

# Village of Waterville

## Payroll and Time and Attendance Records

APRIL 2018



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

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# Report Highlights

## Village of Waterville

### Audit Objective

Determine whether Village officials ensured employees' salaries and wages were accurately paid and time and attendance records were properly maintained and recorded.

### Key Findings

- Village officials accurately paid gross salaries and wages to employees. However, the Board did not segregate the Clerk-Treasurer's payroll processing duties and did not establish adequate compensating controls to oversee payroll processing.
- All employees did not complete detailed time records and supervisors did not always approve time records. The Clerk-Treasurer credited two employees a total of 10 vacation days before they were earned.

### Key Recommendations

- Segregate the Clerk-Treasurer's payroll processing duties. If not feasible, the Board should establish compensating controls.
- Require employees to complete detailed time records and require all supervisors to approve and sign time records. Ensure vacation leave is earned in accordance with the personnel handbook.

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

### Background

The Village of Waterville (Village) is located in the Towns of Sangerfield and Marshall in Oneida County. The elected five-member Village Board of Trustees (Board) is the legislative body responsible for managing Village operations, which includes establishing and monitoring an internal control system and overseeing Village officials. The Mayor, who is also a Board member and serves as the chief executive officer, is responsible for the Village's day-to-day operations.

The Board-appointed Clerk-Treasurer is the chief fiscal officer and is responsible for processing the payroll and maintaining leave records.

#### Quick Facts

Population	1,542
Employees and Officials	21
2016-17 General Fund Appropriations	\$1.2 million
2016-17 Payroll Costs	\$539,258

### Audit Period

June 1, 2016 – August 31, 2017

# Payroll and Time and Attendance Records

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## **How Should Village Officials Ensure Employees Are Paid Accurately and Time and Attendance Records Are Proper?**

Payroll costs and employee benefits, such as leave accruals, make up a significant portion of the Village's operating costs. Therefore, the Board should establish and approve all salary and hourly wages by position and establish procedures to ensure that employees are paid the authorized salaries, wages and leave time to which they are entitled. The Board adopted a personnel handbook that outlines the classifications of employees based on weekly hours worked, health insurance, leave accruals earnings and usage and other employee benefits.

A well-designed payroll processing system requires policies and procedures that provide guidance and oversight for employees who process payroll and maintain time and attendance records. These policies help ensure that payroll is processed consistently and accurately, hours worked are accurately reported, and leave accruals, such as vacation and sick leave, is properly recorded, earned and used. Detailed time records should be prepared by employees and reviewed by supervisory personnel who have direct contact with the employee. Supervisors should sign or initial the employee's time records to evidence their review and approval of hours worked. Finally, before checks are distributed, payroll registers or similar records should be reviewed and independently certified (signed) to provide oversight of the payroll process.

It is also important that one individual is not responsible for the entire payroll processing function. For example, the same employee should not enter new employees and pay rates into the computerized payroll system, process the payrolls and prepare and distribute paychecks. Duties should be segregated so that the work of one employee is routinely verified in the course of another employee's regular duties. If it is not feasible to adequately segregate duties, the Board should establish compensating controls and routinely monitor and review the work of the Clerk-Treasurer including supporting documentation such as time records, bank statements, direct deposit listings or cancelled checks.

## **Village Officials Accurately Paid Employee Salaries and Wages**

Due to the Village's limited staff, payroll duties were not adequately segregated. The Board approves new positions and authorizes employee hiring, and on an annual basis, approves a salary schedule that lists pay rates and salaries for each Village employee. The Clerk-Treasurer enters employee names, position and applicable pay rate or salary into the Village's computerized payroll system. The Clerk-Treasurer uses the time records submitted by the departments to enter time worked into the computerized payroll system and processes the payrolls. She also performs all financial duties including signing and distributing Village checks, conducting bank transfers for direct deposits, preparing bank reconciliations and

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maintaining the accounting records and employee leave accrual records. After the payrolls are processed, the Mayor reviews the payroll journal which contains information including gross pay, net pay and withholding amounts for each employee.

The Clerk-Treasurer's duties are incompatible when performed by one individual because they would allow her to initiate and authorize inappropriate transactions. Even though the Mayor reviews the payrolls, he does not review supporting documentation including time records, bank statements, direct deposit listings or cancelled checks. Management review of these documents could help compensate for the lack of segregation of duties within the payroll process and reduce the risk that unauthorized or inappropriate payroll payments could occur without detection.

We reviewed the gross pay calculations of all 21 employees,<sup>1</sup> totaling approximately \$32,000, for three pay periods during our audit period to determine whether salaries and pay rates were authorized, payees were valid and active employees, and overtime rates and hours worked were accurately calculated and paid based on time records. In addition, we examined all payrolls in our audit period to identify overtime payments and to determine whether overtime was approved by a supervisor as shown on time records. Our testing disclosed only minor deficiencies, which we discussed with Village officials.

### **Employees and Village Officials Did Not Properly Maintain Time and Attendance Records**

Time records for employees not only serve as a basis for Village officials to authorize biweekly salary payments, they also permit Village officials to track the hours worked and leave accrual use. The Department of Public Works (DPW) Supervisor prepares the time records for seven employees under his supervision. The DPW Supervisor records timesheet information which includes the number of hours worked and the hours of leave accruals used for each day and signs the timesheet. The employees' beginning and ending times are not recorded. Because the DPW employees do not prepare or sign timesheet information, and beginning and ending times are not recorded, the actual hours worked may not be correctly recorded, which could result in inaccurate pay. The Deputy Clerk, a crossing guard and custodian each prepare and sign timesheets that include their beginning and ending work times for each day. However, their timesheets are not approved and signed by a supervisor. Additionally, the Clerk-Treasurer does not complete detail time records for herself. Instead, she maintains a record of total hours worked and leave accruals used for the pay period. Without the supervisory

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<sup>1</sup> See Appendix B for a detailed description of our sample selection

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review of time records and detailed time records completed by all employees, the Village is at greater risk of paying employees for time they did not work.

