



City of Kingston Internal Controls Over Payroll

Report of Examination

Period Covered:

January 1, 2011 — January 31, 2012

2012M-159



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

January 2013

Dear City Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and Common Council governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of the City of Kingston, entitled Internal Controls Over Payroll. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the General Municipal Law.

This audit's results and recommendations are resources for local government officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The City of Kingston (City) is located in Ulster County and has a population of approximately 24,000. The Common Council, which comprises 10 elected members, is the legislative body responsible for setting the City's governing policies. The Mayor is the chief executive officer and is responsible, along with other administrative staff, for the day-to-day management of the City. The City provides services to its residents including fire and police protection, street maintenance, water and sewer utilities, parks and recreation programs, and senior programs. In 2011, the City had 364 employees and payroll expenditures totaled \$17.6 million.

The City Comptroller is responsible for overseeing the City's finances, including the payroll function. Payroll Department personnel perform the payroll processing function in collaboration with the various City Departments' administrators and administrative staff, and the Civil Service Department, to ensure accurate payroll processing, maintenance of leave accruals, and certification of employees' salaries. Each Department has its own records, procedures, and controls over employee time and attendance.

Objective

The objective of our audit was to review internal controls over payroll. Our audit addressed the following related questions:

- Are time and attendance records accurate, complete, and properly approved?
- Are leave time buyout payments supported by accurate and complete leave accrual records?

Scope and Methodology

We examined internal controls over time and attendance, leave accruals and buyout payments for the period January 1, 2011 to January 31, 2012. Due to an ongoing investigation alleging time and attendance abuses, we expanded the audit period back to January 1, 2010 for two former Fire Chiefs.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report.

Comments of Local Officials and Corrective Action

The results of our audit and recommendations have been discussed with City officials and their comments, which appear in Appendix A, have been considered in preparing this report. City officials generally

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

The Common Council has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and forwarded to our office within 90 days, pursuant to Section 35 of the 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 Common Council to make this plan available for public review in the City Clerk's office.

Payroll

The Mayor is responsible for establishing an internal control system over payroll to ensure that employees are paid wages and salaries, and provided benefits, to which they are duly entitled. Good internal controls include policies and procedures to provide reasonable assurance that assets are properly safeguarded; that payroll transactions are authorized, recorded, and reported properly; and that work performed is monitored and reviewed. Management oversight and segregation of duties are also essential components of a good internal control system.

City officials and Department administrators need to improve internal controls over the City's time and attendance procedures and leave accruals. We found errors in 63 percent of the accrual records we tested. We also found that five people received payments totaling about \$23,200 that they were not entitled to because of these insufficient internal controls. Included in that amount, former Chief Salzmann received \$5,558 and former Chief Rea received \$16,656 that we believe they were not entitled to.

Accrual Records

Leave accruals represent time off earned by employees. It is important for procedures to be designed to ensure that leave accruals (vacation, sick, etc.) are earned in accordance with City policies, collective bargaining and employment agreements, and/or Council resolutions, and that leave used is properly deducted from employee leave accrual balances. Proper accounting for employee leave accruals requires the periodic verification of records for leave accruals earned and used to ensure that leave balances are accurate and up to date. Documents used to corroborate accrual records should include time-cards or certified timesheets and time-off request forms. In addition, someone other than the employee should maintain the leave and accrual records. Changes and resultant balances entered on leave and accrual records should be routinely communicated to each employee to ensure accuracy.

City officials did not have comprehensive procedures in place for the administration of leave accrual benefits and did not sufficiently oversee the maintenance of leave accrual records. Leave time administration and accrual records maintenance was decentralized, with each Department maintaining its own records and establishing its own procedures and internal controls. Employee accrual records were maintained by the administrative staff in each Department, with little to no oversight. Generally, the accrual records were compiled using copies of time-off request slips, overtime approval forms, and

requests for payment of unused leave as the source documents for information. We found no other formalized procedures in place to corroborate leave time taken by employees. Even when time-cards were used by employees, they were not compared to the accrual records to ensure accuracy and completeness, and there was virtually no supervisory review or employee verifications performed. As a result, we found deficiencies with 63 percent of the accrual records that we tested (as indicated in Table 1), and additional exceptions were found with our expanded review for the two former Fire Department Chiefs.

