

Village of Nelliston

Payroll and Accounting Records

DECEMBER 2018



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

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Report Highlights

Village of Nelliston

Audit Objectives

Determine whether the Village accurately paid salaries and wages and adequately monitored and recorded leave accruals and usage.

Determine if the Clerk-Treasurer maintained timely and complete records and reports to allow the Board to properly manage the Village's finances.

Key Findings

- The Clerk did not withhold health insurance contributions totaling \$5,392 from the Superintendent's pay for the period March 2016 through February 2018.
- The Superintendent did not maintain his leave accruals according to the compensation agreement and employee handbook.
- The Clerk did not maintain adequate accounting records and failed to provide financial information to the Board.

Key Recommendations

- Consult with the Village Attorney to recoup the Superintendent's unpaid health insurance premium.
- Provide appropriate oversight to ensure the Superintendent maintains his leave accruals accurately.
- Maintain adequate up-to-date accounting records and provide financial information to the Board.

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

Background

The Village of Nelliston is located in the Town of Palatine in Montgomery County. The Village is governed by an elected Board of Trustees (Board) that is comprised of a Mayor and two Trustees. The Board is responsible for the overall management and oversight of the Village's operations. The Mayor serves as the Village's chief executive officer and budget officer.

The Mayor appoints the Clerk-Treasurer (Clerk) and the Department of Public Works (DPW) Superintendent.

The Department of Public Works (DPW) Superintendent (Superintendent), maintains all time and attendance records for DPW employees.

Quick Facts

Employees	9
Population	596
2017-18 Salaries and Wages	\$112,191
2017-18 Budgeted Appropriations	\$476,280

Audit Period

June 1, 2016 – February 28, 2018

The audit period was extended back to January 2016 to calculate health insurance contributions, to March 2015 to calculate leave accruals, and to June 2015 to review accounting records and reports.

Payroll and Leave Accruals

How Should Village Officials Ensure Salaries and Wages Are Accurately Paid and Leave Accruals Are Properly Monitored and Maintained?

Salaries and wages should be supported by time records and board-approved salaries and pay rates to ensure payments are accurately calculated, based on actual work performed and at the appropriate salaries and rates. It is important that, when possible, one individual not be solely responsible for the entire payroll processing function without any oversight. If segregating duties is not feasible because of limited staffing, at a minimum, village officials should implement compensating controls and routinely monitor and review the work of the person processing the payroll. The review process should include comparing payroll checks to payroll registers and time records to ensure checks are accurate. Bank statements including check images should also be routinely reviewed. Additionally, the board should ensure proper deductions are withheld from the employees' gross pay, such as health insurance contributions, in accordance with the employee handbook.

Village officials must also ensure that leave accruals are correctly earned and all leave paid and used is deducted from the employees' leave accrual balances in accordance with the board-adopted employee handbook. Periodic independent reviews of leave accrual records and balances provide additional assurance that the accrual and use of leave time is accurate and in accordance with applicable guidelines.

Officials and Employees Were Not Paid Accurately

Payroll duties were not adequately segregated due to the Village's limited staff. The Clerk processes payroll manually on a biweekly basis based on hours worked from employees' time sheets and timecards and on quarterly basis for Village officials based on budgeted salaries. The Clerk also prepares, signs and issues paychecks and reviews the bank statements with no approvals or oversight provided by the Board. The Clerk does not document the calculation of the gross pay on the payroll summary reports. For example, she does not list the number of regular and overtime hours worked multiplied by the applicable hourly rate. Instead, she records the total amounts of the gross pay, withholdings and net pay in the reports.

Also, the Board does not collectively set and approve pay rates and salaries for part-time employees and the Superintendent. Instead, the Mayor sets these pay rates. We interviewed the Trustees and found they were not aware of the Department of Public Works (DPW) employees' pay rates or the Superintendent's salary, who is the only full-time Village employee. The Superintendent approves the weekly timecards prepared by the three part-time employees and completes a biweekly timesheet for himself which is approved by the Mayor. The Mayor does

not review and compare payroll summary reports and payroll checks to time sheets and timecards to make sure payroll is processed accurately.

