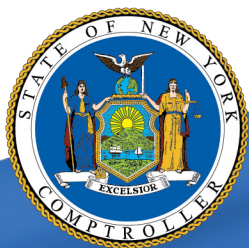


Town of Shandaken

Employee Compensation and Benefits

APRIL 2018



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Town of Shandaken

Audit Objective

Determine whether Town officials accurately compensated employees and amounts withheld and paid for employee benefits were accurate.

Key Findings

- Town officials overpaid health insurance buyout incentives to two employees by more than \$4,900 and underpaid incentives to two employees by \$1,680 during the audit period.
- Town officials did not withhold employee contributions for health insurance coverage. As a result during the audit period, 11 employees were undercharged by more than \$4,700 and seven employees were overcharged by \$724.
- A former employee who retired in 2017 received, used and was paid for leave time to which she was not entitled, valued at \$1,842.

Key Recommendations

- Develop and implement procedures to ensure employee salaries are correctly paid and the amounts withheld and paid for employee benefits are accurate.
- Periodically review accrued leave time for accuracy.
- Seek recovery of inappropriate payments.

Town officials agreed with our findings and indicated they plan to take corrective action.

Background

The Town of Shandaken (Town) is located in Ulster County and is governed by an elected Supervisor and four Town Board (Board) members. The Supervisor is the chief executive officer, chief fiscal officer and budget officer. The Board appointed two full-time bookkeepers and one part-time bookkeeper who assist the Supervisor with payroll.

Quick Facts

Employees	68
2017 Budgeted Appropriations	\$4.8 million
Population	3,100

Audit Period

January 1, 2016 – September 30, 2017

We expanded our audit period through October 31, 2017 to review leave accruals.

Employee Compensation and Benefits

How Do Town Officials Ensure Employee Compensation and Amounts Withheld and Paid For Benefits Are Accurate?

Employee compensation and benefits are generally the most significant annual expenditures incurred by a town. Therefore, it is important that all compensation and benefits are paid accurately. The Board should develop and implement procedures to ensure that employee compensation and amounts withheld for benefits are made in accordance with collective bargaining agreements (CBAs), individual employee contracts, Board resolutions and as outlined in the employee handbook.

The Town offers health, dental, and vision insurance coverage to employees. Employees who opt for coverage are responsible for paying a portion of their healthcare premium costs. The Town also offers supplemental insurance¹ benefit coverage. Employees who opt for supplemental insurance coverage are responsible for the cost of these premiums.

The employee handbook stipulates that employees who waive the health insurance benefit are eligible for a health insurance buyout payment equal to 40 percent of the Town's annual premium contribution at the level of coverage the employee is eligible for. The handbook stipulates that members of CSEA collective bargaining unit and elected officials are not eligible for the buyout.

Timekeeping records should be accurately maintained and adequately document when leave accruals and compensatory time are earned and used and routinely reviewed by department heads and the Board to ensure accuracy. Town officials should review compensation and health insurance contribution withholding information to ensure that employees are paid the salaries and receive the benefits authorized by the Board.

According to the employee handbook, part-time employees who regularly work between 26 and 35 hours per week should be credited with vacation leave at 75 percent of the full-time rate. Further, all employees working more than 40 hours per week who opt to earn compensatory time in lieu of overtime pay should be credited with compensatory time at the rate of time and one-half for the hours worked.

Health Insurance Buyouts Were Inaccurately Paid

During the audit period, four employees received health insurance buyout payments. We reviewed these payments and found that no employee received

¹ Supplemental insurance is extra or additional insurance that an employee can purchase to help pay for services and out-of-pocket expenses that regular insurance does not cover. Some supplemental insurance plans will pay for out-of-pocket medical expenses, such as deductibles, copayments and coinsurance.

the correct amount. Town officials overpaid two employees by \$4,913 and underpaid two employees by \$1,680.

- One employee, who received \$4,763, was ineligible for the incentive because he was a CSEA collective bargaining unit member.
- Two employees were underpaid a total of \$1,680 because the incentive payments were based on the wrong rate for the level of coverage.
- One employee was overpaid \$150 because the incentive payment rate was incorrectly calculated.

These errors occurred because Town officials did not review the guidelines set forth in the employee handbook for incentive eligibility requirements or the Supervisor's payout calculations, which were inaccurate.