Table 1: Test of Employee Accrual Records		
	Employee Records Tested	Exceptions
Department of Public Works	18	17
Fire Department ^a	18	10
Key Officials and Department Heads	13	7
City Hall	7	2
Sewer Department	4	2
Citibus	2	1
Recreation Department	2	1
Totals	64	40
^a Does not include the former Fire Chiefs		

In total, we found that accruals were overstated by 102 days for 35 employees and understated by 21 days for 18 employees. For example, a deputy fire chief took four vacation days that were not charged to his vacation accruals. One employee in the Department of Public Works did not work seven days but his record was never adjusted; this same employee actually worked another day that was deducted from his accrual record.

In addition, our extended testing of the two former Fire Chiefs' accrual records disclosed additional problems with leave time accruals. For the Fire Department, a record of all leave time earned and used is to be kept by the senior typist for all personnel, including the Chief. The Fire Department's official accrual records are maintained in the "Red Book" that is located in the Chief's office. Payroll-related forms, such as leave requests, overtime approval forms and requests for payment for unused leave time, were generally placed in "the box" for the senior typist to enter information onto the accrual records maintained in the Red Book. Chief Salzman would always, and Chief Rea would sometimes, record their own time entries in the Red Book. Periodic reconciliations were performed for the rank and file employees of the Department using the deputy chiefs' daily attendance records

(Platoon Sheet) and the Red Book. However, we found that both of the former Fire Chiefs' time, among others, was not routinely entered onto the Platoon Sheets and, therefore, verification of the accuracy and completeness of the accrual records contained in the Red Book would be difficult to perform.

- Chief Salzmann — submitted two different accrual records for 2011 to the City Comptroller's Office that showed multiple discrepancies between them. Chief Salzmann did not record all the vacation time he used throughout the two-year period we examined. Consequently, his actual vacation time accrual balance could not be verified. He did not charge his vacation leave accruals for 18 days in 2010 and 17.50 days in 2011. In these instances we were able to use other sources of information, such as cell phone records and Platoon Sheets, which enabled us to conclude that Former Chief Salzmann was out of the local area. After adjustments were made to Chief Salzmann's accrual records based on time off not originally charged in 2009,¹ 2010, and 2011, Chief Salzmann's accrual balances never became a deficit.

Additionally, Overtime Approval Forms² for overtime hours worked by Chief Salzmann were signed by someone else only seven of 31 times. Employees should not approve their own overtime. Therefore, in essence, Chief Salzmann was allowed to add earned compensatory time to his accumulated compensatory leave balance without any oversight or verification for this time. Compensatory time may be taken as time off or can be cashed in for pay. The former Chief subsequently converted his compensatory time to cash payments. For the period from January 1, 2010 to December 31, 2011, Chief Salzmann cashed in 198.50 compensatory hours receiving payments totaling about \$7,800.

- Chief Rea — the 2010 accrual record for Chief Rea did not show charges to his leave accruals for four days for which he was also being paid to train as an instructor at the New York State Fire Academy. Also, time-off request forms were not presented for audit for 22 days charged on Chief Rea's 2010 and 2011 accrual records.

In late 2011, the City Comptroller requested both former Fire Chiefs to "audit their time" to verify the accuracy of their accrual records. This was accomplished by each former chief

¹ For purposes of this audit, we relied on the City Comptroller's review and reconciliation of accrual records through the period December 31, 2009.

