

Town of Olive

Accrued Leave and Information Technology

JULY 2019



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

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Report Highlights

Town of Olive

Audit Objectives

Determine whether Town officials accurately maintained employee accrued leave records.

Determine whether Town officials ensured the information technology (IT) systems were adequately secured and protected against unauthorized use, access and loss.

Key Findings

Town officials did not:

- Maintain accurate leave records or follow the employee handbook and the collective bargaining agreement (CBA).
- Design or implement procedures to monitor compliance with their IT security policy.

Key Recommendations

- Review and update the employee handbook to include guidance on timekeeping procedures for the use of leave credits or compensatory time.
- Ensure that employee handbook policies and the CBA are followed for allocating all types of accrued leave earned including compensatory time.
- Design and implement procedures to monitor the use of IT resources, including personal use and provide IT security awareness training.

Town officials agreed with our recommendations and have initiated or indicated they planned to initiate corrective action.

Background

The Town of Olive (Town) is located in Ulster County. The Town is governed by a Town Board (Board) composed of four elected members and a Town Supervisor (Supervisor). The Board is responsible for the general management and control of operations. The Supervisor serves as the chief executive officer, budget officer and chief fiscal officer.

Quick Facts

Population	4,317
Employees Eligible for Accrued Leave	24
Approximate 2018 Gross Payroll	\$1.7 million
Number of Computers	14

Audit Period

January 1, 2018 – January 31, 2019

Accrued Leave Records

Payroll costs and employee benefits, such as accrued leave, make up a significant portion of the Town's operating expenditures. Time records for employees not only serve as a basis for Town officials to authorize biweekly salary payments, they also permit officials to track the hours worked and accrued leave earned and used.

How Should Accrued Leave Records Be Maintained?

A well-designed payroll processing system requires policies and procedures that provide guidance and oversight for employees who maintain accrued leave records. These policies help to ensure that accrued leave, such as vacation, sick and compensatory time, are properly earned, used and accurately recorded.

Detailed time records should be prepared and signed by the employees. Additionally, town officials should require the use of leave request forms, which document advance requests to use leave for covered absences, including compensatory time, and periodically provide available leave balances to employees.

The Board adopted a personnel handbook for employees (handbook) and highway employees are covered by a collective bargaining agreement (CBA). The handbook and the CBA outline the employee classifications based on weekly hours worked, health insurance coverage, accrued leave and other employee benefits. In accordance with the handbook, Town officials grant vacation leave for part-time employees and vacation, sick and personal leave for full-time employees and require a three-month waiting period before new employees can use leave.

According to the handbook, all accrued vacation must be used within the year earned or be forfeited, unless the employee obtains written authorization from the Board allowing unexpended time to be carried over to the next year. Both the handbook and the CBA require that sick leave is to be accrued upon the employee's anniversary date. Personal leave may not be carried over to the following year, if not used by year-end any remaining balance is to be converted to sick leave.

The CBA grants vacation days to highway employees based on the number of years of completed service (e.g., five vacation days after one year of service) to be accrued monthly. In accordance with the CBA, Town officials should adjust the monthly accrued rate for highway employees who have mid-year anniversary dates. Highway employees may accumulate compensatory time in lieu of overtime pay for up to a maximum total of 80 hours at any one time and any accrued compensatory time remaining unused by year-end should be paid to employees as overtime.

Officials Did Not Maintain Accurate Leave Records

The Supervisor's secretary enters the hours worked and leave used through a secure website (requiring a unique user login and password) to a third-party vendor (who Town officials contract with to process payroll) and maintains the accrued leave records for employees not covered by the CBA. The highway department secretary maintains accrued leave and compensatory time records for all highway employees.

Accrued leave records were not accurately maintained. Officials did not follow the handbook or the CBA to allocate sick or vacation leave and compensatory time.

We reviewed timecards and time vouchers for all 24 employees eligible to accrue leave for our audit period. We compared the allocation of accrued leave based on the CBA or handbook to the leave records maintained and employee time records. For compensatory time earned and used, we compared the timecards to the highway secretary's spreadsheet and the payroll journal to determine whether any compensatory time was paid as overtime.