Insurance Contribution Withholding Was Inaccurate

We reviewed employee contributions for health, vision, dental insurance and supplemental health insurance payments in December 2016 for the 35 employees who elected coverage and September 2017 for the 37 employees who elected coverage.² Town officials inaccurately withheld insurance contributions from 12 employees in December 2016 and seven employees in September 2017.³

In December 2016, Town officials did not withhold enough money from six employees, which resulted in the underpayment of health insurance premiums by a total of \$320. As a result, these employees underpaid their premiums by a combined total of \$2,919 in 2016. Conversely, officials withheld too much for six employees by \$67 that month. As a result, these employees overpaid their share of insurance premiums by a combined total of \$197 in 2016.⁴

Similarly, in September 2017, Town officials did not withhold enough money from three employees by a combined total of \$202 that month. As a result, these employees underpaid their health insurance premiums by a combined total of \$1,803 for the period January 1, through September 30, 2017. Conversely, officials withheld too much from four employees' pay by a combined total of \$50 that month. As a result, these employees overpaid their share of insurance contributions by a combined total of \$527 from January 1, through September 30, 2017.

² Unless the employee elected to change their coverage levels due to a change in circumstance or during the open enrollment period, the rates were the same for both months

³ Some employees had issues in both 2016 and 2017. In addition, one employee was underpaid in 2016 and overpaid in 2017.

⁴ The health insurance rate increased in December 2016; therefore, the amount of contributions under withheld was significantly less from January 1, 2016 through November 30, 2016.

These errors occurred because the Supervisor incorrectly calculated these deductions and did not verify that the amounts deducted from employee's pay were accurate. As a result, the Town supplemented the amounts paid to insurance providers.

Leave Accrual Records Were Inaccurate and Not Monitored

We reviewed leave accrual records for the 34 employees and found that 13 employees did not receive or use leave time in accordance with their CBAs or the employee handbook.

- Four highway employees were paid for time off when their sick, personal or vacation leave accruals were exhausted or compensatory time was not available. This occurred due to errors in leave accrual records and because the Highway Superintendent did not verify or monitor available leave accruals. As a result, four of these employees were paid for 36 hours for accrued leave that was not available to them, valued at \$794.
- Five other Town employees were paid for time off when their personal or vacation leave accruals were exhausted. This occurred because leave accruals had not been accrued monthly as specified by the employee handbook and the former bookkeeper credited these employees with 45 hours of personal leave instead of 42.
- Two part-time employees (the historian and the code enforcement officer) were not provided leave accruals even though they were eligible per the employee handbook. The historian should have received 65.63 hours of leave and the code enforcement officer should have received 22.5 hours of leave.

In addition, a former employee, who retired in March 2017 and was supposed to earn leave each month (per the employee handbook), received, used and was paid for leave time to which she was not entitled, valued at \$1,842. This occurred because Town officials paid her for accrued leave through December 31, 2017 even though she retired after earning only three months of accrued leave.

These discrepancies occurred because Town officials did not review the guidelines set forth in the CBA and employee handbook for leave accrual allocations. In addition, the Town did not have a process to request or acknowledge use of leave accruals and no additional review of accruals was done by the Supervisor.

We also found that an error was made in the amount of compensatory leave time earned by one Police officer. As a result, this employee's compensatory time was overstated by 30 hours. Compensatory time is generally earned by Police officers who account for this time by using a spreadsheet kept at the Police station that

is accessed by multiple users. However, the compensatory time is not noted on police officer time sheets when time is earned.

In addition, the Police Chief does not approve compensatory time accrued or used when an officer is absent. Because officials did not properly record and review leave accruals, employees were paid for leave they were not entitled to.

Employees Were Not Always Paid Their Approved Salaries

We reviewed payroll records for December 2016 with 68 employees whose gross pay totaled \$169,351 and September 2017 with 68 employees whose gross pay totaled \$146,500. Eight employees (four in each month) were not paid the correct amounts. Specifically, three employees were overpaid by a combined total of \$585 and five employees were underpaid by a combined total of \$689.

- The payroll processing vendor did not have the correct rate of pay for one employee, which the Supervisor did not notice until after the payroll was processed. As a result, this employee was overpaid by \$45.
- The bookkeeper made an error on time worked for two employees when calling into the payroll processing vendor. As a result, these employees were underpaid by a combined total of \$209.

As a result of these weaknesses and the discrepancies we identified, there is an increased risk that payrolls will not be accurate and employees will be paid for services that are not actually rendered. In addition, there is an increased risk that other employee withholdings may be incorrect.

What Do We Recommend?

The Board should:

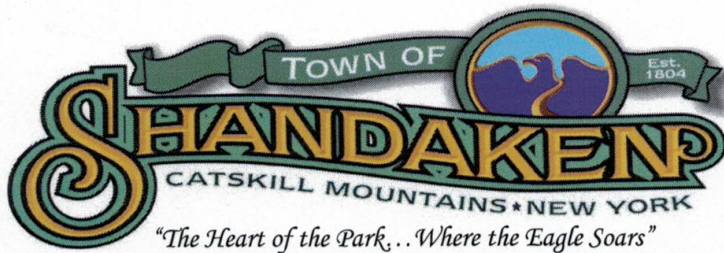
1. Develop and implement procedures to ensure all health insurance buyout payments are calculated as stipulated in the employee handbook. Seek recovery of any overpayments and ensure employees who were underpaid are paid the correct amounts.
2. Establish procedures that help ensure employee salaries and benefit withholdings are accurately calculated.

