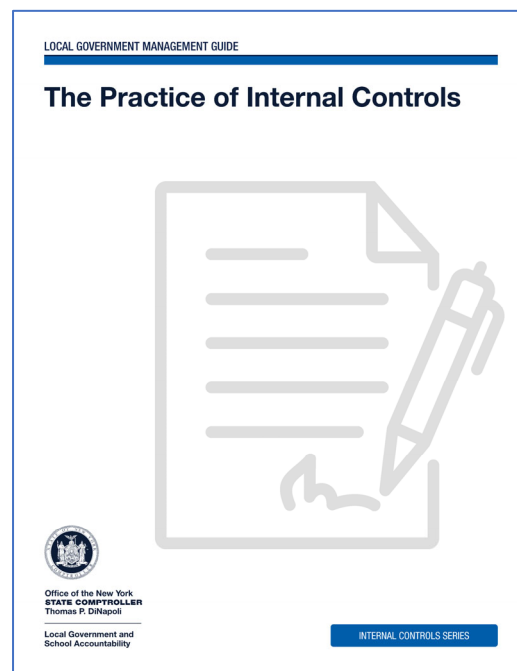
Additional Payroll Resources

In addition, our website can be used to search for audits, resources, publications and training for officials: <https://www.osc.ny.gov/local-government>.

FIGURE 1: OSC Publication

The following OSC *Local Government Management Guide* is available on our website to help officials understand and perform their responsibilities.

Local Government Management Guide, the Practice of Internal Controls



<https://www.osc.ny.gov/files/local-government/publications/pdf/the-practice-of-internal-controls.pdf>

Appendix B: Response From Village Officials

Village of Herkimer
Municipal Hall
120 Green Street
Herkimer, NY 13350
(315) 866-3303 • Fax (315) 717-0415
Site of Historic Fort Dayton
Settled 1725

June 23, 2025

Chief of Municipal Audits
Office of NY State Comptrollers
Division of Local Government
110 State Street; 12th Floor
Albany, Ny 12236

Dear Chief;

Please see the Village's response to the five findings on the payroll audit:

- 1.) The Village of Herkimer agrees that the time keeping system that has been practiced here for greater than 20 years is archaic. I have interviewed several companies such as [REDACTED] and 2 others when I took office 3 years ago. Unfortunately, at the time, the Village was left in shambles financially and we did not know what was in our bank accounts as 3 years of AUD reports were yet to be filed by the previous administration, this was not an expense that we could incur at the time. Who knew it would take the Village almost 3 years to clean up the mess that we inherited. We are now looking at a time keeping system that is Universal throughout the Village and affordable. [REDACTED] is just on our list.
- 2.) Although it was inferred historically that department heads received benefits of the contract for their departments for over 20 years, there was not something formally in writing to that effect. It is a practice that has been done for decades. Previous Village Boards were well aware of these procedures and the way this process worked. The current board is not involved in the inner workings of the Village. Currently, I am working with the Village Clerk and Labor Relations Attorney to establish a resolution for each employee that is not covered by a contract to address this issue and confusion in the future.
- 3.) Although the overtime policy is not written for the Village Street and Water Departments, the department heads are fully aware of the overtime and why it was needed. They are in direct contact with the Mayor at all times. There is documentation to back up overtime hours, it was just not written on time cards. The Board will consult with department heads to create a new written policy for overtime.
- 4.) Although overtime was not addressed in the contract, the Village's procedure for overtime was followed. One of the main issues we have been facing is a shortage of manpower in the water and sewer department. When the Village has a water break or a sewer back up, someone needs to be called and must stay until the problem is fixed. With less full-time employees, it becomes increasingly more difficult. The Village is currently working on recruiting qualified employees and have been for over 2 years. The pool of potential is very small locally which makes recruitment very difficult.

However, the real elephant in the room is the excessive amounts of overtime over the last 3 years in the police and fire departments that sadly has not been addressed in this report. One of the biggest concerns is with a recent employee who retired with a final year of earnings over \$200,000, which is almost 4 times his base salary. The Village unfortunately has no recourse. This will continue to happen until we receive support from State Official's when trying to negotiate contracts. The Village cannot continue to sustain this.

See
Note 1
Page 16

See
Note 2
Page 16

See
Note 3
Page 16

"This institution is an equal opportunity provider, and employer. To file a complaint of discrimination, write: USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W. Washington, D.C. 20250-9410, or call (800) 795-3272 (voice) or (202) 720-6382 (TDD)."

5.) The Village does have a procedure as follows:

Payrolls are submitted by department heads who calculate all time for their employees and time is then confirmed and entered by the payroll clerk, checking for accuracy. Three different sources are involved in the process of checking payroll. In all fairness, the clerk, treasurer, and payroll clerk feel that they currently have a great system, however, we will act on the recommendations of the Comptroller's Office and provide register for review by departments immediately to our protocol.

In conclusion, I appreciate the findings of the Comptroller's Office. This Village was left in devastating conditions after the previous mayor's term was up. There are personnel files missing, and reports not filed with the Comptroller's office for 3 years, and multiple other issues. I immediately contacted the comptroller's office when I took office due to the concerning findings. I want to go on record saying: there needs to be qualifications for people who run for office and who are hired to work in the clerk's office. Hiring your best friend and all of your unqualified family members is what caused this mess! This village cannot sustain this happening again.

In addition, it's a very difficult process for Villages to negotiate contracts with our police and fire departments. Financially, we cannot afford to buyout the excessive benefits in their contract and we certainly cannot count on PERB to support struggling municipalities in binding arbitration. This lack of support and understanding from the State will leave us bankrupt.

Thank you for the opportunity to work with you.