² Formally referred to as Overtime/Request for Payments

reviewing the other's records, and comparing payroll history reports to the accrual records. According to Chief Rea, the review was limited to leave time that had been converted to cash payments, not for days that were actually used. Chief Salzmänn found that an entry had not been recorded on Chief Rea's accrual record for a payment he received for 100 hours of unused time in May 2010. After the audit, an adjustment was made to Chief Rea's vacation day accrual and compensatory time balances to compensate for the entry that had not been posted to his 2010 accrual record. Chief Rea acknowledged that he made the correcting entry for the May 2010 payment and also that he created a new 2011 accrual record based on the correction. He then resubmitted the new accrual record to the City Comptroller. Chief Rea could not explain why the 100 hours was not deducted from his accrual balances, nor could he recall if he had submitted a payment request form or not, further stating that the request for payment could have been made verbally to the senior typist.

A record of all leave time earned and used was supposed to be kept by the senior typist in the Fire Department for all personnel, including the Chief. However, this control was circumvented by Chief Salzmänn who maintained his own record. The effectiveness of this control was also reduced by Chief Rea who had access to and sometimes recorded entries on his records. Furthermore, the absence of periodic verification of the accuracy and completeness of the former chiefs' accrual records precluded the timely detection and correction of errors that occurred. Also, since time request forms generally served as the basis for adjusting leave accrual records, a time request form that was not submitted or on file increased the risk that charges may not be deducted from accrual record balances.

City officials' failure to ensure that accurate and complete leave accrual records are maintained diminishes the reliability of the records and resulted in incorrect unused leave balances being carried over to the next year or converted to cash payments.

Leave Time Buyout Payments

Paid leave time is a benefit granted to employees pursuant to employment contracts or Common Council action. Generally, employees earn a fixed number of days each year for vacation, illness, and personal use. Local governments often provide cash payments to employees for all or a portion of their accrued leave time when they leave service, or on a periodic basis, if leave has not been used and cannot be carried over for use in future years. Internal controls over the maintenance of leave records are critical to ensure that employees are only provided the benefits to which they are entitled. The accuracy of these records also will determine if payments for the buyout of

unused leave are accurate. City officials must establish and maintain an internal control structure over these benefits and corresponding payments to safeguard the City against improper payments or the misuse of leave accrual benefits.

City officials need to improve controls over buyout and termination payments. We examined 159 payments, totaling approximately \$311,700, made to employees in 2011 for leave accrual-related payments. We identified minor discrepancies which we communicated to City officials.

We extended our review of 2011 leave accrual-related payments to include all 2010 buyout payments made to both former Fire Chiefs. We believe both former Fire Chiefs benefited from payments that they were not entitled to.

- Chief Salzmann — was paid about \$3,100 more than he was entitled to in 2010 because he received a lump sum buyout payment for 37 vacation days. His employment contract, and an opinion rendered by the City's Corporation Counsel, states that he was only entitled to convert a maximum of 30 vacation days per year for pay. In addition, in 2011 he converted 129.50 compensatory hours to a cash payment, even though his contract only allowed for the first 80 hours of extra time to be paid and after that he would have to use his accumulated extra time as time off.
- Chief Rea — received a benefit valued at \$11,300 for supplemental days for 2010 and 2011; however, his employment contract does not provide for this benefit.³ Former Chief Rea used 13 hours of supplemental leave as time off and converted the remaining hours to cash payments totaling \$10,811.

In addition, after adjustments were made to Chief Rea's accrual records based on time off not originally charged in 2009⁴ and 2010, he had a negative balance of 14 days at the end of 2010, and as a result he received a cash benefit of about \$5,800 that he did not have time accruals for.

³ Former Chief Rea advised us that his employment contract inadvertently omitted a provision entitling him to supplemental leave, and that he believes that he is entitled to the leave.

⁴ For purposes of this audit, we relied on the City Comptroller's review and reconciliation of accrual records through the period December 31, 2009. However, Former Chief Rea represented to us that he rejects the City Comptroller's vacation day adjustment to his 2009 ending balance.

