



# Town of Ellicottville

## Unauthorized Salaries

### Report of Examination

Period Covered:

January 1, 2010 — September 29, 2011

2011M-250



Thomas P. DiNapoli

# Table of Contents

	<b>Page</b>
<b>AUTHORITY LETTER</b>	2
<b>INTRODUCTION</b>	3
Background	3
Objective	3
Scope and Methodology	3
Comments of Local Officials and Corrective Action	4
<b>PAYROLL COSTS</b>	5
Recommendations	7
<b>APPENDIX A</b> Response From Local Officials	8
<b>APPENDIX B</b> Audit Methodology and Standards	12
<b>APPENDIX C</b> How to Obtain Additional Copies of the Report	13
<b>APPENDIX D</b> Local Regional Office Listing	14

# State of New York Office of the State Comptroller

---

---

## **Division of Local Government and School Accountability**

February 2012

Dear Town 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 Town Board 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 Town of Ellicottville, entitled Unauthorized Salaries. 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 Town of Ellicottville (Town) is located in Cattaraugus County, and has a population of approximately 1,700 residents as of the 2000 census. The Town's adopted budget for the 2011 fiscal year included a total of \$2,818,374 in appropriations to be funded primarily with real property taxes, State aid and user fees.

The Town is governed by an elected Town Board (Board) which comprises four council members and the Town Supervisor (Supervisor). The Board is responsible for authorizing pay rates for all elected officials and employees. The elected Town Clerk (Clerk) is responsible for processing the Town's payroll on a biweekly basis.

The town has 23 regular and 20 seasonal employees.<sup>1</sup> The Town had over \$776,000 in gross payroll during 2010. Approximately \$12,200 of the gross payroll was attributable to seasonal recreation employees.

## Objective

The objective of our audit was to evaluate the costs incurred by the Town for salary. Our audit addressed the following related question:

- Has the Town incurred unnecessary costs resulting from unauthorized salaries?

## Scope and Methodology

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard Town assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: the Supervisor's records and reports, cash receipts and disbursements, purchasing, payroll and personal services, and the Clerk, Tax Collector, and Justice Court operations. Based on that evaluation, we determined that controls appeared to be adequate and limited risk existed in most of the financial areas we reviewed. We did determine that risk existed in the payroll area and, therefore, we examined internal controls over payroll for the period January 1, 2010 to September 29, 2011.

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.

---

<sup>1</sup> The total number of employees is as of the September 8, 2011 payroll. The July 28, 2011 payroll, which included seasonal employees, totaled 43 employees.

**Comments of  
Local Officials and  
Corrective Action**

The results of our audit and recommendations have been discussed with Town officials and their comments, which appear in Appendix A, have been considered in preparing this report. Town officials generally agreed with our recommendations and indicated that they have taken, or plan to initiate, corrective action.

The Board 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 Board to make this plan available for public review in the Clerk's office.

## Payroll Costs

The Board is responsible for establishing salaries and benefits for Town officials and employees and for ensuring that payments are made as authorized. This includes formally authorizing salaries and wages, including those provided for in collective bargaining agreements, other employment contracts, Board resolutions, and salary schedules, and establishing a monitoring system to ensure that payments are made as authorized.

We found that the Board did not authorize salary changes for employees that were not covered by the Town's collective bargaining agreement. As a result, ten employees received salary or wage increases totaling \$23,246.<sup>2</sup> The Clerk, who processed the payroll, paid the amounts without formal authorization.

Salary Increases – The Board is responsible for formally authorizing the rates of compensation for all individuals employed by the Town.<sup>3</sup> The Board may do so through the acceptance of a collective bargaining agreement or through the adoption of a Board resolution. To ensure transparency for taxpayers, the approval of these pay rates and benefits should be done at a public meeting and documented in the Board minutes. The Board minutes should be printed, and reviewed and approved by the Board when submitted by the Clerk at a subsequent meeting.

During 2010 and 2011, the Board adopted salary rates for elected officials, but failed to authorize the rates of compensation for appointed officials and employees that were not covered by the Town's collective bargaining agreement.<sup>4</sup> Town officials indicated that the Board agrees on the salaries when they develop the budget, and do not adopt annual salary schedules. Although the Board minutes have salary schedules for employees filed with the minutes for the annual reorganizational meeting, there is no resolution in the minutes to indicate that the Board actually authorized these rates or any other changes to appointed officials' compensation.

