

Village of West Haverstraw

Accrued Leave and Benefits

SEPTEMBER 2019



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

Contents

- Report Highlights 1**

- Accrued Leave and Benefits 2**
 - How Should Accrued Leave Records Be Maintained? 2
 - Officials Did Not Maintain Leave Records 2
 - How Do Village Officials Ensure Amounts Paid for Health Benefits Are Accurate?. 3
 - Insurance Premium Payments Were Inaccurate. 3
 - What Do We Recommend? 4

- Appendix A – Response From Village Officials 5**

- Appendix B – Audit Methodology and Standards 7**

- Appendix C – Resources and Services. 8**

Report Highlights

Village of West Haverstraw

Audit Objective

Determine whether eligible Village employees received and used leave accruals in accordance with Village policies, and whether amounts paid for benefits were accurate.

Key Findings

- The Treasurer did not maintain separate records on leave accruals earned and used for administrative employees, or the amount of sick leave accrued and to be carried over to the next fiscal year.
- For 2018, the amounts paid by surviving spouses for their health insurance premiums were inaccurate. Two surviving spouses had balances outstanding totaling \$1,084, and two overpaid by \$553.

Key Recommendations

- Adopt procedures for the maintenance of time and accrual records, including approving and monitoring of the records.
- Establish procedures that help ensure benefit premiums are accurately calculated and payments are verified against the amount due.

Village officials generally agreed with our findings and indicated that they have taken, or planned to take, corrective action.

Background

The Village of West Haverstraw (Village) is located in the Town of Haverstraw in Rockland County.

The Village is governed by an elected board composed of four trustees (Board) and a Mayor. The Board is responsible for oversight and general management of financial operations. The appointed Treasurer, who also serves as the budget officer, is responsible for having custody of all funds and maintaining the accounting records.

Quick Facts

2018-19 General Fund Budget	\$6,351,238
Full-Time Employees	27
Payroll Cost	\$2.4 million

Audit Period

June 1, 2017 – March 31, 2019

Accrued Leave and Benefits

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

The Village offers health and dental benefits to employees and has made provisions within the personnel handbook for surviving spouses to continue coverage by paying a percentage of the annual premium.

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 and used and accurately recorded. Detailed time records should be prepared and signed by the employees. Additionally, Village 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. The handbook outlines employee classifications based on weekly hours worked, health insurance coverage, accrued leave and other employee benefits. In accordance with the handbook, Village officials grant vacation, sick and personal leave for full-time employees. All accrued vacation time must be used within the fiscal year earned or be forfeited. Vacation days are based on the number of years of completed service.

Officials Did Not Maintain Leave Records

The Treasurer enters the hours worked and leave used through a secure website (requiring a unique user login and password) for a third-party vendor, who Village officials contract with to process payroll. Administrative employees use leave request forms and weekly time sheets noting leave time used. They are responsible for maintaining their own leave accrual records.

The Treasurer did not maintain separate records on leave accruals earned and used for administrative employees or the amount of sick leave accrued and to be carried over to the next fiscal year. We reviewed the time sheets for the five administrative employees eligible to accrue leave for fiscal year June 1, 2017 through May 31, 2018. We compared the allocation of accrued leave, based on the handbook, to leave noted on the employee time sheets. Because the

Treasurer did not maintain records, we were unable to determine the beginning balance for the amount of sick leave carried over from the previous year.

We found that:

- Three employees used more vacation leave, totaling 32 hours at a cost of \$1,223, than they were allocated for the year.
- All employees earned and used compensatory time; however, compensatory time is not covered in the handbook or in the Board meeting minutes.

The Treasurer said she could produce a report from the third-party vendor system; however, it had no corresponding leave accrual worksheet with which to tie out accrual balances earned and used. She also stated that each employee's paycheck is printed with accrual balances both earned and used. It is the employee's responsibility to make sure the balances are correct or, if there are discrepancies, to let the Treasurer know. 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.

How Do Village Officials Ensure Amounts Paid for Health Benefits Are Accurate?

The Board should develop and implement procedures to ensure that amounts billed for surviving spouse benefits are in accordance with the handbook and that all money received is verified against the amount due. The Village offers health and dental insurance coverage to surviving spouses. Those who opt for coverage are responsible for paying 25 percent of the annual healthcare premium costs.

Insurance Premium Payments Were Inaccurate

We reviewed the payments of the five surviving spouses that were receiving health insurance for the audit period. The Treasurer prepares bills for the cost of the insurance on a quarterly basis, based on premiums for a calendar year. One spouse had opted to receive the net of the amount due to her from reimbursement for Medicare Part B less the amount she owes for the health coverage, and she received the correct amount due to her.

However, the amounts paid by the other four surviving spouses for their 2018 health insurance premiums were inaccurate. Two of them had balances outstanding totaling \$1,084 because they did not pay the amount billed, and the Treasurer did not catch the errors because she did not reconcile their payments to the billings. Further, two surviving spouses had overpaid the amount due for the year by \$553. However, the Village did not reimburse them for the overpayment nor apply it to the following year. These errors occurred because the Treasurer did not post the amounts due as receivables, and also posted payments as

miscellaneous revenue; therefore, the payments received were not reconciled against the premium amounts due. Copies of the bills were not readily available. As a result, the Village supplemented the amounts paid to insurance providers.