Unlike the more closely controlled process used by other Department members, Chief Rea informed us that he would verbally tell Chief Salzmänn when he planned to take time off, then fill out a Time-Off Request form, sometimes before and sometimes after his absence, and place it either on the Chief's desk, Chief's in-basket, or in "the box" used to accumulate all payroll-related forms. Chief Rea informed us that he followed the same process when requesting payments for unused leave time. Chief Rea stated that his intent was to always complete a form for every kind of leave taken. However, he also stated that he may not have always submitted a form and could provide us no additional documentation to show that he had submitted forms for the time not charged to his accrual record.

In addition, two Fire Department employees received buyout payments for vacation days based on 12-hour days even though these employees only work seven-hour days. Firefighters work irregular shifts, either 10-hour or 14-hour days; as such, the City uses 12-hour days for accrual purposes. However, administrative staff work a standard seven-hour day. Consequently, these employees received more pay than would have been due to them had the buyout payment calculation been based on their actual and contractual seven-hour work day; the Building and Safety Division Captain was paid an additional \$1,128 and a senior typist was paid an additional \$780 based on the 12-hour day calculations.

These payment errors occurred because the City Comptroller's Office relied on unverified, incomplete and inaccurate accrual records as the basis for leave accrual buyout payments. In addition, ambiguity in contract provisions, absence of independent verifications, and insufficient administrative oversight also contributed to questionable payments.

Time and Attendance

A good system of internal controls over employee time and attendance consists of written policies and procedures that provide clear guidance for recording time worked. Policies and procedures should ensure that employees' time and attendance records are accurate and complete, and that employee time records support leave accrual records. All employees should complete and sign (certify) a timesheet or use a machine punched time card documenting time worked, including the starting and ending times of their shift/work-day. Timesheets should be verified and signed by employees' immediate supervisors before being submitted for processing. These time and attendance records serve as the basis for employees to receive payment for time worked and authorized paid leave taken. It is important that City officials ensure and monitor employees' compliance with time and attendance policies and procedures.

Payroll is processed centrally under the authority of the City Comptroller; however, all time and attendance functions are performed on the department level. Each Department established its own procedures and controls over time and attendance with very little oversight. Payroll was processed bi-weekly (weekly for the Water Department) based on timesheets supplied by each Department.

Not all City employees were required to complete, submit, or certify timesheets or time-cards to support their hours worked. In addition, our review of the period January 1 to June 30, 2011 showed that adequate records of time and attendance were not available for all employees.

The Fire Department maintains a record of employee time worked through the use of Platoon Sheets. These records are completed each shift by the officer-in-charge and serve as the Fire Department's official time and attendance record. The Platoon Sheets were pre-printed based on platoon assignments. We found that both of the former Fire Chiefs' time was not routinely entered onto the Platoon Sheets. Additionally, we further examined Platoon Sheet entries for the Senior Typist who is charged with performing the Department's administrative duties (including maintaining the records of leave time earned and used) for the months of February and November 2011 and found that on eight of the 42 days examined, the Platoon Sheet was not completed (either no sign-in or no sign-out) by the Senior Typist. Therefore, City officials have no record to determine whether she worked her standard 7-hour work day on those days or took time off without appropriate charges to her leave accruals.

The DPW used machine punched time-cards and daily forms (referred to as foreman sheets) created and maintained by each foreman to record time and attendance. These forms included the hours worked for each employee, except for the Department administrative clerk. Our review of these records found exceptions with the completeness of time-cards when compared with foreman sheets. There were 43 days in which employees did not have any activity on their time-cards but were listed as working on the foreman sheets; 10 days in which an employee only punched in and one day when an employee only punched out. In addition, the time-cards for the Departmental administrative clerk, who is responsible for recording accruals and preparing payroll, were not complete; there were 17 days where she only punched in, and 40 days where she only punched out. Furthermore, for 28 days there was no activity on her time-cards or time charged against accruals. Therefore, City officials have no record to determine whether she worked those days or not.

When employees are allowed to maintain their own time and accrual records without any oversight, and when employees are not required

to complete, submit, or certify timesheets or time-cards to support their hours worked, there is an increased risk that employees could be paid for time they did not work or for leave that they did not accrue.