Vacation Leave – Town officials did not adjust vacation leave records for highway employees who had mid-year anniversary dates as required by the CBA. As a result, three employees, were paid for an additional 11.34 hours of leave to which they were not entitled. Four employees' leave was accrued at the wrong rate, two employees were over credited by 16 hours (eight hours each) and two were under credited by 14 hours. In addition, one employee, who used vacation leave throughout the year, was unaware of having 10.25 hours of leave remaining at year-end that was forfeited. For two new employees, who were hired in October 2018, it was not possible to use the time accrued as directed by the handbook and they could have requested Board approval for the leave to be carried over to 2019 but did not do so.

Sick Leave – Seven employees were entitled to 111 more hours¹ of sick leave than the records showed for the audit period. In addition, the leave records showed that five employees had 56 more hours of accrued sick leave than they were entitled to.

Personal Leave – Two employees hired in October 2018 were each entitled to 4.67 hours of accrued personal leave. However, each employee was over credited by 2.33 hours of leave as of January 1, 2019. We also found that another employee was unaware that she had 5.75 hours of personal leave available that could have been used instead of having her pay reduced (these personal leave hours were properly converted to sick leave at year-end). Additionally, one highway employee used one more hour of personal leave than he was entitled to.

¹ The beginning balances were obtained from the records as of December 31, 2017.

Compensatory Time – Of the time records for 11 highway employees who were eligible for compensatory time, we found that nine employees' timecards did not agree with the records maintained by the highway department secretary. As a result, five employees used 39.5 hours of compensatory time valued at \$1,532 to which they were not entitled. Four employees were entitled to compensation for 28.5 hours of compensatory time totaling \$1,098, which they did not use or receive payment for at year-end. Additionally, we found that 10 eligible highway employees compensatory time exceeded the 80 hour maximum allowed.

The Supervisor's secretary told us that she allocates sick leave for all Town employees on January 1 each year, rather than on the employees' anniversary date, based on the past practice in place when she began Town employment. Because the highway department secretary was recently hired, she did not set up the initial leave accruals or track compensatory time for 2018.

The bookkeeper told us that the Town has never done a mid-year adjustment for sick or vacation leave based on the anniversary date for highway department employees. Additionally, Town officials were unaware that by requiring the use of leave request forms they could verify accrued leave use and determine the amount of leave remaining at year-end.

The lack of procedures or properly designed and functioning controls over accrued leave increases the likelihood that these errors will continue to occur and remain undetected.

What Do We Recommend?

Town officials should:

1. Review the accrued leave and compensatory time issues identified in this report and adjust the timekeeping records as appropriate.
2. Review and update the handbook to include guidance on timekeeping procedures and documentation requirements for the use of accrued leave and compensatory time.
3. Ensure that officials follow the CBA and handbook policies for allocating accrued leave.
4. Ensure that officials follow the CBA requirement that highway employees are limited to 80 hours of compensatory time and that any hours over that should be paid to the employees at year-end as overtime pay.

Information Technology

The Town uses IT to initiate, process, record and report transactions. It also relies on the IT system for Internet access, email and maintaining financial information. Town officials contracted with an IT service provider to manage the network, on an as needed basis.

How Should IT Assets Be Safeguarded?

Acceptable use policies describe what constitutes appropriate and inappropriate use of IT resources, along with the Board's expectations concerning personal use of IT equipment and user privacy.² Monitoring compliance with the acceptable use policy involves regularly collecting, reviewing and analyzing system activity for indications of inappropriate or unusual activity and investigating and reporting such activity.

Officials should monitor and analyze activities for signs of possible violations or imminent threats of violations of computer security policies, acceptable use policies or standard security practices. Automated mechanisms may be used to perform this process and can help security professionals routinely assess computer security, perform investigations during and after an incident and even recognize an ongoing attempt of unauthorized access.