We reviewed the gross pay amounts for all 10 employees and officials,¹ totaling approximately \$107,000, for calendar year 2017 to determine whether salaries and wages were accurately paid based on authorized pay rates or salaries and time records. We found multiple discrepancies in the gross pay amounts for employees.

Because the Clerk was unable to provide payroll calculation details for the Superintendent's pay and the payroll summary reports did not document the number of hours used in calculating pay, we could not compare the hours worked from Superintendent's time sheets to Clerk's payroll calculations. We recalculated the Superintendent's gross pay based on itemized hours worked from his time sheets and compared it to the gross pay from the payroll summary reports. We found variances in 19 of the 26 pay periods for 2017 in which the Superintendent was both overpaid and underpaid resulting in a net underpayment of \$635. For example, the Superintendent was incorrectly paid:

- \$400 for 20 hours not recorded as worked or charged to leave accruals in eight different pay periods.
- \$199 for using 10 holiday hours in excess of the allowable amount per the employee handbook.
- \$585 for 17.5 overtime hours and three regular hours to attend Board meetings which do not appear to be hours he is authorized to be compensated for.
- \$507 less than he was supposed to be for the pay period ending on January 8, 2017. We determined the correct gross pay should have been \$2,248 but he was paid \$1,741.

We also found significant discrepancies with the information recorded on the Superintendent's time sheets. In addition to recording daily start and end time, the Superintendent itemized hours worked per function² on his time sheet. Itemized hours worked were recorded for each day of the reviewed period. However, there were nine days without recorded start or end times. There was a total of 87 instances where the total daily hours worked, based on the recorded start and end times, did not equal to the itemized per function hours worked resulting in variances of 106 hours worked. For example, start and end times showed eight hours worked but 11.5 itemized hours were recorded on the time sheet.

1 A new Trustee was elected in March 2017. Therefore, we tested both the prior and current trustee pay for a total of 10 employees.

2 The Superintendent recorded the worked hours for each task of his daily duties on his time sheets.

Itemized worked time per function:

- Exceeded recorded start and end time in 41 instances totaling 50 hours.
- Was less than the start and end time in 46 instances totaling 56 hours.

We also found the three part-time DPW employees were overpaid a combined total of \$203 for regular and overtime hours worked. The Clerk improperly calculated and paid 35 hours at the overtime rate, instead of at the regular hourly rate, resulting in an overpayment of \$188. Additionally, one employee was overpaid for three regular time hours totaling \$30, and another employee was underpaid for one regular hour in the amount of \$15. The variance in overtime hours was due to paying overtime rates for hours worked in excess of eight hours per day which is not authorized by the employee handbook. According to the employee handbook, part-time employees earn overtime after working 40 hours per week. The Mayor stated that he decided to start paying DPW employees overtime rates in excess of eight hours per day because it was difficult to find part-time employees. However, the Mayor did not discuss the change in pay method with, or get approval from, the Board and the employee handbook was not amended to reflect the change in pay method.

We also found the Mayor authorized Christmas bonuses totaling \$750 to Village employees and officials in December 2017. The Superintendent and Village officials each received \$100 (including the Mayor) and all three part-time DPW employees received \$50 bonuses that the Clerk did not record on the payroll summary reports. At the December 2017 Board meeting, the Mayor informed the Board that he was giving Christmas bonuses to all employees and officials. Bonuses are not an appropriate Village expenditure because they do not represent payments to employees for hours worked. Furthermore, elected officials should not receive payments in excess of their approved salaries.

Without proper oversight of the payroll process, the inaccurate payroll payments remained undetected and uncorrected. Management review of bank statements, cancelled checks, payroll records and supporting documentation such as time records could help compensate for the lack of segregation of duties within the payroll process and reduce the risk that inaccurate, unauthorized or inappropriate payments could occur without detection.