The Mayor implemented a new time and attendance process in February 2012 that requires all employees, including Department heads, who accrue leave time to punch in and out using a time clock. This new policy, along with an internal review process by the Civil Service Department and City Comptroller, is intended to help ensure that time and attendance records are complete.

Holiday Leave

The Fire Department's collective bargaining agreement⁵ (Contract) provides Department members with supplementary (12-hour) days⁶ to compensate members for working shifts on holidays. Each member has the option of receiving one day's straight pay (12 hours) or having a 12-hour period off. Any and all of the pay due or supplementary hours may be taken at any time or in a lump sum.

The contractual hours of employment for fire fighting and dispatching employees is 40 hours a week (comprised of 10-hour day and 14-hour night shifts) and 35 hours per week for the mechanic, training officer, senior typist, and the Building and Safety Division members (Monday through Friday, 8:00 AM to 4:00 PM). The Fire Department's administrators and administrative employees who also work a 35-hour regular Monday through Friday work-week take the same 14 holidays off as are contractually provided for City Hall employees without charge to their leave accruals.

Of the 20 employees tested, three 35-hour employees who took holidays off without charge to their leave accruals also converted and received lump sum payments for supplementary days. Collectively, these three employees received pay for holidays that they did not work valued at \$16,244 and also received lump sum payments totaling \$13,060 for unused supplementary time in 2011, as indicated in Table 2.

TABLE 2 - Supplemental Days Converted to Cash Payments		
Title	Hours	Payment
Former Chief Salzmann	156	\$6,280
Deputy Fire Chief	100	\$3,415
Senior Typist	151	\$3,364
Total	407	\$13,060

⁵ For the period January 1, 2008 - December 31, 2011

⁶ Non-veteran members receive 13 days; non-veteran members hired after January 1, 1992 receive 11 days; veteran members receive 15 days; veteran members hired after January 1, 1992 receive 13 days.

Essentially, these employees were paid twice for the same time. These employees were covered under the same contract, or contract provision, and the contract language neither explicitly included nor excluded them from receiving the supplementary day benefit expressly provided to fire fighters and dispatchers who are mandated to work holidays. Future contracts should clearly articulate those Department employees for whom this benefit is intended.

Recommendations

1. City officials should develop comprehensive policies and procedures to address the maintenance of leave time records and ensure that accurate information for time accruals is maintained, monitored and periodically reconciled by someone independent of the record maintenance function. In addition, these records should be maintained by using time-cards and/or certified timesheets as the primary source of information for leave time.
2. City officials should establish internal control procedures to ensure that leave accrual payments are made in accordance with applicable collective bargaining contracts, employment agreements or City Council action. Payments for unused leave time should only be made after proper approval and verification of accrual balances based on adequate supporting records.
3. City officials should develop comprehensive payroll policies and procedures to ensure that employees are reviewing and certifying their time and attendance records.
4. The City Comptroller should resolve the discrepancies cited in our audit findings and make adjustments as necessary to employee leave accrual records.
5. City officials should take action to recover any inappropriate payments noted in the City Comptroller's audit.
6. City officials should review the City's employment policies, agreements and contracts and provide clear guidance as to which benefits are intended for each category of employees (e.g., 12-hour day employees and seven-hour day employees) and how they are calculated. This should include a review of administrators and administrative employees receiving the benefits of both supplemental days and holiday leave in the Fire Department.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

The local officials' response to this audit can be found on the following pages.

The response letter contains references to accompanying documents: Time and attendance memos dated Feb 10, 2012; March 15, 2012; and July 17, 2012. Because the response letter sufficiently explains the relevance of these documents, they are not included here.