A board should require and provide employees and officials the opportunity to attend periodic IT security training. Computer users need to be aware of security risks and be trained in practices that reduce internal and external threats to IT systems and data. While IT policies provide guidance for computer users, security awareness training helps them understand their roles and responsibilities and provides them with necessary skills. Such training should center on:

- Emerging trends in information theft and other social engineering reminders.
- Malicious software, virus protection and the dangers of downloading files and programs from the Internet.
- Password controls.
- Limiting the type of private personal and sensitive information collected, accessed or displayed to that which is essential for the function being performed.
- Restricting physical access to IT systems and resources.
- Protecting IT systems from intentional or unintentional harm, loss or compromise.

² For example, management may reserve the right to examine email, personal file directories, web access and other information stored on computers, at any time and without notice.

Due to increasing reliance on third-parties to provide a variety of IT-related services, towns should formalize this relationship. Written agreements should define the contractual relationship and responsibilities between the IT service provider and the town, including what services will be provided, when they will be provided, how they will be provided and at what cost. A written agreement should also stipulate that the IT service provider will have system of internal controls in place to provide reasonable assurance that the town's information will be protected against loss, abuse and fraudulent activity.

Officials Did Not Enforce the Computer Security Policy

The Town adopted a computer security policy that states that users must not use the Town systems for the purposes other than those that support official Town business or as defined in the policy. However, officials did not design or implement procedures to monitor compliance with the policy or determine the amount of employees' personal use.

We examined six computers to determine whether they were used for nonbusiness purposes and found evidence of personal use.³ Such use included games, social media, video and music streaming, shopping, travel and other Internet research and browsing of a personal nature. In addition, we found advertising content on two computers. Because this content is commonly used to spread malicious software, such use unnecessarily exposes the system to malicious software infections.

When employees access websites for nonbusiness or inappropriate purposes through the network, productivity is reduced and there is an increased risk that IT assets and user information could be compromised. Town officials told us that they were unaware of the types of nonbusiness use of their computers or the risk associated with that use and did not provide an explanation for why procedures to monitor computer use were not adopted.

Officials Did Not Provide Security Awareness Training

The Board did not provide computer users with security awareness training to help ensure they understand security measures needed to protect the network. Officials told us that they were unaware of security awareness training that was available to the Town.

Town officials' failure to provide security awareness training increases the risk of improper computer use by employees and puts the IT systems at risk, which can result in the manipulation, destruction or theft of valuable data. As a result,

³ Refer to Appendix B for information on our methodology.

employees may not be aware of risks and inadvertently expose the Town's IT assets to cybersecurity attacks, loss and misuse.

Officials Did Not Have a Written Contract With the IT Provider

Town officials did not sign a formal contract with the IT service provider identifying the specific services to be provided or the vendor's responsibilities. The Town paid the IT service provider approximately \$2,700 in 2018.

Town officials told us that they have not considered the benefits of having a contract with the provider because the Town has a long standing relationship with the provider, they purchase blocks of time for IT support service and the arrangement works.

However, without a formal contract, officials do not have a documented understanding of the level of compensation to be paid to the service provider or the extent of services to be provided. For example, without a contract with the provider it was not clear what level of responsibility the vendor had for safeguarding computer security and protecting the information contained on the system.

What Do We Recommend?

The Board should:

5. Design and implement procedures to monitor the use of IT resources, including personal use.
6. Provide IT security awareness training to personnel who use IT resources.
7. Formalize the Town's IT support services with a written contract or agreement.

Appendix A: Response From Town Officials

Sylvia B. Rozzelle, Supervisor

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West Shokan, NY 12494
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June 17, 2019

Office of the State Comptroller
33 Airport Center Drive
New Windsor, NY 12553

Re: Town of Olive Audit Response Letter (2019M-84)

The Town of Olive (Supervisor and Town Board members) received the Draft Accrued Leave and Information Technology Report of Examination on May 24, 2019. Since the Associate Examiner was forthcoming with information during the examination period we were allowed time to take corrective actions on some of the issues prior to receiving the draft examination.

As an elected official for 36 years I have always viewed NYS Examinations of our local government as a positive process which helps improve government functionality. We appreciate your review and findings. The Town of Olive Corrective Action Plan will follow this response letter.