Sincerely,

Mayor Dana Sherry

Appendix C: OSC Comments on the Village's Response

Note 1

In addition to employee time records, we did receive additional documentation during fieldwork, including an electronic time tracking sheet and water main leak reports, as support for overtime incurred by DPW and Water and Sewer Department employees. We reviewed and considered this additional documentation during audit testing and our report identifies the instances when employee overtime was not adequately documented in any of the records.

Note 2

While the Mayor's response letter indicates the Village's procedure for overtime was followed, we determined there were no written policies and procedures for overtime for the DPW and the Water and Sewer Department. Written policies and procedures enhance transparency and provide all parties with guidance to help ensure all expectations are met. Furthermore, our audit report identified deficiencies in how overtime was documented.

Note 3

We reviewed a sample of the gross payroll payments and time records for 15 employees, which included six employees in the Police and Fire Departments. For the Police and Fire employees reviewed, overtime was adequately documented and authorized in accordance with written departmental policy, and wages were paid as specified in the applicable Board-approved CBA.

Appendix D: Audit Methodology and Standards

We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed Village officials and reviewed departmental policies to gain an understanding of the Village's procedures for processing payroll, recording employees' time and attendance, calculating and disbursing separation payments, approving and documenting overtime, and reviewing payroll registers.
- We reviewed all Board-approved CBAs to identify the Village employees covered by each agreement, terms authorizing separation payments, rules and eligibility for overtime and stipulations over employee lunch periods.
- We identified all 139 individuals employed by the Village who were paid approximately \$8.2 million during our audit testing period (June 1, 2022 through March 31, 2024) and used our professional judgment to select a sample of 15 employees to test by including some employees covered by each of the Village's three CBAs, and a mix of others who either incurred significant overtime, were paid a salary, were paid hourly or were involved in the payroll process. We used a computerized random number generator to select six sample pay periods (spanning August through October 2023), and reviewed the gross payments totaling \$260,030 and time records for these pay periods for our 15 sample employees to determine whether:
 - Salaries, wages and other payments (i.e., stipends) were accurately calculated and Board approved,
 - Employees' hours as shown on time records were correctly entered into the payroll system,
 - Time records were prepared and signed by employees, adequately documented the days and hours worked, and showed evidence of supervisory review, and
 - Overtime was authorized by a CBA or written Village policy and supported by documented prior approval and justification for the work performed.
- We identified all employees who left Village employment during our audit testing period and who received a separation payment by reviewing Board meeting minutes and payroll registers. We identified 15 employees who left Village service, three of which received separation payments and other separation-from-service benefits totaling \$128,254.
- We examined the calculations for all three separation payments during our audit testing period to determine whether they were supported and accurately calculated in accordance with the terms and conditions of Board-approved CBAs. When applicable, we recalculated final accrued unused leave balances by reviewing accrual schedules in CBAs and leave usage on time records. We also recalculated daily wage rates by reviewing pay schedules in CBAs.

-
- We examined overtime wages totaling \$183,038 paid to 18 DPW and Water and Sewer Department employees during our audit testing period. We used our professional judgment to select the five employees between the two departments who were paid the most for overtime wages, which when combined totaled \$114,279 for our audit testing period, and reviewed their time records to determine whether the overtime was adequately documented and earned in accordance with their applicable CBA.

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 onto the entire population. Where applicable, information is presented concerning the value and/or relevant population size and the sample selected for examination.

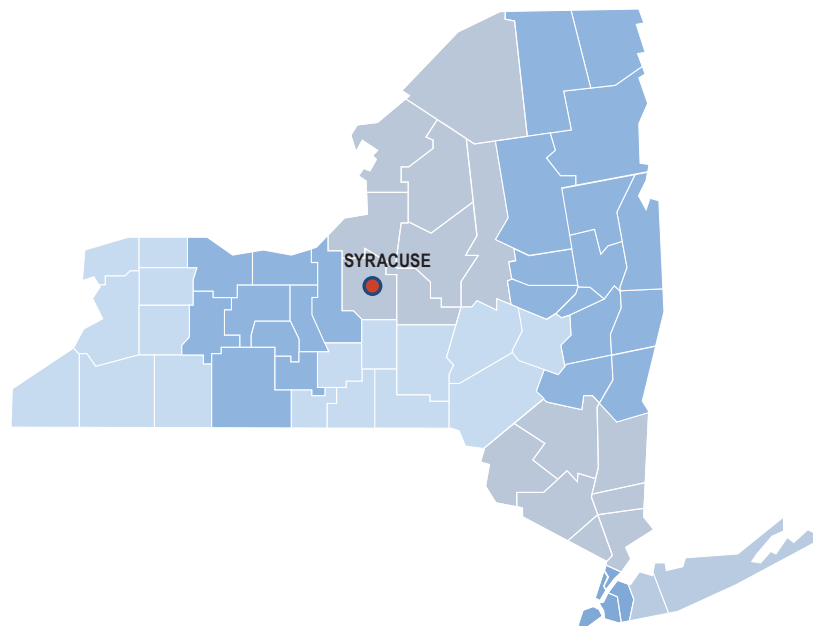
Contact

SYRACUSE REGIONAL OFFICE – Rebecca Wilcox Chief of Municipal Audits

State Office Building, Room 409 • 333 E. Washington Street • Syracuse, New York 13202-1428

Tel (315) 428-4192 • Fax (315) 426-2119 • Email: Muni-Syracuse@osc.ny.gov

Serving: Herkimer, Jefferson, Lewis, Madison, Oneida, Onondaga, Oswego, St. Lawrence counties



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

<https://www.osc.ny.gov/local-government>

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