

New York State Comptroller
THOMAS P. DiNAPOLI

Village of Walden

Payroll and Employee Benefits

October 2026 | 2025M-105

Prepared by the Division of Local Government and School Accountability

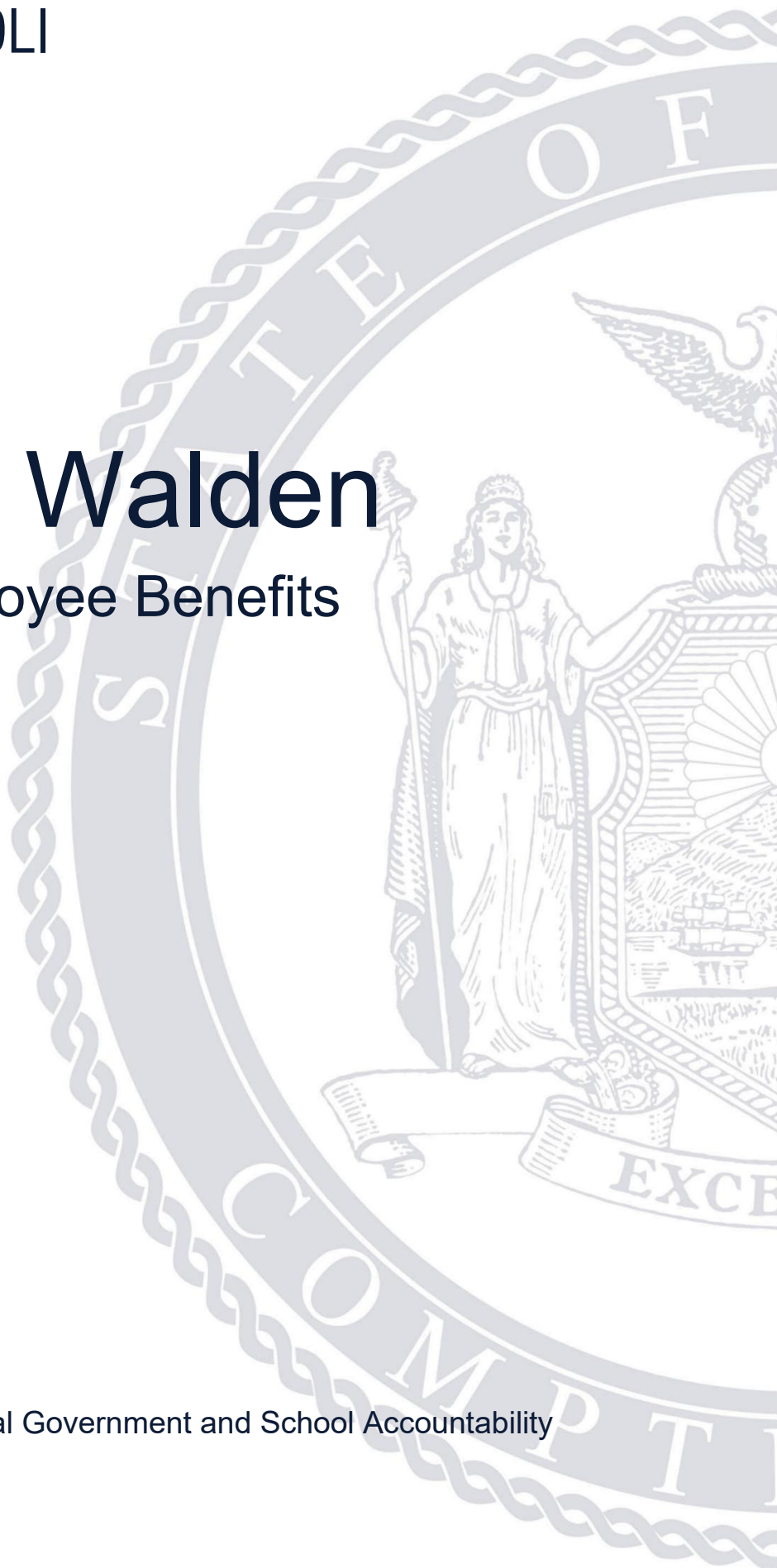


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Audit Results

Village of Walden

Audit Objective

Did Village of Walden (Village) officials ensure that employees' payroll payments and leave accruals were accurate, approved and supported?

Audit Period

June 1, 2021 – May 31, 2023. We extended our audit period forward to August 29, 2023 to review direct deposits and February 15, 2024 to review separation payments.

Understanding the Audit Area

Village officials should ensure that employee payroll payments and leave accruals are accurate, authorized and properly supported because payroll is often the largest operating expenditure for a village. Accurate payroll processing helps a village board ensure that employees are compensated only for authorized salaries, wages, overtime and leave benefits and helps ensure that these benefits are earned according to employment agreements, board authorizations and policies. When a village board properly approves wages, salaries and employee benefits, and ensures that these benefits have adequate supporting documentation, this helps prevent errors, unauthorized payments, excessive leave accruals, fraud and disputes regarding compensation or benefit balances.