Officials also did not follow Village policy for the accrual of vacation leave. The personnel handbook grants vacation days to employees based on the number of years of service (e.g., five vacation days after one year of service). However, the Clerk-Treasurer told us she routinely enters vacation leave earnings in the computerized leave system for all Village employees on June 1st of each year, rather than on the employees' anniversary date, based on past practice in place when she began employment with the Village.

We reviewed leave accrual earnings records for all Village employees during our audit period and found two DPW employees who were each credited with five additional vacation days, nine and six months prior to their respective anniversary date. Therefore, these two employees were credited with a total of 10 vacation days prior to those accruals being earned. Our audit testing did not disclose any inaccurate payments of unused leave time to employees who separated from the Village, despite the risk that the Village could pay employees for vacation time that is not earned if the employee separates service prior to his or her anniversary date.

We reviewed the time records for two months of our audit period to ensure all leave accruals reported as used in the employee's time records was accurately recorded in the employee's leave records. We also reviewed leave accrual records for the audit period to ensure that leave accrual balances at year-end were properly carried forward into the next year. Our testing disclosed only minor deficiencies, which we discussed with Village officials.

## **What Do We Recommend?**

The Board should:

1. Ensure compensating controls are implemented to address the lack of segregation of duties within the payroll process. Such controls should include the routine monitoring and review of the Clerk-Treasurer's work and review of supporting documentation such as time records, bank statements, direct deposit listings and cancelled checks.
2. Require employees to complete detailed time records, including beginning and ending times, and require all supervisors to approve and sign time records. The Village's personnel handbook should also be revised to include these requirements.
3. Ensure vacation leave accruals are credited in accordance with the personnel handbook.

# Appendix A: Response From Village Officials

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## VILLAGE OF WATERVILLE

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**MAYOR**  
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**TREASURER-CLERK**  
*Brenda Knoeller*  
**SUPERINTENDENT OF PUBLIC WORKS**  
*Anthony (Jamie) Bechy*

**TRUSTEES**  
*Brian Bogan*  
*Laurie Fuess*  
*Daniel Nichols*  
*Douglas Plourde*

February 20, 2018

Office of the State Comptroller  
ATTN: Rebecca Wilcox, Chief Examiner  
State Office Building, Room 409  
333 E. Washington Street  
Syracuse, NY 13202-1428

RE: Village of Waterville Audit 2017M-281

Dear Ms. Wilcox,

The Village of Waterville acknowledges receipt of the New York State Comptroller's draft audit report for the Village of Waterville and its payroll and time and attendance records for the period of June 1 2016 – August 2017. The Board of Trustees has reviewed and verified the findings and agrees with the findings identified in the report. This letter serves as both an audit response and the required corrective action plan.

The key recommendations and the Village's corrective action plan are as follows:

1. Segregate the Clerk-Treasurer's payroll processing duties. If not feasible, the Board should establish compensating controls.

The Board of Trustees has implemented a new procedure to involve the Deputy Clerk and Mayor in the payroll processing duties. The Deputy Clerk now verifies all timecards and the Mayor now verifies all pay changes.

2. Require employees to complete detailed time records and require all supervisors to approve and sign time records. Ensure vacation leave is earned in accordance with personnel handbook.

The Board of Trustees has implemented a bi-weekly timecard procedure that all employees are now utilizing; all timecards are signed and approved by a supervisor. The Board of Trustees is addressing the language in the personnel handbook to ensure that all vacation leave will be earned accordingly.

The Village is extremely pleased that your audit did not identify any instance of fraud, improprieties or significant discrepancies. The Board of Trustees, Administration and Staff involved in the audit process appreciate the professionalism and assistance received during the audit process.

Should you have any additional questions please feel free to contact us.

Sincerely,

Ruben E. Ostrander  
Mayor



## Appendix B: Audit Methodology and Standards

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

- We interviewed Village officials and employees and reviewed Village policies, Board resolutions and various financial records and reports to gain an understanding of the Village's procedures related to payroll processing and the earnings and usage of leave time.
- We verified salaries, wages and specific employment conditions by reviewing the Village's personnel handbook, salary notices and Board resolutions. To verify employees' salaries and pay rates were accurate, we selected all 21 employees and officials paid in July 2017 and recalculated their gross pay for the three applicable pay periods. We also compared net pay to certified payroll registers and cancelled checks or direct deposit files. For hourly employees, we verified hours reported on the time records agreed to hours recorded in the computerized payroll system. We judgmentally selected this month because the Village has more employees during the summer due to seasonal employees.
- We reviewed employee time records for December 2016 and July 2017 payrolls to ensure that any leave time taken was properly deducted from leave records. We judgmentally selected these two months expecting more leave to be taken during the summer and holiday months.
- We reviewed leave records for the audit period to ensure that all leave earned was in accordance with the personnel handbook. We also ensured that leave balances properly rolled over from the 2016-17 year to the 2017-18 year.
- To identify if overtime was properly authorized and approved, we selected a random sample of 10 pay periods and reviewed payroll journals and time records.

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 size of the relevant population and the sample selected for examination.



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

# Appendix C: Resources and Services

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## **Regional Office Directory**

[www.osc.state.ny.us/localgov/regional\\_directory.pdf](http://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](http://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](http://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](http://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](http://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](http://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](http://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](http://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](http://www.osc.state.ny.us/localgov/academy/index.htm)

## Contact

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