CITY OF KINGSTON

OFFICE OF THE MAYOR
CITY HALL
420 BROADWAY
KINGSTON, NEW YORK 12401
www.kingston-ny.gov
mayorgallo@kingston-ny.gov

SHAYNE R. GALLO
MAYOR

Phone (845) 334-3902
Fax (845) 334-3904

November 28, 2012

Office of the State Comptroller
Division of Local Government and
School Accountability
Newburgh Regional Office
Suite 103
33 Airport Center Drive
New Windsor, New York 12553

Re: City of Kingston Internal Controls Over Payroll Report of Examination
Period Covered: January 1, 2011 - January 31, 2012

Dear Sir/Madam:

This letter shall serve as the City of Kingston's response to the New York State Office of the State Comptroller's draft audit report received on November 6, 2012. The City of Kingston would like to thank the Office of the State Comptroller and its staff for the professional and courteous manner in which the audit was conducted. The report sets forth several specific recommendations that the City of Kingston agrees will strengthen its policies and procedures regarding payroll and time/attendance.

As you know, commencing with the receipt of the draft report of the New York State Office of the State Comptroller examination of the Kingston Police Department, that department made extensive changes to its operating means and methods and to its payroll controls. The Police Department's formal Corrective Action Plan detailing those changes was approved by the Common Council on September 4, 2012 and, thereafter filed in your office.

Beginning in January of this year when, I assumed office as Mayor, changes in payroll controls similar to those adopted by the police department were extended to other departments of the City. Many of these changes were imposed unilaterally by the Mayor and the Comptroller of the City. Some changes proposed by the Mayor are, or may be, matters subject to collective bargaining and are currently being negotiated by the Mayor with the City's unions.

On February 10, 2012, I issued a Time and Attendance Memorandum, accompanied by standardized forms, that detailed the requirement that all City Departments utilize uniform procedures and forms in the following areas:

1. **Overtime and Compensatory Time Earned and Paid**
2. **Accrued Time Used and Paid**
3. **Time Cards/Attendance Records**
4. **Centralized Accrued Time Calendars**
5. **Separation of Service Accrued Time Payments**
6. **Other Overtime Records**

The Memorandum was updated on March 15, 2012 and again on July 17, 2012. Copies of all three memorandums are attached. As a result of the findings set out in the draft report, the City intends to make additional modifications in its policies and procedures as set forth below in the City's responses to the recommendations:

Comptroller's Recommendations

1. City officials should develop comprehensive policies and procedures to address the maintenance of leave time records and ensure that accurate information for time accruals is maintained, monitored and periodically reconciled by someone independent of the record maintenance function. In addition, these records should be maintained by using time-cards and/or certified timesheets as the primary source of information for leave time.
2. City officials should establish internal control procedures to ensure that leave accrual payments are made in accordance with applicable collective bargaining contracts, employment agreements or City Council action. Payments for unused leave time should only be made after proper approval and verification of accrual balances based on adequate supporting records.
3. City officials should develop comprehensive payroll policies and procedures to ensure that employees are reviewing and certifying their time and attendance records.

City Response

In addition to the protocols and procedures described in the Time and Attendance Memorandums previously issued the City has drafted a comprehensive "Payroll/Time and Attendance Policy and Standard Operating Procedures" document. When completed, the document will be presented to the Common Council for adoption as an official policy of the City.¹

¹ Certain elements of the proposed "Payroll/Time and Attendance Policy and Standard Operating Procedures" document are matters that may be deemed subject to the collective bargaining process.

Recommendation

4. The City Comptroller should resolve the discrepancies cited in our audit findings and make adjustments as necessary to employee leave accrual records.

City Response

The City Comptroller has reviewed and confirmed the discrepancies noted in the audit with the respective city department and instructed each department to make the appropriate adjustments to employee pay and leave accrual records. Records of all adjustments are to be forwarded to the City Comptroller for review and confirmation.

Recommendation

5. City officials should take action to recover any inappropriate payments noted in the City Comptroller's audit.

City Response

The matter of inappropriate payments noted in the City Comptroller's audit have been referred to the Ulster County District Attorney's office for investigation. Further action by the City to recover these payments will await the outcome of the District Attorney's actions with respect to these matters.