Maintaining accurate payroll and leave records promotes accountability, strengthens internal controls and provides officials with reliable financial information for budgeting, collective bargaining, workforce planning and financial reporting purposes. In addition, properly supported payroll transactions help demonstrate compliance with legal requirements, employment contracts and village policies, while also helping to protect taxpayer funds and avoid unnecessary financial costs.

The Village paid a total of \$9.2 million to 203 employees during the audit period.

Audit Summary

Village officials did not consistently ensure that employee payroll payments and leave accruals were accurate, properly approved and adequately supported. Weaknesses in payroll oversight and internal controls reduced accountability and transparency, contributed to at least \$144,767 in unsupported, unauthorized, inaccurate and/or inadequately documented payroll payments, leave accruals and employee benefits. As a result, Village officials cannot ensure that payroll compensation and leave benefits were administered in accordance with Village policies and collective bargaining agreements (CBAs), which increased the risk that taxpayer funds could be misused.

We reviewed regular payroll payments for 25 employees totaling \$575,036, and 12 separation payments totaling \$97,640 during the audit period, and identified significant deficiencies in payroll and leave administration, which included:

- Time worked totaling \$87,265 without adequate supporting documentation.
- Separation payment errors totaling \$28,218.
- Unsupported or unauthorized overtime totaling \$17,854.
- Unauthorized leave accruals totaling \$7,857.
- Payroll payment errors totaling \$3,573.

We also identified the following:

- 617 instances in which employees changed their scheduled work shifts without documented authorization or justification.
- 289 instances in which employees charged leave time without supervisory or Village management approval.
- 24 instances in which employees' leave accrual charges exceeded their accrued benefits.

The report includes 14 recommendations that, if implemented, will strengthen payroll and leave administration, improve accountability, enhance oversight and help Village officials ensure that employee compensation and leave benefits are accurate, authorized, properly supported and administered in accordance with Village policies and CBAs and that taxpayer funds are safeguarded. Village officials generally agreed with our recommendations and have initiated or indicated they planned to initiate corrective action.

This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the Office of the New York State Comptroller's (OSC's) authority as set forth in Article 3 of the New York State General Municipal Law (GML). The audit's methodology and standards are included in Appendix C.

The Village Board (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 OSC within 90 days, pursuant to GML Section 35. For more information on preparing and filing the CAP, please refer to the OSC brochure, *Responding to an OSC Audit Report*, which was provided with the draft audit report. The Board is encouraged to make the CAP available for public review in the Village Clerk's office.

Payroll and Leave Accruals: Findings and Recommendations

Village officials must ensure that employees are compensated in accordance with agreements that have been authorized by the village board, such as CBAs or individual employment agreements. The Village entered into two CBAs with the Civil Service Employees Association (CSEA) and the Police Benevolent Association (PBA). The Village also entered into a memorandum of agreement (MOA) with the PBA and an individual employment agreement with the Village Manager (Manager). The Board also passed resolutions that established salaries of certain Village employees, such as Board members, the Treasurer, Village Clerk and Justices. The Manager approved annual payroll change notices (PCNs)¹ for other Village employees.

Furthermore, the Board adopted a document² that contained a series of Village policies which address how employees (who are not covered by a CBA or an individual employment contract) may earn and use leave accruals, such as vacation, personal and sick leave. More details on the criteria used in this report, and resources that we make available to village officials that can help them improve operations, are included in Appendix A.

Finding 1 – Employee payroll payments were not always accurate, approved and supported with proper documentation.

Officials did not develop procedures that provided guidance, and established clear job functions, for employees who processed payroll, maintained time and attendance records and handled employee benefits. Furthermore, officials did not implement comprehensive controls to help reduce the risk of undetected errors and irregularities within the Village's payroll function.

Weekly Payroll Payments – We reviewed 376 payroll checks totaling \$575,036 paid to 25 employees (five from each of the five Village departments) during the audit period and determined that Village officials issued:

- 59 checks totaling \$87,265 to six employees without supporting documentation. The six employees (who are not represented by a CBA) did not maintain individual time sheets, as required by Village policies when an electronic time recording system is not provided by the Village. These employees included the Village's Superintendent of Public Works, Recreation Coordinator and building inspector.
- 39 checks totaling \$82,833 to six employees with inaccurate pay rates. We recalculated amounts paid to these employees and determined that the Village underpaid four employees by a combined total of \$1,965 and overpaid two employees by a combined total of \$52. For example, according to the PBA CBA, we determined that one Police Department employee should have received an annual salary increase of \$1.22 an hour based on their employment anniversary date, which resulted in the employee being underpaid by \$1,264.
- 45 checks totaling \$29,887 to four employees (who were not represented by a CBA) had inaccurate days and/or hours worked. We determined that these employees were overpaid by a combined total of \$1,556. This amount included overpayments totaling \$1,193 for inaccurate days and/or hours worked when the employees did not take a 30-minute unpaid lunch, which is required by Village policies. The employees' time sheets did not have the 30-minute lunch time deducted from their overall total hours worked, which caused the employees to be paid more than they were entitled to receive.

The Manager told us that he relied on the Treasurer and Village Clerk to provide him with correct information and assumed that it was correct when he certified the payroll. He also said that employees without time sheets were included on summary sheets with the entire department, and he thought that was sufficient. However,

¹ PCN refers to a form indicating any change in an employees' personnel records. Examples include hiring, resignations, payrate increases, change in department location and address and phone number updates.