The Clerk Did Not Properly Withhold Health Insurance Contributions from the DPW Superintendent's Pay

The Village provides the Superintendent with health insurance coverage. According to the employee handbook, adopted in February 2016, full-time employees, such as the Superintendent, receiving health insurance benefits have to pay 15 percent of the total insurance premium. We reviewed payroll summary reports for 2016 and 2017 calendar years to determine if the Clerk, who is the

Superintendent's mother, withheld the proper amount of health insurance premiums from the Superintendent's pay and found the Clerk has not deducted any funds for health insurance premiums. The Mayor stated that the Superintendent was "grandfathered" into having his health insurance paid in full by the Village and the requirements of the employee handbook did not apply to him. However, the Clerk and Mayor were unable to provide any documentation stating the Superintendent was excluded from the required contributions.

Furthermore, the employee handbook did not specify that the requirement to contribute 15 percent of the health insurance premium is applicable for only new full-time employees. We interviewed one of the Trustees, who stated that she was on the Board at the time when the employee handbook was discussed and adopted and the health insurance contribution requirement did not exclude the Superintendent. We determined the Clerk did not deduct required health insurance contributions totaling \$5,392 from Superintendent's gross pay for the period March 2016 through February 2018. As a result, the Village incurred additional costs by paying the Superintendent's portion of the premium.

The DPW Superintendent and Village Officials Did Not Accurately Maintain the DPW's Leave Accrual Records

The Superintendent maintains his leave accruals on the time sheets by recording beginning balances, hours used and earned, and ending balances. The Mayor certifies the Superintendent's time sheet by signing it at the end of the pay period. The Superintendent's time sheets are the only record of his leave accruals. Neither the Clerk, nor the Mayor have copies of the time sheets or maintain any other records for leave accruals. Therefore, a reconciliation of his leave records is not performed. The Mayor approves leave requests without verifying available leave accrual balances. After payroll is processed, the Superintendent keeps his time sheets at his residence. As a result, the Village has no documentation related to his leave accruals. We asked the Superintendent for his time sheets for our audit period but he could not find them prior to calendar year 2017.

The Superintendent entered into a written agreement (Agreement) with the Board on March 19, 2015 to reduce accumulated leave balances. According to the Agreement, the Superintendent was compensated \$55,013 for 1,131 hours of unused vacation leave and 1,803 hours of unused sick leave and he was required to reduce his unused sick and vacation leave hours to zero by the end of calendar year 2015.

The \$55,013 obligation for unused vacation and sick leave is being paid to the Superintendent in six annual payments of \$9,169, which started in 2015. We reviewed the annual payments for 2015, 2016 and 2017 and found that the Clerk paid out the correct amounts. We reviewed Superintendent's time sheets for the period December 26, 2016 through December 24, 2017 and found that he had 1,092 vacation hours and 1,850 sick hours as of December 26, 2016, which is above the maximum amount allowed in the employee handbook³ by 932 vacation hours and 1,762 sick hours.

The Superintendent told us that he did not zero out his leave accruals by the end of 2015, as required in the Agreement. Instead, he incorrectly reduced his vacation and sick leave accruals each by 244.5 hours upon receiving his annual payments of \$9,169. We confirmed these deductions for the 2017 annual payment by reviewing April 2017 time sheets. The practice of not properly deducting leave accruals per the Agreement would result, upon the last annual payment, in a deduction of a total of 1,467 vacation hours and 1,467 sick hours, contradicting the Agreement and resulting in under deducting 336 sick hours and over deducting the vacation hours by the same amount.