Furthermore, we found problems with the information that was included in the minutes that further supports the need for a formal resolution. For example, we found that the 2011 salary schedule filed in the minute book was identical to the 2010 salary schedule, except

---

<sup>2</sup> \$5,496 + \$14,222 + \$1,817 + \$1,711 = \$23,246. Eight employees + two seasonal employees = 10 total employees that received unauthorized salaries or wages.

<sup>3</sup> As per Town Law

<sup>4</sup> The Town's Highway employees that have a multi-year union contract

for the date. When this was brought to the attention of the Clerk, the Clerk simply printed a version with salary increases for 2011, and inserted this version into the minute book. However, the Board did not pass a resolution to approve the insertion of the “corrected” version into the minutes. The lack of accurate and complete minutes and the lack of Board approval of changes to the minutes increase the risk that these official records contain actions that were not as the Board intended.

As a result of the lack of Board authorized salary schedules, we reviewed the compensation for 12 officials and employees for 2010 and 2011 to determine if the salary they received changed from 2009, the year prior to our audit period.<sup>5</sup> We found that seven individuals received increases in 2010 and six of those seven, plus one additional individual, received increases in 2011 for which there was no formal Board action, totaling \$5,496 for 2010 and \$14,222 for the period January 1, 2011 to September 15, 2011.

Town officials stated that the employees received a 2 percent increase each year,<sup>6</sup> and that the Board agreed to this, even though it was not formally approved. However, we found that during 2011 two of these seven employees who received pay increases received increases greater than two percent, and one of the seven employees who received an increase in 2010 did not receive an increase for 2011. When questioned as to why one employee received a pay increase of over \$12,000, the Supervisor stated that this was the result of the employee no longer being on the Town’s health insurance plan. However, there was no provision in the employee handbook or indication that the Board had authorized this employee to receive health insurance benefits or payments in lieu of health insurance. The ability to increase salary payments without written Board authorization increases the risk that costs are incurred unnecessarily and not as the Board intended.

We also reviewed compensation for two seasonal employees<sup>7</sup> paid during the 2010 and 2011 fiscal years to determine if their appointments and pay rates were properly authorized by the Board. We found that the Board did not authorize the hiring of, or compensation to be paid to, these individuals who were paid salaries totaling \$1,817 in 2010 and \$1,711 in 2011. The ability to add people to the payroll without Board authorization increases the risk that costs are incurred unnecessarily and not as the Board intended.

---

<sup>5</sup> These individuals represented all functions within the Town, with the exception of the Highway department, since those employees are covered by a collective bargaining agreement.

<sup>6</sup> 2010 and 2011

<sup>7</sup> One employee was included for both years

## **Recommendations**

1. The Board should authorize, by resolution, salary rates for officials and employees not covered by the Town's collective bargaining agreement.
2. The Clerk should pay officials and employees compensation only as specifically authorized by the Board.
3. The Clerk should print an accurate and complete version of the official Board minutes with the Board reviewing and approving them at a subsequent meeting.
4. The Board should annually authorize the hiring of, and compensation for, seasonal employees by resolution.

**APPENDIX A**  
**RESPONSE FROM LOCAL OFFICIALS**

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

# Town of Ellicottville

1 WEST WASHINGTON STREET  
P.O. BOX 600 • ELLICOTTVILLE, N.Y. 14731

JOHN A. BURRELL  
Supervisor  
(716) 699-2100

February 16, 2012

**Mr. Robert E. Meller, Chief Examiner**  
**Office of the State Comptroller**  
**Division of Local Government and School Accountability**  
**295 Main St., Suite 1032**  
**Buffalo, NY 14203-2501**

Dear Mr. Meller:

Please accept this document as a combined *response letter and corrective action plan*. The Town Board of the Town of Ellicottville is in agreement with the report findings and recommendations.

Attached, please find our *CORRECTIVE ACTION PLAN*. Thank you.