² This document is referred to as the "Official Policies of the Village of Walden" and was amended in 2020, 2022 and 2023.

Village policies required these employees to maintain individual time sheets. Developing written procedures to provide payroll guidance for officials and employees could help reduce inadvertent errors made while processing weekly payrolls.

Overtime Payments – Village officials paid 61 employees a combined total of \$833,732 for overtime worked during the audit period. We reviewed the overtime records of five employees who were collectively paid \$168,524 for overtime and determined that Village officials may not have properly monitored nonemergency overtime.

For example, during the audit period, Village officials issued 78 paychecks totaling \$99,149 to two Village Court (Court) clerks in which they were paid for working nonemergency overtime hours totaling \$17,854.³ According to the CSEA CBA, overtime must be preapproved, when practicable, by department heads or their designees. None of these overtime payments included documentation indicating that the overtime was preapproved by the Village Justice (Justice), as the department head, or the Manager. The Justice told us that the Court clerks texted him to request to work overtime. However, officials could not provide us with these texts.

We also question whether charging overtime was appropriate in the following situations:

- Court clerk 1 began working before her scheduled 7:00 a.m. start time 204 times (91 percent) of the 223 documented full-time days that she worked. Of the 204 times, she began working as early as 6:00 a.m. and, in these instances, she was paid for overtime hours for the additional time that she worked.
- Court clerk 1 worked through lunch 142 times, which caused the Village to pay her for 71 overtime hours.
- Court clerk 2 began working before her scheduled 7:00 a.m. start time 102 times (53 percent) of the 194 documented days that she worked. Of those 102 times, she began working as early as 5:00 a.m. and, in these instances, she was paid for overtime hours for the additional time that she worked.
- Court clerk 2 worked through lunch 169 times, which caused the Village to pay her for 84.25 overtime hours.

The Manager told us that the Justice said that the overtime hours were needed to prepare for Court, or to ensure that a Court clerk was available when Court was in session. Although these overtime hours may be appropriate, Court is scheduled for only three days each month. Also, the Manager could not explain why the Court clerks would incur overtime on days when Court was not in session.

The Justice told us that the overtime was for work that had to be completed and that the Court clerks texted him to request it. He also said that he could direct the Court clerks to take lunch, but working through lunch made them more productive. However, without supporting documentation to explain the need for overtime, or being on site to supervise the work performed and assess whether it was necessary, we question whether the Village could have reduced the amount of overtime paid during the audit period. Furthermore, when supervisors are not on site while hourly employees work overtime, the Village has an increased risk that employees could over-report their overtime hours, causing the Village to overpay the employees for overtime hours not worked.

Separation Payments – The Village paid separation payments for earned, but unused, leave balances⁴ to employees who left Village employment and met certain criteria. The Village did not have a specific person who was responsible for calculating these payments. Instead, the Treasurer or Village Clerk (based on availability) calculated the payments, and the Manager reviewed them.

³ The CSEA CBA also permitted employees to receive compensatory (comp) time in exchange for overtime hours. During the audit period, two of the three Court clerks converted a combined total of 91.5 overtime hours to 137.25 comp time.

⁴ Refer to Appendix A for information related to separation payments.

We examined 12 separation payments totaling \$97,640 made to 10 former employees⁵ from June 1, 2021 through February 15, 2024. They included payments for unused sick leave, vacation or prorated vacation leave,⁶ personal leave and holiday leave balances. We determined that all 12 payments were inaccurate, which resulted in overpayments totaling \$13,579 and underpayments totaling \$14,640, as follows:

- The Village overpaid the Treasurer by \$838 for two separation payments and the building inspector⁷ by \$2,769 for one separation payment. The Treasurer's separation payments were incorrect because her sick leave was incorrectly accrued at a higher rate of compensation than was stated in Village policies. The building inspector's separation payment was incorrect because it included additional hours of vacation leave that he was not entitled to and unused sick leave that was incorrectly accrued at a higher rate of compensation than was stated in Village policies.
- Four employees⁸ who were covered by the PBA CBA received inaccurate separation payments, including two overpayments totaling \$5,367 and three underpayments totaling \$8,060. For example, we determined that one former employee was underpaid by more than \$6,300 for vacation and prorated vacation leave. This occurred because the employee's annual vacation accruals were not added to his vacation leave balance on his employment anniversary date, which would have provided him with an additional 120 hours of vacation leave. Also, according to the terms of the CBA, the former employee was entitled to earn additional vacation leave accruals after completing five years of Village employment but did not receive them.
- Four employees who were covered by the CSEA CBA received inaccurate separation payments, including one overpayment of \$4,605 and three underpayments totaling \$6,580. For example, one employee received a separation payment totaling \$9,994 that included 293 hours of unused vacation leave. However, supporting documentation showed that this individual only had 158 hours of unused vacation leave available, which resulted in an overpayment of \$4,605.

In addition, the Manager did not sign seven of the separation calculations indicating that he reviewed them before payment. One of the separation payments totaling \$4,569 was made to the Treasurer who resigned on January 31, 2024. The Treasurer calculated her own separation payment, and the Manager did not review it. On February 15, 2024, two weeks after resigning, the Treasurer remotely processed the Village payroll, which included her separation payment. According to the Manager, the Treasurer continued to assist the Village remotely while they searched for a new Treasurer.

