



Town of Horicon

Leave Accruals

Report of Examination

Period Covered:

January 1, 2015 — September 30, 2016

2016M-421



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

March 2017

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 Horicon, entitled Leave Accruals. 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 New York State 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 Horicon (Town) is located in Warren County and has a population of approximately 1,390. The Town is governed by an elected five-member Town Board (Board), which is composed of the Town Supervisor (Supervisor) and four Board members. The Board is responsible for the general oversight of the Town's operations and finances. The Supervisor, as chief fiscal officer, is responsible for the receipt, disbursement and custody of Town money, maintaining accounting records and providing financial reports to the Board.

The Town provides various services to its residents, including maintaining and improving Town roads, snow removal, public improvements, recreation and cultural activities and general government support. The Town's budgeted appropriations for the 2016 fiscal year were approximately \$3.5 million, funded primarily with real property taxes and sales tax.

Objective

The objective of our audit was to evaluate the accuracy of employees' leave accrual records. Our audit addressed the following related question:

- Did the Town accurately maintain employees' leave accrual records?

Scope and Methodology

We examined the Town's leave accrual records for the period January 1, 2015 through September 30, 2016.

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. 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.

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 have initiated, or indicated they planned 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 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 Town Clerk's office.

Leave Accruals

A good system of accounting for employee leave time (i.e., vacation, personal and sick leave) requires Town officials to periodically verify the accuracy of employee leave records with regard to leave time earned and used. The Town should establish procedures for periodic independent reviews of leave accrual records and balances. Town officials should also ensure that Town personnel properly calculate and deduct leave time used from employee leave accrual balances and that leave is both earned and carried over from one fiscal year to the next in accordance with the Town's employee handbook and collective bargaining agreement (CBA). Accurate leave records are especially important because the Town provides payments to employees for a portion of their unused vacation or sick leave when they leave employment.

The Town did not accurately maintain employees' leave accrual records. The maintenance of leave accrual records during the 2015 fiscal year was decentralized. Multiple employees were responsible for manually accounting for employees' leave accruals with no oversight. The Secretary to the Supervisor maintained leave accrual records for the landfill attendant and for herself, the highway foreman maintained them for the Highway Department employees, and the Assessor and landfill supervisor maintained their own. In addition, the bookkeeper, who was responsible for processing payroll, was not provided with the leave accrual records maintained by these employees. As a result, the bookkeeper could not know whether employees had sufficient leave time available prior to being paid for it. Additionally, Town officials were not aware that the leave accrual records maintained by the landfill supervisor for himself were inadequate. The records did not include any information for sick and personal leave, but only for vacation leave, and the vacation leave records, while including the leave time that was earned and the total amount used each year, did not include starting leave accrual balances or the dates that leave was used. Without comprehensive information for all types of leave, there was no assurance that the landfill supervisor's leave was accurately recorded and leave accruals were properly maintained.

The Town purchased a new computerized financial system at the start of 2016, which allowed leave accrual records to be maintained. As a result, as of January 22, 2016, the maintenance of leave accrual records was centralized, with the bookkeeper accounting for all employees' leave accruals within the system. However, the starting leave accrual balances that she entered into the system were based on the manual leave accrual records that various employees previously

maintained with no oversight. The bookkeeper used a summary time sheet¹ to deduct the amount of leave time taken from each employee's leave accrual balances, rather than using the individual supervisor-approved time records to deduct leave time used from leave accrual records. In addition, the bookkeeper maintained the employees' leave accrual records without supervisory oversight. Although employees were provided with their leave accrual balances on their checks or direct-deposit stubs, Town officials did not perform periodic reviews to ensure their accuracy.