We reviewed the Superintendent's time sheets for the period December 26, 2016 through February 18, 2018 to determine if his leave accruals were earned, used and maintained according to the employee handbook and found the following:

- The Superintendent earned a total of 100 vacation hours for calendar year 2017, even though the employee handbook allowed for 160 hours. When the Board adopted the handbook in February 2016, the Mayor instructed the Superintendent to continue to accrue four hours of vacation leave time each pay period, as he had been doing in the past.
- Because the Superintendent did not reduce his vacation leave to zero by the end of 2015, as stated in the Agreement, but instead he deducted a portion of the leave time each year, the 397.5 vacation hours, not deducted, were carried forward and included in the ending balance of 946.5 hours, as of February 18, 2018. After subtracting the remaining hours not deducted, carried forward from 2015, we determined the adjusted vacation leave balance at February 18, 2018 was 549 hours. However, after applying the limit on hours to be carried forward per the employee handbook less used vacation time⁴ and correcting an error,⁵ we determined the correct ending balance of vacation leave as of February 18, 2018 was 139 hours. As a result, the Superintendent improperly carried forward 410 vacation hours in excess of the allowable amount with an estimated value of \$8,278.

3 The maximum amount of vacation leave was 160 hours. The maximum amount of earned sick leave as of December 26, 2016 was 88 hours.

4 The Superintendent used 13 vacation hours for the period March 20, 2017 through April 16, 2017.

5 The Superintendent used but did not deduct eight vacation hours from his time sheets in April 2017.

-
- Although the Superintendent accrued sick leave properly, the ending sick leave balance as of February 18, 2018 of 1,089.5 hours was incorrect. Similar to his vacation leave balance, the Superintendent did not appropriately reduce his sick leave as stated in the Agreement and also made a mathematical error in January 2018 reducing his balance by 600 hours. We recalculated his ending balance according to the Agreement and employee handbook and corrected the mathematical error. We found that the recalculated carried forward balance was 620 hours. However, after accounting for earned and used⁶ sick leave, we determined the correct ending balance of sick leave as of February 18, 2018 was 173 hours. As a result, the Superintendent improperly carried forward an excess of 447 sick hours, with an estimated value of \$9,025. Because the Superintendent did not provide his time sheets prior to December 26, 2016, it is unclear of the origin of the excess hours.
 - The Superintendent accrued 64 personal leave hours in 2017, which is twice the allowable amount of 32 hours per year, as stated in the employee handbook. He accrued 32 hours in July 2017 and an additional 32 hours in October 2017. He used 36 hours of personal leave, which exceeded the allowable amount by four hours totaling \$81.
 - The employee handbook designates 10 paid holidays and one paid floating holiday, which is not specified. It does not allow for the accrual of holiday leave. We found the Superintendent incorrectly accrued 16 hours⁷ of holiday leave. We also found that he charged 18 holiday leave hours resulting in using 10 hours in excess of the allowable floating holiday.
 - Additionally, the Superintendent did not specify the type of leave accruals used nor did he reduced his leave accruals by a total of 14 hours when he worked less than eight hours per day.

Despite our multiple attempts, the Superintendent refused to meet with us to discuss his time sheets. The Mayor stated that he asked the Superintendent to discuss his time sheets with us several times throughout the audit and that he did not know why the Superintendent kept refusing. Furthermore, the Mayor stated that although he certifies the Superintendent's time sheets, he does not perform a thorough review of them.

Without proper oversight and compliance with the employee handbook and compensation agreement, the errors and irregularities that have occurred in earning, using and maintaining leave records, remained undetected and uncorrected.

⁶ We could not verify used sick leave hours for the period February 2016 through December 2016 because the Superintendent did not provide his time sheets. Therefore, we did not reduce his balance during this period. We reviewed the Superintendent's time sheets to account for sick leave used for the period December 26, 2016 through February 18, 2018.

⁷ The Superintendent accrued holiday leave for working on two observed holidays in December 2016 and January 2017.

What Do We Recommend?

The Clerk should:

1. Accurately calculate employees' gross pay and maintain adequate payroll records.
2. Deduct health insurance contributions from the Superintendent's pay in accordance with the employee handbook.
3. Maintain copies of time sheets on file to support payroll payments.
4. Verify accurate accounting for the accrual and use of leave time credits in accordance with the employee handbook.