The Village Clerk told us that she and the Treasurer did not retain backup documentation indicating who prepared the separation payment calculations and how they prepared them. Consequently, she could not explain why the payments did not comply with language in the Village's CBAs and Village policies.

The Manager was unaware that these records were not being retained. He also was unaware that the Treasurer calculated her own second separation payment and that she included it in her payroll payment with the February 15 payroll.

Because officials did not properly ensure that employees were paid in accordance with the CBAs and Village policies, the Village's payrolls included inaccuracies totaling at least \$31,791.

5 Two employees each received two separation payments. One employee (a police officer) received a second separation payment to correct an error made on their original separation payment. The other employee (the former Treasurer) resigned effective July 27, 2021, was rehired effective June 1, 2022, and then resigned again effective January 31, 2024, which caused the two separation payments.

6 Employees are given their earned vacation leave on their employment anniversary date at the completion of each year of employment. Vacation leave is prorated when employees do not work a full year of employment.

7 Both employees were covered by Village policies.

8 One employee who received two separation payments was overpaid on the first payment and underpaid on the second payment.

Recommendations

The Board should:

1. Adopt comprehensive payroll and leave policies that clearly define employee responsibilities, segregation of duties and supervisory oversight for payroll processing, leave administration and payroll-related changes.
2. In consultation with legal counsel, review the payments identified in this report and determine the appropriate course of action, if any, to address payments that were inconsistent with the Village's CBAs, contracts and/or policies.

The Manager should:

3. Develop written procedures to provide guidance to employees who are responsible for payroll processing and to help ensure that payroll transactions are reviewed, approved and adequately monitored.
4. Develop procedures to help ensure that employee pay rates are accurate when entered in the payroll system and are periodically verified by an individual who is independent of the payroll preparation process.
5. Ensure that payroll payments, including separation payments, are accurate, adequately supported and processed in accordance with CBAs, MOUs, employment contracts and Village policies.
6. Require employees to maintain accurate and complete time sheets that document all hours worked and leave used.
7. Ensure that supervisors review and approve employee time sheets before payroll is processed and maintain formal documentation to support overtime approvals.
8. Ensure that employees are compensated only for hours worked and ensure that overtime is properly approved, documented and needed for Village operations.
9. Compare calculated separation and unused leave payments to applicable CBAs, employment agreements and Village policies before payments are issued to employees who leave Village employment and retain supporting documentation for all calculations and payments.

Finding 2 – Employee leave benefits were not always properly accrued, approved and supported.

The Manager did not assign the duties related to maintaining leave accrual and usage records (within the financial software application) to a specific Village employee. Instead, the Village Clerk, Treasurer and Deputy Treasurer maintained employees' leave accrual balances during the audit period. Also, officials did not develop procedures to help ensure that employees only used leave accruals to which they were entitled, as indicated in the CBAs and/or Village policies.

Leave Accruals – We reviewed 356 leave accrual instances for 13 employees, which included carrying leave accrual balances over from the previous year and accruing leave time during the audit period. We determined that multiple employees inaccurately accrued 80 instances (22 percent) of leave time, which included the following:

- The Treasurer and another employee received a combined total of 112.35 hours of unauthorized starting leave balances, with a value of \$4,937, when they began working full-time. The Treasurer initially resigned from her position effective July 27, 2021 and, at that time, received a separation payment from the Village for all unused leave accruals. The Treasurer subsequently resumed her position as Treasurer in June 2022 and, upon her return, she was credited with 96.35 hours of unearned vacation leave, with a value of \$4,571. We determined that the Treasurer instructed the Village Clerk to add the unearned hours to the Treasurer's beginning leave balance. However, the Village Clerk did not have any supporting documentation from the Board or Manager showing that the leave accrual was properly authorized. In January 2024, during our audit fieldwork, the Treasurer again

resigned and deducted the unearned vacation leave from her payout calculation. The other employee received 16 hours of sick leave, with a value of \$366, when she was hired as a full-time employee. However, the CSEA CBA did not indicate that this individual would be eligible for the 16 hours when hired.

- Four employees had excessive sick leave balances caused by a financial software malfunction that occurred in May and June 2022, which the Village's certified public accountant previously identified. The malfunction added the employees' monthly sick leave accruals to their existing balance twice, once on May 28, 2022 and again on June 1, 2022, which caused the employees to receive a combined total of 32 hours, with a value of \$1,255, to which they were not entitled.
- The Treasurer, Village Clerk, deputy clerk and building inspector accrued a combined total of 33.5 hours of sick leave, with a value of \$1,236, to which they were not entitled. According to Village policies, sick leave should accrue at a rate of one workday per month. The Treasurer, Village Clerk, deputy clerk and building inspector worked 7.5 hours each day and, therefore, should have accrued 7.5 hours of sick leave each month. However, each was credited with 8 hours of sick leave per month.
- One employee accrued compensatory (comp) leave that exceeded the maximum allowable limit, as stated in the CSEA CBA, by 18.75 hours, with a value of \$429.