Sincerely,

Sylvia B. Rozzelle, Supervisor
Town of Olive

Sylvia B. Rozzelle, Supervisor

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Town of Olive
Accrued Leave and Information Technology
Report of Examination
2019M-84

For each recommendation included in the audit report, the following is our corrective actions taken or proposed.

Accrued Leave Records

Audit Recommendation: (page 6)

(No #) Review the accrued leave and compensatory time issues identified in this report and adjust the timekeeping records as appropriate.

Implementation Plan of Action: *Spreadsheets for tracking time records have been developed by Highway Secretary and the Payroll Clerk uses handwritten paper records. Corrections have been made.*

Implementation Date: *Highway Secretary—May 2019 Payroll Clerk---May 2019*

Person Responsible for Implementation: *Highway Superintendent & Supervisor*

1. Review and update the handbook to include guidance on timekeeping procedures and documentation requirements for the use of accrued leave and compensatory time.

Implementation Plan of Action: *A Committee was formed in January 2019 to review the Town's Compensation & Benefits Manual.*

Implementation Date: *12/31/19*

Person Responsible for Implementation: *Town Board*

2. Ensure that officials follow the CBA and handbook policies for allocating accrued leave.

Implementation Plan of Action: *Policies for accrued leave in both the CBA and the Compensation and Benefits Manual are being re-evaluated to reflect current practices. CBA (expires 12/31/19) will be negotiated this year.*

Implementation Date: *12/31/19*

Person Responsible for Implementation: *Town Board*

-
3. Ensure that officials follow the CBA requirement that highway employees are limited to 80 hours of compensatory time and that any hours over that should be paid to the employees at year-end as overtime pay.

Implementation Plan of Action: *Spreadsheet developed by Highway Secretary to track time.*

Implementation Date: *May 2019*

Person Responsible for Implementation: *Highway Superintendent*

Information Technology

Audit Recommendation (page 9)

4. Design and implement procedures to monitor the use of IT resources, including personal use.

Implementation Plan of Action: *Re-evaluate and adopt a new IT Policy.*

Implementation Date: *12/31/20*

Person Responsible for Implementation: *Town Board*

5. Provide IT security awareness training to personnel who use IT resources.

Implementation Plan of Action: *Cyber Security Training Class to be held July 16, 2019 at 1 p.m. For Town Office Personnel—Police Officers will be required to complete cyber training through an online course*

Implementation Date: *7/16/19*

Person Responsible for Implementation: *Town Board*

6. Formalize the Town's IT support services with a written contract or agreement.

Implementation Plan of Action: *Town Board empowered Supervisor to sign said contract at its June 11, 2019 meeting*

Implementation Date: *June 12, 2019*

Person Responsible for Implementation: *Town Board*

Name: *Sylvia Rozzelle,*
Title: *Supervisor, Town of Olive*

Date: *June 19, 2019*

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 objectives and obtain valid audit evidence, our audit procedures included the following:

- We interviewed Town officials, reviewed Board minutes and Board-adopted policies including the employee handbook, IT and the CBA to gain an understanding for accrued leave, compensatory time and IT.
- To determine whether the accrued leave records were accurate:
 - We reviewed the leave accrual allocation defined by the Town's handbook or CBA to the allocation on the employee's accrued leave record.
 - To determine whether accrued leave use was accurately recorded, we verified the sick, personal and vacation leave use from the employees' timecards or vouchers for the period 1/1/18 to 1/1/19 to the Town's maintained leave accrual records.
 - To determine if overtime hours for highway employees were paid or saved we compared the overtime hours on the timecards with the Highway Secretary's spreadsheet and to the payroll journal.
 - We verified the compensatory time saved was used by reviewing the timecards for the audit period.
- We judgmentally selected six computers (43 percent of the total population), we chose computers from each department to ensure that our sample would yield computers from every location connected to the server located at Town hall. We ran audit software to examine the specific activities on these computers, such as Internet history, and compared computer use to Town policy.

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 the 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/pubs/cyber-security-guide.pdf

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

www.osc.state.ny.us/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

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