What Do We Recommend?

The Board should:

1. Require all employees to maintain time sheets and record the accruals used, and time sheets should be signed by the employee and supervisor.

The Treasurer should:

2. Adopt procedures for the maintenance of time and accrual records including the approval and monitoring of the records.
3. Review time sheets and record accruals earned, then post them to the accrual journal to be reconciled periodically by another staff member with leave requests and time sheets.
4. Establish procedures to ensure health insurance contributions are accurately calculated and payments are verified against the amount due.

Appendix A: Response From Village Officials

MAYOR
Robert R. D'Amelio

TRUSTEES
Frances R. Nardi
Robert J. Lagrow
Ramon Lopez
Ralph W. Kirschkel



VILLAGE CLERK
O. Fred Miller

DEPUTY VILLAGE CLERK/TREASURER
Catherine B. Kopf

VILLAGE ATTORNEY
John S. Edwards

CONFIDENTIAL ASST. TO THE MAYOR
Katherine M. Welsh

August 22, 2019

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

To Whom it May Concern:

This letter is the official response from the Village of West Haverstraw in regards to the draft Report of Examination Accrued Leave and Benefits 2019M-143. This report was reviewed by me, the Village Trustees and other appointed officials. The Village concurs with most of the findings.

We thank you for your time and assistance with enhancing our management of employee leave records and benefits administration. Below is a brief summary of your findings and recommendations followed by corrective actions implemented by the Village to improve operations. A formal action plan is not required by the Office of the State Comptroller.

OSC FINDING – LEAVE ACCRUALS

The Treasurer did not maintain separate records on leave accruals earned and used for administrative employees, or the amount of sick leave accrued and to be carried over the next fiscal year.

OSC RECOMMENDATION – LEAVE ACCRUALS

Adopt procedures for the maintenance of time and accrual records, including approving and monitoring of the records.

VILLAGE CORRECTIVE ACTION – LEAVE ACCRUALS

The Treasurer prepared an accounting of the sick leave accruals for each of the administrative employees based on balances in the payroll system as of the May 31 fiscal year end and personal and vacation leave accruals as outlined in the Village Employee Handbook. The available balances as of June 1 were reviewed with and signed off on by each of the employees.

An individual leave calendar is now maintained for each employee to accompany approved leave requests. The Treasurer will reconcile this calendar, the leave requests and the balances on employee paystubs each quarter; the reconciliations will be reviewed by the Confidential Assistant to the Mayor who is familiar with the Village's payroll process. Any discrepancies will be resolved in a timely manner.

MAYOR
Robert R. D'Amelio

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Page 2: Official Response to OSC Report of Examination 2019M-143

The State Comptroller's Office noted that the accrual of compensatory time is practice for the administrative employees but is not defined in the Employee Handbook. The Village is drafting this policy and will adopt it in the near future.

OSC FINDING – SURVIVING SPOUSE HEALTH INSURANCE PREMIUMS

Amounts paid by surviving spouses for their health insurance premiums were inaccurate.

OSC RECOMMENDATION – SURVIVING SPOUSE HEALTH INSURANCE PREMIUMS

Establish procedures that help ensure benefit premiums are accurately calculated and payments are verified against the amount due.

VILLAGE CORRECTIVE ACTIONS – SURVIVING SPOUSE HEALTH INSURANCE PREMIUMS

The Treasurer reviewed the details of the 2018 invoices and payments for surviving spouse health insurance premiums. Requests for payment were sent to the individuals who underpaid; payments were received and posted. The accounts for individual who overpaid were adjusted accordingly.

Beginning in 2019, the Treasurer is examining receipts on a quarterly basis to catch and correct missed or duplicate payments in a timely manner.

I appreciate the professionalism of the Comptroller's Office staff and respect their thorough examination of the Village's records for 2017-2018. Every process and procedure can be improved; your constructive recommendations help us continue to deliver the excellent services our taxpayers expect and deserve.

Sincerely,

Robert R. D'Amelio
Mayor

RRD/cbk

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 reviewed Village policies, Board resolutions, the Village personnel handbook and various payroll records and reports to gain an understanding of the internal controls in place over maintaining leave accruals and benefits.
- We recalculated all administrative employees' leave time accrued during our audit period to determine whether the leave time recorded on time sheets was properly deducted from leave accrual balances and agreed with the Village's policies.
- Using the Village's dental vouchers (invoices and claims) and the health insurance carrier's reconciliation sheet, we identified surviving spouses receiving dental and medical coverages. From the premiums we recalculated the amounts due and compared them to the payments on the cash receipts journal. We also recalculated the payment made to one spouse who netted her Medicare Part B reimbursement to the amount owed for health insurance coverage.

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 Village 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#lgmg

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

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

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