The Manager told us that he relied on the Treasurer and Village Clerk to provide him with correct information. With regard to the Treasurer, Village Clerk, deputy clerk and building inspector accruing extra unearned sick leave, the Manager said that the Village policies indicate that all employees receive 8 hours of sick leave each month. The Manager also said that employees hired before 2010 followed the CSEA CBA and, therefore, would be entitled to accrue sick leave at a rate of 8 hours per workday.

However, the language in the CBA is consistent with the language in the Village policies, which states that all full-time employees accrue sick leave at a rate of one sick leave day per month. Consequently, employees who have a 7.5-hour workday should accrue sick leave days at a rate of 7.5 hours per month, not 8 hours per month.

Leave Charges – The Manager and/or department heads can approve leave requests. Each department is required to submit completed leave request documents (leave slips or emails with leave requests) to the Village Clerk with the weekly payroll information.

We reviewed 573 leave charges during the audit period for 13 employees who used sick, vacation, personal, holiday and comp leave and determined that the charges were not always accurate, approved and supported, which include the following⁹:

- Eleven employees had a combined total of 289 leave charges (50 percent) that were not properly approved.
- Eleven employees had a combined total of 265 leave charges (46 percent) that were not properly supported.
- Three employees had a combined total of 24 instances (4 percent) in which they were authorized to use leave but had previously exhausted their leave balances.

The Manager told us that he relied on the Treasurer and Village Clerk to provide him with correct information. He also said that the Village's external auditor identified similar issues with accrual balances, and officials were working to correct them.

Because the Village did not have adequate procedures in place to verify the accuracy of leave records, officials could not ensure that employees were paid only for leave to which they were entitled. Without adequate procedures in place, the Village has an increased risk that employees will be paid for accrued, but unused, leave that they are not entitled to receive when they leave Village employment.

⁹ Some leave charges had more than one discrepancy.

Recommendations

The Manager should:

10. Develop procedures to help ensure that employee leave accrual balances are reviewed periodically, and at least annually, for accuracy and that accrual balances comply with CBAs and Village policies.
11. Ensure that all leave requests are properly approved and supported before leave is used and that employees use leave only when they have sufficient and available accrued leave balances.

Finding 3 – Payroll changes in the Village’s financial software were not always accurate, approved and supported.

We reviewed payroll change reports for July 2021, January 2022, December 2022 and May 2023, to determine whether 74 entries for changes to pay rates and deductions were accurate, approved and supported, and identified the following discrepancies:

- 24 entries (32 percent) were inaccurate. For example, while officials made payroll system changes in May 2023 to employee profiles for employee health insurance deductions, they entered the wrong dollar amount, ranging from a few cents to more than \$20 dollars, in the system for seven employees. While some incorrect entries are immaterial for one payroll payment, when multiplied over time it can become significant when it is not identified and corrected.
- 16 entries (22 percent) were not authorized or approved. For example, in December 2022, the Village Clerk made a payroll adjustment to the Treasurer’s profile. When we requested supporting documentation for the change, the Clerk told us that she was unsure what the change was for. Also, there was no documentation nor proper authorization maintained to support the change. Further review showed that the adjustment was a change in the Treasurer’s direct deposit.

In addition, we determined that the Treasurer made changes to her own payroll information without the Manager’s or Board’s approval. During our review of separation payments, we noticed that the Treasurer’s pay rate in the financial software did not match the amount on the PCN¹⁰ signed by the Manager. Further review of the payroll change reports, and discussion with the Manager, indicated that the Treasurer changed her own pay rate directly in the financial software. Although the changed pay rate matched the Treasurer’s salary that was listed in the adopted budget, the Treasurer made the adjustment to her own information without informing the Manager or obtaining approval to make the adjustment.

Furthermore, the Village Clerk told us that supporting documentation was not retained for payroll changes. She said that it was once common practice to take screen shots after making payroll changes in the financial software and keep the images in employees’ personnel files to document these actions. But at some point, officials stopped documenting payroll changes.

Inaccurate, unapproved and unsupported changes to the Village’s financial software puts the Village at risk of making inaccurate payments and deductions from employees’ payroll, which can lead to the Village paying more than necessary in payroll expenses. Also, because the Treasurer was the administrator of the Village’s financial software, and there was no oversight of her work, she was able to make adjustments to her own records without the Manager’s or Board’s knowledge.

Recommendations

The Manager should:

12. Ensure that payroll system changes are adequately reviewed, approved and supported with appropriate documentation before changes are processed in the Village’s financial software.

¹⁰ The payroll change reports are a log of payroll changes made in the financial software and are generated by the financial system, while the PCN forms are manually filled out to indicate that a change has occurred in an employees’ personnel records.

13. Review payroll change reports to verify that all changes are properly authorized, adequately supported and consistent with approved salaries, wage rates, CBAs, memorandums of understanding (MOUs) and Village policies.
14. Maintain documentation to support payroll and leave transactions, including payroll adjustments, overtime approvals, leave accrual calculations and separation payment calculations.

Appendix A: Profile, Criteria and Resources

Profile

The Village is located in the Town of Montgomery in Orange County and is governed by the elected seven-member Board, which includes the Mayor and six Board members. The Board is responsible for maintaining the Village's long-term financial stability and appointing the Manager, Village Clerk and Treasurer.