The Mayor should:

5. Provide appropriate oversight of the payroll process to make sure gross pay is calculated accurately and deductions such as health insurance contributions are properly withheld.
6. Provide appropriate oversight of the leave accruals process to make sure the Superintendent's leave accruals are maintained, earned and used in accordance with the Agreement, employee handbook and periodically reconcile the leave accrual balances.
7. Ensure time sheets and leave accrual records are kept at the Village Hall.
8. Not authorize and direct the Clerk to process payroll bonuses.
9. Include the Superintendent's salary and part-time employees' hourly rates in the budget for approval by the Board.

The Superintendent should:

10. Account for his leave time accruals accurately and in accordance with the employee handbook.
11. Deduct the correct amount of remaining vacation and sick leave hours from 2015 Agreement now instead of continuing the incorrect practice of annual deductions.

The Board should:

12. Consult with the Village Attorney to recoup Superintendent's unpaid health insurance premium contributions of \$5,392.

Accounting Records and Reports

What Are the Clerk's Duties and Responsibilities in Regard to the Village's Accounting Records and Reports?

A village's financial records and reports must be complete, accurate and current to be relevant and useful for the board members to manage operations properly. New York State Village Law⁸ requires the clerk to keep a complete and accurate account of the receipts and disbursement of all money. All general ledgers, cash receipts and disbursement journals and subsidiary revenue and appropriation ledgers must be maintained in a complete, accurate and timely manner. The clerk should ensure bank account balances reconcile to cash balances in the accounting records and provide timely and adequate periodic reports to the board. Further, the clerk is responsible for preparing and filing the village's annual update document (AUD) with the Office of the New York State Comptroller (OSC) no later than 60 days following the close of the fiscal year. Lastly, Village Law⁹ requires the Board to audit, or have audited, the clerk's records on an annual basis, as part of its oversight of the clerk's operations.

The Village's appointed Clerk-Treasurer (Clerk) is the chief fiscal officer and is responsible for maintaining the Village's accounting records, processing payrolls and preparing periodic and annual financial reports.

The Clerk Did Not Maintain Adequate Accounting Records and Reports

The Clerk maintains manual accounting records consisting of cash receipts and disbursement journals, general ledgers and revenue and expenditure subsidiary ledgers for each fund. We requested all accounting records for the 2015-16, 2016-17 and 2017-18¹⁰ fiscal years from the Clerk 27 times during our audit but we never received all of her records. We informed the Mayor of the difficulty we were having in obtaining Village records and he directed the Clerk to provide the requested records. However, even after numerous requests from our auditors and the Mayor, the Clerk did not provide general ledgers for any fiscal year. In addition, she did not provide water and sewer fund records for the 2017-18 fiscal year and the general fund expenditure subsidiary ledger for 2015-16 fiscal year was not complete as the ledger consisted of 17 expenditure accounts¹¹ but the 2015-16 AUD included 29 expenditure accounts.¹² She told us she had difficulties keeping up-to-date accounting records because she was a part-time employee.

8 New York State Village Law Section 4-408a

9 New York State Village Law Section 4-408e

10 June 2017 through February 2018

11 The accounts provided ranged from A1010.1 to A5110.4.

12 AUD accounts not provided to the audit team ranged from A5182.4 to A9710.7.

However, the Clerk was unable to explain why she could not provide all requested accounting records. Furthermore, the Clerk did not prepare and could not provide us with budget-to-actual reports, balance sheets, bank reconciliations and interim and annual financial reports.