We selected 10 employees' leave accrual records² for our audit period to determine whether the leave time they recorded on their time records was properly deducted from their leave accrual balances. We also determined whether the amounts of leave credited and carried forward during 2015 and 2016 agreed with the Town's employee handbook or CBA.³ We found errors in the leave accrual records for six employees, which included, but were not limited to, the following:

- The records indicated that five employees used a combined total of 109.5 hours of leave, but it was not deducted from their leave accrual balances.
- One employee was improperly credited with 16 hours of vacation leave to which she was not entitled, while another employee was not credited with eight hours of sick leave to which she was entitled.
- One employee improperly carried over 480.5 hours of unused sick leave from 2014 to 2015 and 536.75 hours of unused sick leave from 2015 to 2016, to which she was not entitled.

In total, as of September 30, 2016, six employees' leave accrual balances were overstated by 712.75 hours valued at \$12,207 and understated by 14.75 hours valued at \$231.

Without accurate leave records, the Town cannot properly determine the amount of payments due to employees when they retire or resign from their positions or ensure that employees are compensated for the correct amounts to which they are contractually entitled.

¹ Prepared by the Secretary to the Supervisor

² See Appendix B, Audit Methodology and Standards, for details on our sample selection.

³ One of the 10 employees whose leave accrual records we reviewed was the landfill supervisor. Because his leave accrual records were inadequate for the 2015 fiscal year, we could not review his records for that year.

Recommendations

The Board should:

1. Ensure that Town personnel properly calculate and deduct leave time used from employee leave accrual balances.
2. Ensure that accrued leave is both earned and carried over in accordance with the terms of the Town's employee handbook and CBA.
3. Ensure that the errors in the leave accrual records, as identified in this report, are corrected.
4. Designate an individual who is independent of leave accrual record maintenance to periodically review leave accrual records and balances for accuracy.

The bookkeeper should:

5. Deduct leave time used based on employees' supervisor-approved time records.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

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

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2/27/2017

OSC Glens Falls Regional Office
Jeffrey P. Leonard
Chief Examiner
One Broad Street Plaza
Glens Falls, N.Y. 12801-4396

Dear Mr. Leonard,

On Behalf of the Town of Horicon town board, I would like to thank you for examining our town operations to ensure the most efficient and effective use of Town of Horicon tax dollars.

This response also includes our corrective action plan.

Recommendations

The Board should:

1. Ensure that Town personnel properly calculate and deduct leave time used from employee balances.

Corrective action:

We have updated our accounting of leave time with the purchase and use of a computerized payroll program. We will also manually audit the records to ensure accuracy.

2. Ensure that accrued leave is both earned and carried over in accordance with the terms of the Town's employee handbook and CBA.

Corrective action:

We will audit leave earned and carried over to ensure consistency with the Town's Employee handbook and CBA.

3. Ensure that the errors in the leave accrual records, as identified in this report, are corrected.

Corrective action:

We have instructed the bookkeeper to correct errors in the leave accrual records identified in this report.

4. Designate an individual who is independent of leave accrual record maintenance to periodically review leave accrual records and balances for accuracy.

Corrective action:

I have instructed a town board member to periodically review leave accrual records and balances for accuracy.

The bookkeeper should:

5. Deduct leave time used based on employees' supervisor-approved records.

Corrective action:

The bookkeeper is now deducting leave time based on employees' supervisor-approved time records.

Sincerely,

Matthew J. Simpson
Supervisor Town of Horicon

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed Town officials and employees and reviewed the Town's employee handbook, CBA and various financial records and reports to gain an understanding of the Town's procedures related to the maintenance of leave accrual records and any associated effects of deficiencies in those procedures.
- We selected a judgmental sample of 10 employees' leave accrual records for our audit period to determine whether the leave time they recorded on their time records was properly deducted from their leave accrual balances. We also determined whether the amounts of leave credited and carried forward during 2015 and 2016 agreed with the Town's employee handbook or CBA. Our sample consisted of all four employees whose leave benefits were outlined in the Town's employee handbook and six randomly selected employees whose leave benefits were outlined in the CBA.

We conducted this performance audit in accordance with 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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