Town officials should:

3. Seek recovery from employees whose health insurance contributions were under withheld and ensure the employees whose contributions were over withheld are reimbursed.

-
4. Consult with the Town attorney to recover amounts from current or former employees who were overpaid for leave time and ensure part-time employees leave accruals are provided in accordance with the employee handbook.
 5. Periodically review leave accrual records for accuracy and correct any identified errors.
 6. Seek recovery of employee salary overpayments and ensure employees who were underpaid are paid the correct amounts.

Appendix A: Response From Town Officials



www.shandaken.us

April 3, 2018

P.O. Box 134, 7209 Rte. 28, Shandaken, NY 12480

Supervisor: (845) 688-7165
Police: (845) 688-9902
Town Clerk: (845) 688-5004
Justice Court: (845) 688-5005
Assessor: (845) 688-5003
ZBA/ZEO/Planning: (845) 688-5008
Highway: (845) 688-9901
Fax: (845) 688-2041

Office of the State Comptroller
Newburgh Regional Office
33 Airport Center Drive Suite 103
New Windsor, NY 12553

RE: Town of Shandaken Response and Corrective Action Plan

Dear State Comptroller's Office,

This letter shall serve as the Town of Shandaken's Response and Corrective Action Plan (CAP) to the Report of Examination received by the town March of 2018. For simple purpose the Town will respond to each recommendation in order as it appears in the Report of Examination as follows:

Recommendation # 1

Develop and implement procedures to ensure all health insurance buyout payments are calculated as stipulated in the employee handbook. Seek recovery of any overpayments and ensure employees who were underpaid are paid the correct amounts.

The delinquency is noted due to poorly reported changes in individual coverage plans which were not correctly applied to the employees' contribution rates. The Supervisor's Office and Highway Superintendent's Office with new secretarial and bookkeeping personnel have implemented regularly scheduled auditing of all health plans and coverages to ensure that employee contribution rates reflect the correct coverage plans and contribution rates.

Recommendation # 2

Establish procedures that help ensure employee salaries and benefit withholdings are accurately calculated.

The Town has already established standard procedures to collect and keep these records as up-to-date as possible. Including regularly scheduling internal audits of different records (i.e., salaries, contributions, benefits, time accruals).

Recommendation # 3

Seek recovery from employees whose health insurance contributions were under withheld and ensure the employees whose contributions were over withheld are reimbursed.

The amounts of over/under payment were minor adjustments coming from individual changes in healthcare or benefit plans that were either not reported in a timely fashion or were not changed until the plan provider recognized the change in plan and billing to the Town. We have corrected these deficiencies.

Recommendation # 4

Consult with the Town attorney to recover amounts from current or former employees who were overpaid for leave time and ensure part-time employees leave accruals are provided in accordance with the employee handbook.

These errors occurred due to inadequate record keeping and improper procedure being followed regarding the accruals of leave time. These errors were not attributable to the individual employees, but to improper record keeping and misunderstanding of policy, thus the Town is not seeking reimbursement where applicable. Under assistance from the examiner our staff has now clarified the issue and is creating new employee time sheets to better track leave time accruals and usage. We were not previously aware of the clause providing for leave time accruals for part-time employees. This has been corrected with the employees.

Recommendation # 5

Periodically review leave accrual records for accuracy and correct any identified errors.

The Town has updated employee time accruals and is soon implementing new employee time sheets in order to better track leave time accruals and usage. We will be auditing these records at regular intervals to ensure their continued accuracy.

Recommendation # 6

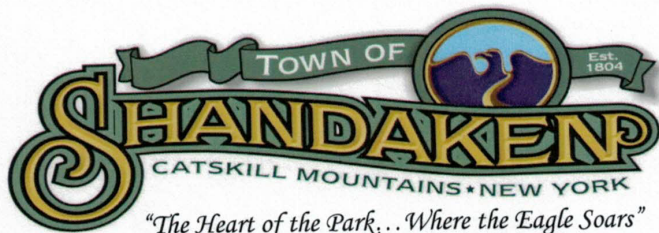
Seek recovery of employee salary overpayments and ensure employees who were underpaid are paid the correct amounts.

The Town was not aware of certain clauses in the Handbook regarding Healthcare Buyback. The employee who received wages in lieu of utilizing Town Healthcare was not at fault as we were unaware of any restriction of this policy in the Handbook as the issue had never arisen prior to this. We are not seeking reimbursement from that employee but corrected the issue upon notification by your examiner. Conversely, the Town had historically paid the Healthcare Buyback in the amount equal to the calculation based on the Single Plan rates. The examiner said the language was not specifically clear and could be interpreted differently. Upon notification by the examiner the Town Board adopted a Resolution in December of 2017 amending this clause to clearly state that future Healthcare Buyback is strictly calculated based solely off of the Single Plan rates. The sole employee affected is not seeking reimbursement.