The Clerk only provides the Board with claims, abstracts¹³ and bank statements at the monthly Board meetings. Because the Clerk did not provide us with a complete set of accounting records, we reviewed all bank statements and cancelled checks for the period June 2016 through January 2018 to determine if checks issued in 2016-17 and 2017-18 fiscal years were for appropriate Village purposes and adequately supported by claims. Except for two small donations¹⁴ and the Christmas bonuses to employees and officials¹⁵ addressed previously in this report and bonuses to the Code Enforcement Officer¹⁶ and Village Attorney,¹⁷ all checks appeared to be for proper Village expenditures. The Mayor authorized the Christmas bonuses and directed the Clerk to issue the checks in December 2016 and 2017. The Mayor told us that he was unaware that Christmas bonuses, donations and gifts are not proper Village expenditures. However, because the Village Attorney was given a bonus, it should have been brought to the Mayor's attention that such payments are not authorized for the Village.

Because the Clerk did not perform bank reconciliations, we reviewed the last AUD filed by the Clerk, which was for the 2015-16 fiscal year, and recalculated the reported adjusted bank balances for all bank accounts by reviewing bank statements and cancelled checks. We found total cash for all funds was understated by a combined total of \$2,137 (1 percent):

- General fund cash was overstated by \$695 (1 percent);
- Water fund cash was understated by \$850 (1 percent);
- Trust and agency fund cash was understated by \$1,982 (12 percent).

The Clerk was unable to explain why the reported cash balances on the AUD report were incorrect. Without accurate and complete records and reports officials cannot accurately assess the Village's financial operations.

13 Listing of claims to be paid

14 Donation to a Fire Department of \$100 and a wedding gift of \$50 to an employee.

15 Christmas bonuses to employees and officials totaled \$800 in 2016 and \$850 in 2017.

16 The Code Enforcement Officer received a Christmas bonus of \$100 in 2016 and 2017.

17 The Village Attorney received a Christmas bonus of \$100 in 2016.

The Clerk Refused to Provide Trustees With Any Financial Information

The Clerk works from her home and stores all Village records at her residence. Trustees do not have access to the Village records because the records are not at the Village Hall. The Clerk refused to provide both Trustees, even verbally, with any financial information. The Trustees made numerous requests to receive payroll information and documentation such as payroll summary reports, the amount of the Superintendent's salary and how much overtime he was paid. Other requests made by the Trustees included budget-to-actual reports, requests to review prior paid claims and invoices, and the amount of the actual expenditures of specific budget lines for the last completed fiscal year.

Because the Clerk refused to provide the Trustees with access to the Village's records that she maintains, they were unable to provide proper oversight of the Clerk's operations. Although the Clerk and the Mayor acknowledged Trustees have the right to receive and review available financial records, neither could explain why they did not provide available records to the Trustees. Without accurate financial information the Board is unable to properly manage Village operations and make informed financial decisions.

An Annual Audit Was Not Performed of the Clerk's Accounting Records

The Board did not perform, or contract with an independent auditor, to perform an annual audit of the Clerk's records. Although a prior OSC audit report from 2011 recommended an annual audit to be performed, as required by Village Law, the Mayor, who was a Trustee in 2011, stated that he was unaware of this requirement. However, he thought that the independent public accounting (IPA) firm, which assisted the Clerk with preparing the annual report, performed an audit even though the firm did not provide an audit report. A partner of the IPA firm told us that they have not performed an audit as their services were limited to assisting the Clerk in preparing the annual report and filing the AUD. The Clerk could not remember if the Board has ever audited her records. Given that the Clerk refused to provide the Board with any financial information, the Board could not complete the required annual audit. Without an annual audit, the Board cannot ensure the accounting records of the Village are complete, up-to-date or accurate.

The Clerk Did Not Prepare and File AUDs Timely

The Clerk uses the services of an IPA firm to prepare and file the AUD each year. The AUD report for 2015-16 fiscal year was filed 82 days after the OSC extended due date of October 1, 2016. As of April 2018, the Clerk has not contacted the IPA firm to prepare and file the AUD report for 2016-17 fiscal year.¹⁸ The Clerk told us she will wait until the completion of this audit before she contacts the IPA firm, even though it is more than six months late after the extended due date. A prior OSC audit report from 2011 pointed out the Village failed to file its AUDs timely and recommended that the Clerk should file them in a timely manner.

