

Town of Hyde Park

Payroll and Time Records

FEBRUARY 2019



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

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Report Highlights

Town of Hyde Park

Audit Objective

Determine whether the Town’s payroll and time records were accurate.

Key Findings

- Town officials established adequate procedures to ensure that payroll and time records were accurate.
- We tested the payroll and time records of 30 employees over 22 payroll periods, totaling \$1.5 million, and found that they were properly recorded, calculated and paid.

Key Recommendation

- Town officials should consider using electronic timesheet files instead of printing paper copies to file.

Officials agreed with our recommendation and indicated they planned to initiate corrective action.

Background

The Town of Hyde Park (Town) is located in Dutchess County. The Town is governed by an elected Town Board (Board) composed of four Board 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 and the Town Comptroller serves as the chief fiscal officer. The Supervisor is responsible for ensuring that employees are paid in accordance with Board resolutions, collective bargaining agreements (CBAs) and the employee manual.

Quick Facts

| | |
|------------------------------------|---------------|
| 2017 Appropriations | \$9.4 million |
| Employees | 132 |
| Gross Payroll for the Audit Period | \$4.7 million |

Audit Period

January 1, 2017 – March 6, 2018

Payroll and Time Records

How Do Towns Ensure Payroll and Time Records Are Accurate?

Payroll costs represent a significant portion of Town operating expenditures. Therefore, it is important that policies and procedures are developed and implemented to ensure pay, overtime, and shift differential rates, longevity, and health insurance buyout payments are calculated and paid correctly to avoid errors and opportunity for fraud. It is also important that voluntary payroll deductions are authorized as required.

Town employees are covered under one of three collective bargaining agreements (CBAs) or are non-union and follow the Town's employee manual. The CBAs state pay, longevity and health insurance buyout rates. Board minutes and the Employee Manual state pay, longevity and health insurance buyout rates for non-union employees.

Payroll and Time Records Were Accurate and Authorized

The Town uses the services of a third party payroll company to process payroll. However, Town payroll staff enter pay rates and make necessary changes in the payroll system. Most employees log their time in on a computer or a finger scanner.¹ Part time employees and those without computer access fill out a manual timesheet, information which is later entered into the third-party program by payroll staff. Electronic timesheets are approved by a supervisor before the time can be processed. These timesheets are also printed, signed by a supervisor² and retained. Manual timesheets are signed by a supervisor and given to payroll staff for entering the data into the system.

There are two payroll employees that process payroll. They review the electronic timesheets for supervisor notes regarding needed changes that can only be made by them. Departments such as police and highway have complicated calculations that need to be manually entered into the system due to many contractual obligations that cannot be accommodated by the program. Manual timesheet information for employees without computers, such as custodial staff and seasonal workers, are entered by either payroll employee. Pay and longevity rate changes are done if required, and also any voluntary deduction changes. Each payroll person checks the other's entries and changes made to the payroll system.

The Director of Human Resources generates a payroll report prior to finalizing the payroll. This report is reviewed by the payroll employees, who match the

¹ The scanner is located at the highway department building which is not on the same property as the Town Hall or the police station.

² The timesheets are approve electronically. However, the payroll department chooses to print them and keep them in a file.

information to the timesheets (or timesheet summary report), overtime requests, and pay rates. Once the review process is complete, the records are released to the payroll company for processing. Once the payroll company processes the payroll, it provides the Town with the needed amounts for payroll and taxes, and the Town wires the needed funds. The payroll company directly deposits funds and/or writes checks from the funded account to pay employees and payroll taxes.

We reviewed records over 22 payroll periods for 30 employees paid \$1.5 million during the audit period.

- We reviewed the CBAs and Board minutes and recalculated the rates paid to determine whether the Town's internal controls were adequate to ensure the accuracy of payroll and time records.
- We compared 124 timesheets to the actual hours paid (whether electronic or manual).
- We also reviewed the personnel files of these employees to determine if those who received a health insurance buyout qualified for it and if voluntary deductions had valid authorizations.
- We also reviewed the accrued time off balances and compared them to the corresponding contract for allowable accruals for accuracy.

We found that controls over payroll and time records were adequate to ensure the accuracy of payroll and time records. While the Town has a good system in place, we believe it could be further improved by filing approved timesheets electronically, instead of printing them out only to have paper copies on file, in order to save the time and expense of printing. Electronic files could provide the same documentation and with appropriate backup procedures could be just as safe. Electronic files also provide added functionality since they can be searched in different ways such as by pay period or multiple pay periods for a given individual.

What Do We Recommend?

1. Town officials should consider using electronic timesheet files instead of printing paper copies to file.

Appendix A: Response From Town Officials



Historic Town of Hyde Park

Supervisor's Office
4383 Albany Post Road
Hyde Park, NY 12538
(845) 229-5111, Extension 104, (845) 229-0831 Fax

Aileen Rohr, Town Supervisor

"Working with you for a better Hyde Park"

January 25, 2019

Ms. Tenneh Blamah
Chief Examiner
Division of Local Government and
School Accountability
33 Airport Center Drive
New Windsor NY 12553

RE: AUDIT RESPONSE FOR THE TOWN OF HYDE PARK

Dear Ms. Blamah:

Please accept this letter as the Town of Hyde Park's response and our Corrective Action Plan to your December 27th, 2018 letter, the subject of which was the OSC Draft Audit Report for the Town.

The Town appreciates the time spent examining our payroll and time records and the key finding that we have established adequate procedures to ensure that payroll and time records are accurate.

We also appreciate the recommendation to consider using electronic timesheet files instead of the system of printing paper copies that we currently use. We will explore implementing this option with staff and our payroll provider, ADP.

Sincerely,

Aileen Rohr
Town of Hyde Park Supervisor

AR/cam

CC: Thomas Carey, Town of Hyde Park Comptroller
Joanne Lown, Town of Hyde Park Senior Account Clerk
Sandy Bruno, Town of Hyde Park Personnel Assistant

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 Town officials and reviewed Board minutes and the Board-adopted employee handbook to gain an understanding of the processes and procedures over payroll and time records.
- There were 2,535 timesheets in the audit period throughout 31 pay periods over 14 months. We reviewed 124 out of 1,826 timesheets in 10 selected months containing 22 payroll periods. We used the rand function in Excel to choose the months tested. We chose to test winter months from the highway department due to overtime during that period. We chose to test from the summer months from the recreation department due to the increase in employees during those months. The other departments were chosen from the rand function using the 14 month pay periods less those chosen for highway and recreation. We compared electronic and manual timesheets to the payroll register showing time paid to determine if time worked and time paid agreed.
- We reviewed the records for 30 employees whose gross pay totaled \$1.5 million out of 132 employees with gross pay of \$4.7 million in our audit period. We determined whether recalculated pay, overtime and longevity rates as well as voluntary deduction authorizations were correct.
- We reviewed the accrued benefit time at year end for the same 30 employees to determine if they were not allowed more time carried over than their collective bargaining agreements allowed.
- We reviewed the September 2017 health insurance buyout on the payroll register #19 to determine whether all 17 employees who were paid the buyout had valid health insurance and recalculated their payment to determine they were correct based on collective bargaining agreements or the employee manual.

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 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

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