Again, the Town would like to thank your office for its assistance and guidance in these matters. If you have any questions or comments regarding this Response Letter and Corrective Action Plan (CAP) please do not hesitate to call my office directly at (845) 688-7165 or email me at shandakensupervisor@yahoo.com.

Sincerely yours,

Robert A. Stanley
Supervisor – Town of Shandaken



"The Heart of the Park... Where the Eagle Soars"

Joyce Grant Town Clerk, P.O. Box 67, 7209 Rte. 28, Shandaken, NY 12480 www.shandaken.us

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April 3, 2018

RESOLUTION # 69 - 18

OFFERED BY STORMS

APPROVE RESPONSE AND CORRECTIVE ACTION PLAN FOR NYS COMPTROLLER

WHEREAS, the Town Board, following an audit by the NYS Comptroller's Office, is required to issue a Response Letter in response to their recommendations as listed in the Town of Shandaken Report of Examination to their offices no later than April 5, 2018 regarding Draft Report issued;

THEREFORE BE IT RESOLVED, that Town Board of the Town of Shandaken hereby approves the Response Letter, provided by the Town Supervisor, attached to this resolution and that this Response shall serve as the Corrective Action Plan (CAP) for the Town of Shandaken.

AND MOVES ITS ADOPTION

Seconded by: ALBA

ROLL CALL

	AYES	NAYS
BOARD MEMBER ALBA	<u> X </u>	<u> </u>
BOARD MEMBER DISCLAFANI	<u> X </u>	<u> </u>
BOARD MEMBER STORMS	<u> X </u>	<u> </u>
BOARD MEMBER VANBLARCUM	<u> X </u>	<u> </u>
SUPERVISOR STANLEY	<u> X </u>	<u> </u>

Roll Call: 5 AYES

I, the undersigned Clerk of the Town of Shandaken, Ulster County, New York, Do HEREBY CERTIFY:
That I have compared the attached **Resolution #69-18**, of the Town Board of the Town of Shandaken contained therein with the original on file in my office and that the same is a true and correct copy of said original as recorded in the minutes of the Town Board meeting dated **April 2, 2018**.
In witness whereof I have hereunto set my hand and affixed the seal of the Town of Shandaken of Ulster County, New York this **April 3, 2018**.

Joyce Grant
Town Clerk – Town of Shandaken

Appendix B: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed District officials to understand the payroll process.
- We reviewed CBAs, individual contracts and meeting minutes to obtain information about salaries and benefits provided to employees.
- We reviewed time sheets, payroll records and Board-approved pay rates to determine whether salaries were accurately paid. We recalculated the gross weekly pay for all employees paid during September 2017 and December 2016.
- We reviewed payroll journals to determine those individuals who received health insurance buyout incentives. We verified eligibility and the corresponding dates of eligibility based on the guidelines set forth in the employee handbook to determine whether incentives were paid in accordance with Town policy. We reviewed the health insurance carrier's statement for eligible coverage levels and the annual costs for all eligible employees, recalculated the incentive amounts and compared the amount paid to our calculations to determine whether the amounts paid were accurate.
- We reviewed two months of insurance statements, listed all participants and documented their level of services. To determine whether the voluntary health deductions were accurately calculated, we compared the corresponding monthly cost for each employee, the amount deducted per pay period and documented any differences. We then calculated the total amount to be withheld for the audit period.
- We reviewed timecards and attendance records for all highway employees to determine whether leave accruals and compensatory time records were accurate.
- We reviewed attendance records and timecards or time sheets for all 20 general fund employees, obtained their anniversary dates and recalculated the leave accruals in accordance with the employee handbook to determine whether leave accruals and compensatory time records were accurate. We compared our calculation to the Town's attendance records.
- To determine whether payments for unused leave at the time of retirement were accurate, we reviewed all former employees' leave balances as of December 2016, calculated the leave accrual allocation allowed per the employee handbook and compared the amount paid with our calculation.

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

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

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

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

www.osc.state.ny.us/localgov/costsavings/index.htm

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

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

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

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

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

www.osc.state.ny.us/localgov/planbudget/index.htm

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

www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.pdf

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

www.osc.state.ny.us/localgov/finreporting/index.htm

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

www.osc.state.ny.us/localgov/researchpubs/index.htm

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

www.osc.state.ny.us/localgov/academy/index.htm

Contact

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

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

www.osc.state.ny.us/localgov/index.htm

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

NEWBURGH REGIONAL OFFICE – Tenneh Blamah, Chief Examiner

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