The Board appointed a Manager to serve as the Village's chief executive officer. The Manager is responsible for overseeing all Village departments and reviewing and certifying the Village's weekly payrolls. This includes ensuring that payroll payments are accurate, approved and supported and approving the carryover of employee leave accruals. The Manager also is responsible for assigning duties related to maintaining leave accrual and usage records. The Village payroll was processed by the Village Clerk on a weekly basis until December 2023, at which point the Treasurer assumed this responsibility.

The Village's 2023 appropriations totaled \$11.7 million and included \$4.7 million (40 percent) for payroll expenses. The Village paid a total of \$9.2 million to 203 employees during the audit period. The Village's fiscal year is June 1 through May 31.

Criteria

Village officials are responsible for establishing detailed policies and procedures to help ensure that payroll and employee benefits are authorized, accurate and properly documented. Salaries and wages should be supported by time records to ensure that payments are accurately calculated, based on actual work performed and calculated with approved salaries and pay rates.

Prior written authorization should be required for all nonemergency overtime hours and should be granted only for specific, verifiable purposes that are consistent with CBAs and village policies. Prior written approval for overtime hours allows management to ensure that overtime is incurred for a valid, documented and needed purposes and that funding for nonemergency overtime is included in the budget.

A village board may grant vacation, sick leave and leaves of absence to its officers and/or employees, with or without pay, and may adopt rules and regulations related to these benefits. In addition, the board may authorize cash payment for accrued, but unused, leave balances to be paid at the time officers and/or employees separate from employment with the village (leave village employment).

Unused Vacation Leave Balances – Employees who are covered by the Official Policies of the Village of Walden (defined as "Village policies") are entitled to receive full compensation for earned, but unused, vacation time when leaving Village employment. Employees who are covered by the CSEA CBA are entitled to receive a similar benefit as long as they notify the Village at least two weeks before leaving Village employment. However, the current PBA CBA is silent with respect to whether employees are entitled to receive compensation for earned, but unused, vacation leave when leaving Village employment.

Unused Sick Leave Balances – Employees who are covered by Village policies are eligible to receive a payment in the amount of 20 percent of each employees' current pay rate for unused sick leave, if the employees were hired before June 1, 2018 and worked for the Village for at least five years (completed at least five years of service). Employees covered by the CSEA CBA receive a similar benefit as long as they notify the Village at least two weeks before leaving Village employment.

Upon retirement, full-time employees who are covered by the PBA CBA are eligible to receive a payment for earned, but unused, sick leave of one day for each five days of accumulated unused sick leave (up to 150 days). To receive this payment, an employee must provide 90 days' notice and either:

- Must be retiring after a minimum of 20 years of service
- Must have been awarded a disability pension with less than 20 years of service.

However, the PBA CBA is silent with respect to whether employees are entitled to receive payment for earned, but unused, sick leave when they otherwise separate from Village employment (i.e., separate for a reason other than retirement after 20 years of Village employment or with a disability pension).

Payroll changes in the financial software should be entered into the system by the personnel department or an employee who does not process the payroll and checks. All changes in employment, salary and pay rates should be properly authorized, approved and documented to prevent fraudulent or erroneous payroll changes.

Additional Resources

OSC's *Local Government Management Guides*, and other informational resources that are available on OSC's website to help officials understand and perform their responsibilities, include:

- *The Practice of Internal Controls*: <https://www.osc.ny.gov/files/local-government/publications/pdf/the-practice-of-internal-controls.pdf>
- *Fiscal Oversight Responsibilities of the Governing Board*: <https://www.osc.ny.gov/files/local-government/publications/pdf/fiscal-oversight-responsibilities-of-the-governing-board.pdf>

In addition, local officials can use OSC's website to search for audits, resources, publications and training for officials at: <https://www.osc.ny.gov/local-government>

Appendix B: Response From Village Officials¹¹

The content below is a reproduced copy of the original response letter issued by Village officials, is reformatted to meet the Americans with Disabilities Act *Web Content Accessibility Guidelines (WCAG)*¹² and may have changes to spelling and grammar. The substance of the content was not changed.

The Village of Walden

September 22, 2026

Office of the State Comptroller
Division of Local Government & School Accountability
RDU-CAP Submission
33 Airport Center Drive, Suite 102
New Windsor, NY 12553

Dear Mr. Latainer,

The Village of Walden is in receipt of the preliminary draft findings of your recent examination, and it is the opinion of the Walden Village Mayor and Board of Trustees that we are in agreement with the findings.

Please be advised that our intent for this letter is to be our audit response and the CAP.

Unit Name: Village of Walden

Audit Report Title: Payroll and Employee Benefits

Audit Report Number: 2025M-105

Audit Recommendations:

1. Adopt comprehensive payroll and leave policies that clearly define employee responsibilities, segregation of duties and supervisory oversight for payroll processing, leave administration and payroll-related changes.
2. Consult with legal counsel, review the payments identified in this report and determine the appropriate course of action, if any, to address payments that were inconsistent with the Village's CBAs, contracts and/or policies.
3. Develop written procedures to provide guidance to employees who are responsible for payroll processing and to help ensure that payroll transactions are reviewed, approved and adequately monitored.
4. Develop procedures to help ensure that employee pay rates are accurate when entered in the payroll system and are periodically verified by an individual who is independent of the payroll preparation process.
5. Ensure that payroll payments, including separation payments, are accurate, adequately supported and processed in accordance with CBAs, MOUs, employment contracts and Village policies.