Sincerely yours,

TOWN OF ELLICOTTVILLE

  
John A. Burrell, Supervisor

  
Kenneth Hinman, Deputy Supervisor

  
Gregory Fitzpatrick, Councilman

  
Steven Crowley, Councilman

  
John D. Northrup, Councilman

# Town of Ellicottville

1 WEST WASHINGTON STREET  
P.O. BOX 600 • ELLICOTTVILLE, N.Y. 14731

JOHN A. BURRELL  
Supervisor  
(716) 699-2100

## ***CORRECTIVE ACTION PLAN***

**Unit Name: TOWN of ELLICOTTVILLE**

**Audit Report Title: Unauthorized Salaries**

**Audit Report Number: 2011M-250**

**For each recommendation included in the audit report, the following is our corrective action(s) taken or proposed.**

### **Audit recommendations**

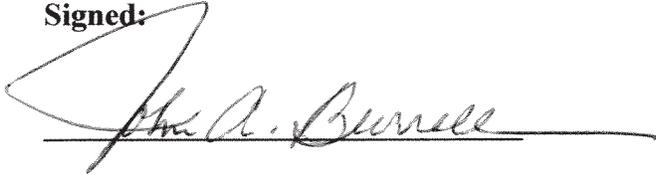
- **1. The Board should authorize, by resolution, salary rates for officials and employees not covered by the Town's collective bargaining agreement. With the exception of summer recreation employees, this was implemented by the Board at our Annual Organization Meeting on January 9, 2012. Our summer recreation employees' salaries are being reviewed and will be appropriately addressed at a regular meeting prior to the 2012 hiring's in May.**
- **2. The Clerk should pay officials and employees compensation only as specifically authorized by the Board. This was implemented by the Board at our Annual Organization Meeting on January 9, 2012.**
- **3. The Clerk should print an accurate and complete version of the official Board minutes with Board reviewing and approving them at a subsequent meeting. This has been implemented previously by the Board. Each Board member receives a draft copy of the previous meetings minutes in their monthly meeting packet at least five days before our monthly meeting. At our monthly meeting we add, delete or change anything that wasn't consistent with what actually happened.**

- 4. The Board should annually authorize the hiring of, and compensation for, seasonal employees by resolution.

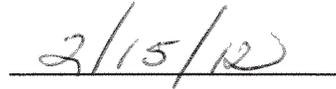
As stated in number 1. above, the Board is reviewing the wages and policies of our seasonal employees. Before our 2012 hiring's in May, we will do this.

All of the above recommendations, as stated, either have or will be implemented, at or prior to our regular meeting in May 2012.

Signed:



**John A. Burrell**  
Supervisor



**Date**

## APPENDIX B

### AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess whether officials were using Town resources in the most economic and efficient manner to provide Town services. To accomplish this, we performed an initial assessment of Town procedures so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: the Supervisor's records and reports, cash receipts and disbursements, purchasing, payroll and personal services, and the Town Clerk, Tax Collector, and Justice Court operations. During the initial assessment, we interviewed appropriate Town officials, performed limited tests of transactions and reviewed pertinent documents, such as Town policies, Board minutes, and financial records and reports.

After reviewing the information gathered during our initial assessment, we determined where weaknesses existed, and evaluated those weaknesses for the risk of potential fraud, theft and/or professional misconduct. Based on that evaluation, we determined that controls appeared to be adequate and limited risk existed in most of the financial areas we reviewed. We then decided upon the reported objective and scope by selecting for audit those areas most at risk. We selected payroll for further audit testing. Our examination included the following:

- We interviewed local officials and employees to determine procedures for determining compensation to be paid and benefits to be provided to officers and employees.
- We reviewed and analyzed Board minutes, collective bargaining agreements, and supplemental salary information to determine authorized compensation rates.
- We reviewed and analyzed current and prior year payroll records in comparison with adopted and previously paid salary rates to determine the amount of the unauthorized increases paid by the Town.