Because the Clerk did not prepare and file timely AUDs, the Board, taxpayers and other interested parties do not have the financial information needed to measure the effectiveness of the Village's financial operations and its overall fiscal health.

What Do We Recommend?

The Clerk should:

13. Maintain accurate and up-to-date accounting records and reports.
14. File the annual AUD with OSC in a timely manner.
15. Provide all records and reports to the Trustees.
16. Provide timely and adequate records and reports to the Board for review upon request, including: monthly budget-to-actual reports, balance sheets, bank reconciliations and payroll reports.

The Board should:

17. Consult with the Village Attorney about the Clerk's refusal to provide records to the Board so all Village records can be obtained before the Clerk leaves Village employment.
18. Require monthly financial reports and timely filing of the annual report.
19. Ensure that an annual audit of the Clerk's records is performed by the Board or by an IPA, as required by Law.

¹⁸ OSC extended the due date for 2016-17 AUD to October 1, 2017.

Appendix A: Response From Village Officials

Village of Nelliston

11 River Street, PO Box 305, Nelliston, NY 13410

Mayor – Douglas Bathrick

Superintendent of Public Works – Randall Conrad

Trustee – Debra Gros

Village Clerk – Christine Dettmer

Trustee – Michael Thomas

November 15, 2018

OFFICE OF STATE COMPTROLLER

DIVISION OF LOCAL GOVERNMENT

PSU – CAP SUBMISSION

110 STATE ST, 12 FLOOR

ALBANY, NY 12236

The Village of Nelliston is in receipt of the Draft of Payroll & Accounting Records - Report of Examination 2018 M-162 – this letter serves as our audit response. Our Corrective Action Plan will be addressed before the required 90 day deadline. The board would like to extend appreciation to all auditors involved in conducting the audit and for their professional manner in doing so. Thank you for all the assistance, training, and recommendations that you've provided.

Sincerely,

Douglas Bathrick, Mayor

Debra Gros, Trustee

Michael Thomas, Trustee

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 Village officials and the Superintendent and reviewed Board minutes, the employee handbook, compensation agreement, time sheets, timecards, payroll summary reports and abstracts to gain an understanding of the Village's procedures related to processing payroll and maintaining leave accruals.
- We recalculated the Superintendent's health insurance contributions according to the employee handbook and determined if the proper amounts were deducted from his pay for the period March 2016 through February 2018 by reviewing health insurance invoices, payroll summary reports, abstracts and cancelled checks.
- We recalculated gross pay for all employees and officials for calendar year 2017 by reviewing time sheets, timecards, 2016-17 and 2017-18 adopted budgets and pay rate schedules. Then, we determined if the employees and officials were paid accurately by comparing the recalculated amounts to actual payroll disbursements from payroll summary reports, abstracts and cancelled checks.
- We verified the Superintendent's annual compensation payments for calendar years 2015, 2016 and 2017 by reviewing bank statements, cancelled checks and the compensation agreement.
- We reviewed the Superintendent's leave records for calendar year 2017 to determine if leave time was earned, used and maintained in accordance with the compensation agreement and employee handbook.
- We interviewed Village officials to gain an understanding of the accounting process, how financial information is provided to the Board and whether an annual audit is conducted.
- We reviewed accounting records for the period June 1, 2016 through February 28, 2018 to determine if they are adequate and complete.
- We performed bank reconciliations for all Village bank accounts as of May 31, 2016 by reviewing bank statements and cancelled checks to determine if cash balances were accurately reported on the 2015-16 AUD.
- We traced all cancelled checks for the period June 1, 2016 through February 28, 2018, issued in 2017-18 fiscal year, to abstracts and reviewed the corresponding claims to determine if disbursements were accurately recorded and for a proper Village purpose.

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.

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 Village 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

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Division of Local Government and School Accountability
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www.osc.state.ny.us/localgov/index.htm

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

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