¹¹ The Village's response letter refers to an attachment that supports the response letter. Because the Village's response letter provides sufficient detail of its actions, we did not include the attachment in Appendix B.

¹² <https://www.ada.gov/resources/2024-03-08-web-rule/#highlights-of-the-requirements-in-the-rule>

6. Require employees to maintain accurate and complete time sheets that document all hours worked and leave used.
7. Ensure that supervisors review and approve employee time sheets before payroll is processed and maintain formal documentation to support overtime approvals.
8. Ensure that employees are compensated only for hours worked and ensure that overtime is properly approved, documented and needed for Village operations.
9. Compare calculated separation and unused leave payments to applicable CBAs, employment agreements and Village policies before payments are issued to employees who leave Village employment and retain supporting documentation for all calculations and payments.
10. Develop procedures to help ensure that employee leave accrual balances are reviewed periodically, and at least annually, for accuracy and that accrual balances comply with CBAs and Village policies.
11. Ensure that all leave requests are properly approved and supported before leave is used and that employees use leave only when they have sufficient and available accrued leave balances.
12. Ensure that payroll system changes are adequately reviewed, approved and supported with appropriate documentation before changes are processed in the Village's financial software.
13. Review payroll change reports to verify that all changes are properly authorized, adequately supported and consistent with approved salaries, wage rates, CBAs, memorandums of understanding (MOUs) and Village policies.
14. Maintain documentation to support payroll and leave transactions, including payroll adjustments, overtime approvals, leave accrual calculations and separation payment calculations.

Implementation Plan of Actions:

1. FOLLOW THE POLICIES listed in Time Records and Attendance, Pgs. 18-20, in Village of Walden Policies (Updated 2/6/2024, see attached).
2. Will consult with legal counsel to determine the appropriate way forward for the inconsistent payments.
3. Check list for all employees to verify receipt of completed and signed time sheet with Department Head approvals. Attach leave request form for all paid time off (PTO) on time sheets. Treasurer and Manager to sign off on weekly payroll reports.
4. All payroll rates, accruals and deductions will be entered into the system by the Clerk after confirmation from a Department Head and/or Manager and checked by the Deputy Clerk and/or Payroll. The Personnel Change Transaction Report will be run for each payroll period and signed by the Village Manager.
5. Calculated by payroll, checked by treasurer and verified by employment attorney. Calculation will be put in a letter to the employee and a copy saved in their employment file.
6. Follow VOW policy listed on page 18, Section 2, paragraph A. New time sheet created with Employee and Department Head Signature line.
7. See #3.
8. See #3.
9. See #5.
10. Review each employee annually at the beginning of the fiscal year for pay increases, longevity, benefit costs and accruals. Review employee again on anniversary date. Put anniversary dates in calendar for reminders.
11. New Leave Request Form created. Required for all leave requests. Department Head and Manager approval needed. Form will be attached to time sheet.
12. See #10.

13. The Personnel Change Transaction Report will be created and reviewed weekly and approved by the Village Manager.
14. All documents will be attached to each employee's time sheet and/or their personnel file.

Implementation Date:

As of August 31, 2026 all items have already been or will be implemented immediately.

Persons Responsible for Implementation:

Village Mayor and Village Board of Trustees
Village Manager, Village Treasurer, Village Clerk
Department Heads and all Employees

Sincerely,
Becky Pearson
Village of Walden Mayor

Appendix C: Audit Methodology and Standards

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

- We reviewed Village policies, adopted budgets, CBAs and MOAs and interviewed Village officials to gain an understanding of the processes and procedures for payroll processing and the causes for the discrepancies that we identified. In addition, we reviewed the list of all employees who were paid from the payroll check register report to determine whether all employees listed on the payroll matched the employee master file.
- We identified all 203 individuals employed by the Village who were paid approximately \$9.2 million during the audit period. We used our professional judgment to select a sample of 25 employees from the Village's five departments and reviewed the employees' payroll and leave records during the following dates: Recreation Department – June 2021 through September 2021; Police Department – October 2021 through January 2022; Department of Public Works – February 2022 through May 2022; Village Court – June 2022 through September 2022; and Finance Department – October 2022 through January 2023. We chose these date ranges for two of the departments (Recreation Department and Department of Public Works) based on higher activity during those months and randomly placed the remaining departments in the other time periods without any expectation that they would have more or less discrepancies than any other time periods. These employees were paid a combined total of \$575,036 and were covered by the Village's CBAs and by Village policies. We also reviewed payroll folders, time sheets and PCNs for the four consecutive months selected for each department to determine the accuracy of pay rates, hours and days worked and gross pay amounts and whether the employees' payroll payments were properly approved and adequately supported.
- We identified 61 employees who were paid a combined total of \$833,732 for overtime hours worked during the audit period. We used our professional judgment to select five employees who received the largest overtime payments during the audit period. The selected employees were paid a combined total of \$168,524 for working overtime and included a mix of employees who would be expected to work emergency overtime hours (e.g., Police Department and Department of Public Works employees) as compared to employees who would not be expected to work nonemergency overtime (e.g., Recreation Department and Court employees). We reviewed the payroll records for the selected employees to determine emergency and nonemergency overtime hours worked, the accuracy of overtime hours worked based on the number of overtime hours recorded on employee time sheets and whether nonemergency overtime hours worked were preapproved.
- We reviewed all three Justice Court clerks' overtime and comp time for the audit period to determine whether they maintained time sheets and overtime and comp time "slips" (which indicated that overtime was preapproved by the Manager and department head and explained the necessity for the overtime hours). We documented the hours worked (including start times that began before employees' regular work shifts and working through lunches) that caused the need to pay overtime and comp time to each employee and examined the amount of overtime each employee converted to comp time.
- We reviewed all 12 separation payments totaling \$97,640 made to employees who left Village employment or changed their employment status from full-time to part-time, during the audit period and received a payout for unused leave balances. We determined whether separation payments aligned with the CBAs and Village policy requirements, the Manager reviewed and approved separation payment calculations and officials retained proper documentation.
- We used our professional judgment to select six of the Village's 13 employees from payroll testing (all three Court clerks and all three Village Hall employees who were involved in processing payroll) and randomly selected three employees from the Department of Public Works, two employees from the Police Department and two employees from the Recreation Department without any expectation that they would have more or less discrepancies than any other employees. (These 13 employees were