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

### HOW TO OBTAIN ADDITIONAL COPIES OF THE REPORT

To obtain copies of this report, write or visit our web page:

Office of the State Comptroller  
Public Information Office  
110 State Street, 15th Floor  
Albany, New York 12236  
(518) 474-4015  
<http://www.osc.state.ny.us/localgov/>

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

Steven J. Hancox, Deputy Comptroller  
Nathalie N. Carey, Assistant Comptroller

**LOCAL REGIONAL OFFICE LISTING**

---

**BINGHAMTON REGIONAL OFFICE**

H. Todd Eames, Chief Examiner  
Office of the State Comptroller  
State Office Building - Suite 1702  
44 Hawley Street  
Binghamton, New York 13901-4417  
(607) 721-8306 Fax (607) 721-8313  
Email: [Muni-Binghamton@osc.state.ny.us](mailto:Muni-Binghamton@osc.state.ny.us)

Serving: Broome, Chenango, Cortland, Delaware,  
Otsego, Schoharie, Sullivan, Tioga, Tompkins Counties

**BUFFALO REGIONAL OFFICE**

Robert Meller, Chief Examiner  
Office of the State Comptroller  
295 Main Street, Suite 1032  
Buffalo, New York 14203-2510  
(716) 847-3647 Fax (716) 847-3643  
Email: [Muni-Buffalo@osc.state.ny.us](mailto:Muni-Buffalo@osc.state.ny.us)

Serving: Allegany, Cattaraugus, Chautauqua, Erie,  
Genesee, Niagara, Orleans, Wyoming Counties

**GLENS FALLS REGIONAL OFFICE**

Jeffrey P. Leonard, Chief Examiner  
Office of the State Comptroller  
One Broad Street Plaza  
Glens Falls, New York 12801-4396  
(518) 793-0057 Fax (518) 793-5797  
Email: [Muni-GlensFalls@osc.state.ny.us](mailto:Muni-GlensFalls@osc.state.ny.us)

Serving: Albany, Clinton, Essex, Franklin,  
Fulton, Hamilton, Montgomery, Rensselaer,  
Saratoga, Schenectady, Warren, Washington Counties

**HAUPPAUGE REGIONAL OFFICE**

Ira McCracken, Chief Examiner  
Office of the State Comptroller  
NYS Office Building, Room 3A10  
Veterans Memorial Highway  
Hauppauge, New York 11788-5533  
(631) 952-6534 Fax (631) 952-6530  
Email: [Muni-Hauppauge@osc.state.ny.us](mailto:Muni-Hauppauge@osc.state.ny.us)

Serving: Nassau and Suffolk Counties

**NEWBURGH REGIONAL OFFICE**

Christopher Ellis, Chief Examiner  
Office of the State Comptroller  
33 Airport Center Drive, Suite 103  
New Windsor, New York 12553-4725  
(845) 567-0858 Fax (845) 567-0080  
Email: [Muni-Newburgh@osc.state.ny.us](mailto:Muni-Newburgh@osc.state.ny.us)

Serving: Columbia, Dutchess, Greene, Orange,  
Putnam, Rockland, Ulster, Westchester Counties

**ROCHESTER REGIONAL OFFICE**

Edward V. Grant, Jr., Chief Examiner  
Office of the State Comptroller  
The Powers Building  
16 West Main Street – Suite 522  
Rochester, New York 14614-1608  
(585) 454-2460 Fax (585) 454-3545  
Email: [Muni-Rochester@osc.state.ny.us](mailto:Muni-Rochester@osc.state.ny.us)

Serving: Cayuga, Chemung, Livingston, Monroe,  
Ontario, Schuyler, Seneca, Steuben, Wayne, Yates Counties

**SYRACUSE REGIONAL OFFICE**

Rebecca Wilcox, Chief Examiner  
Office of the State Comptroller  
State Office Building, Room 409  
333 E. Washington Street  
Syracuse, New York 13202-1428  
(315) 428-4192 Fax (315) 426-2119  
Email: [Muni-Syracuse@osc.state.ny.us](mailto:Muni-Syracuse@osc.state.ny.us)

Serving: Herkimer, Jefferson, Lewis, Madison,  
Oneida, Onondaga, Oswego, St. Lawrence Counties

**STATEWIDE AND REGIONAL PROJECTS**

Ann C. Singer, Chief Examiner  
State Office Building - Suite 1702  
44 Hawley Street  
Binghamton, New York 13901-4417  
(607) 721-8306 Fax (607) 721-8313