Recommendation

3. City officials should review the City's employment policies, agreements and contracts and provide clear guidance as to which benefits are intended for each category of employees (e.g. 12-hour day employees and seven-hour day employees) and how they are calculated. This should include a review of administrators and administrative employees receiving the benefits of both supplemental days and holiday leave in the Fire Department.

City Response

The City's Corporation Counsel will review the City's employment policies, collective bargaining agreements and contracts and advise the City Comptroller and me with guidance as to which benefits are intended for each category of employees.

The City of Kingston would like to thank the New York State Office of the State Comptroller for its suggestions and appreciates the opportunity to respond to this audit report.

Respectfully submitted,

Shayne R. Gallo
Mayor

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard City and Department assets. To accomplish the objective of our audit and obtain relevant audit evidence, we examined the City's internal controls and procedures over time and attendance, administration and maintenance of leave time accruals, and leave time buyouts. Our procedures included the following.

We interviewed City officials and employees as part of a comprehensive evaluation of the City's system of internal controls over time and attendance. We gained an understanding of internal controls and operating procedures by performing the following steps:

- Documented the process in place at the Fire Department, Department of Public Works, Citibus, Recreation Department, Sewer Department, and City Hall.
- Documented how payroll was processed and accrual buyouts were generated. Specifically, we inquired as to what documents were provided to the Payroll Department and what type of review of buyout calculations and supporting records was performed.

Shortly before the start of our audit, two key officials in the Fire Department were the subject of internal investigations by the City Comptroller concerning their time related records. Based on these known problems, we selected a City-wide sampling of administrators and employees from key departments. Our sample included a random selection from the departments and a judgmental sample of key officials and Department heads that reported directly to the Mayor. The initial sample size included 101 employees, as indicated in the table below.

Table 3: Sample Size by Department	
Location or Employee Type	Sample Size
Fire Department	22
Public Works	20
Recreation	22
Key Officials and Department Heads	19
City Hall	10
Citibus	4
Sewer	4
Total Sample Selected	101

For the general sample of employees randomly picked, and the judgmental sample of key officials, Department heads, and former Fire Chiefs, we determined if time and attendance records were accurate and complete and consistent with employment agreements and contracts, by verifying:

- Starting accrual balances were consistent with employee contracts/agreements (carryover eligibility)

- Leave balances were maintained below the maximum allowable threshold
- All time request slips were listed on the accrual record
- Days off per schedules (or equivalent, e.g., Fire Department Platoon Sheets) were listed on accrual records
- Days off per time-cards (or timesheets) were recorded on the accrual records
- Days off listed on independently maintained documents on time accrual records
- Compensation time was properly documented, approved, and accrued
- Compensation time was accrued instead of being paid for as overtime
- Overtime worked slips contained evidence of pre-approval, description of purpose, identification of overtime hours worked, signature and date prepared by the employee, supervisor verification of the hours worked, and the payment was calculated properly.

We tested a sample of time-off request slips to determine if:

- Time-off requests were properly documented
- Time-off requests were approved prior to taking time off, or shortly after returning to work
- Supervisor signature of approval was present
- Documents were maintained by another, independent employee.

We tested buyout payments for all employees for 2011 and extended back to 2010 for payments made to the former Fire Chiefs to determine if:

- The employee was eligible for a buyout payment based on employment contracts/agreements
- Payments were supported by accurate and complete accrual records
- The calculations were correct, based on contract and appropriate salary/wage rates.

We also interviewed Chief Rea. We extended an offer to Chief Salzmänn to sit for an interview but he declined the offer.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). 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.

APPENDIX C

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APPENDIX D
OFFICE OF THE STATE COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY

Andrew A. SanFilippo, Executive Deputy Comptroller
Steven J. Hancox, Deputy Comptroller
Nathaalie N. Carey, Assistant Comptroller

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BINGHAMTON REGIONAL OFFICE

H. Todd Eames, Chief Examiner
Office of the State Comptroller
State Office Building - Suite 1702
44 Hawley Street
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