included in our sample of 25 employees from the Village's five departments described previously.) We reviewed payroll folders, leave slips and emails in which these employees requested to take leave, and Village policies and CBAs, to determine whether leave accruals were properly accrued, approved and supported and whether accruals were exhausted during each year of the audit period. We also calculated the cost of unauthorized leave accruals for employees who received leave accruals to which they were not entitled.

- We used our professional judgment to select a sample of four months from the beginning, middle and end of the audit period (July 2021, January 2022, December 2022 and May 2023) and reviewed financial software payroll change reports and available supporting documentation to determine whether all the changes to pay rates and deductions made during those months were accurate and properly authorized and supported. We chose these months to include the beginning, middle and end of the audit period.
- We reviewed all payroll folders that were maintained during the audit period to determine whether Village officials certified the payrolls.
- We obtained a direct deposit report for August 2023 and compared the direct deposit account numbers of all employees to determine whether any employees shared a bank account. We chose to review the report for August 24, 2023 because the software could only provide the most recent direct deposit information.

OSC auditors conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that auditors plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objective. Auditors believe that the evidence obtained provides a reasonable basis for the findings and conclusions based on the 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.

Questions?

NEWBURGH REGIONAL OFFICE

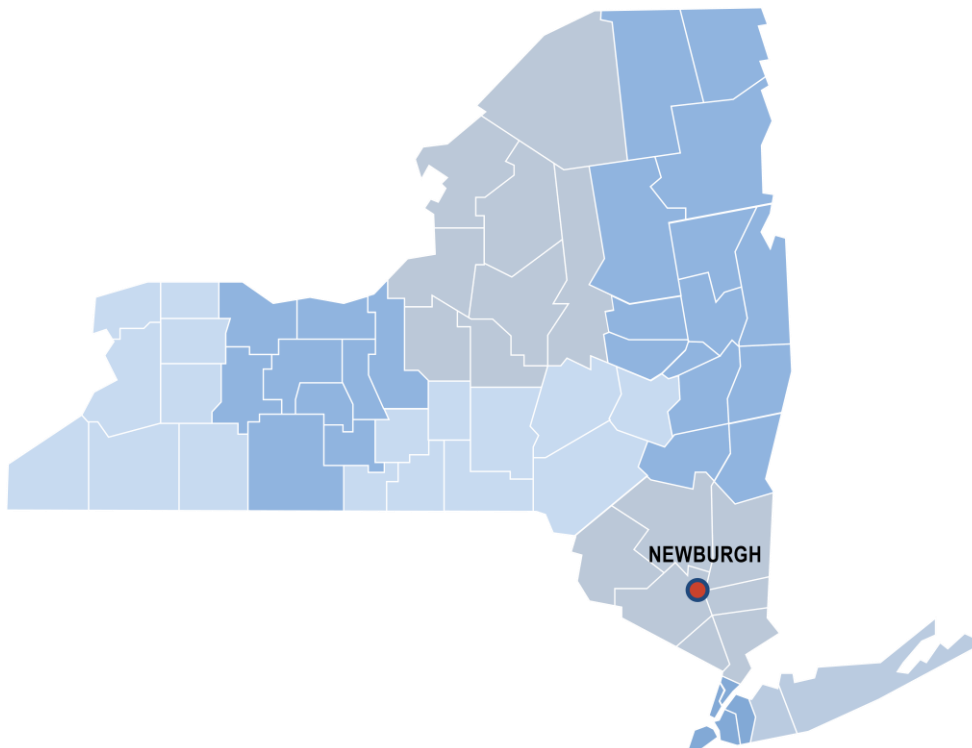
James L. Latainer, Chief of Municipal Audits

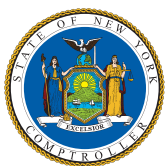
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