



Village of Lyndonville

Leave Time Benefits and Information Technology

Report of Examination

Period Covered:

June 1, 2007 — November 7, 2012

2012M-259



Table of Contents

	Page
AUTHORITY LETTER	2
EXECUTIVE SUMMARY	3
INTRODUCTION	5
Background	5
Objectives	5
Scope and Methodology	5
Comments of Local Officials and Corrective Action	6
LEAVE TIME BENEFITS	7
Recommendations	9
INFORMATION TECHNOLOGY	10
Recommendations	11
APPENDIX A Response From Local Officials	12
APPENDIX B Audit Methodology and Standards	14
APPENDIX C How to Obtain Additional Copies of the Report	15
APPENDIX D Local Regional Office Listing	16

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

March 2013

Dear Village 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 Village 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 Village of Lyndonville, entitled Leave Time Benefits and Information Technology. 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*



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

The Village of Lyndonville (Village) is located in the Town of Yates in Orleans County and has approximately 800 residents. The Village provides various services to residents, including water and sewer, street and sidewalk maintenance, street lighting, snow removal, and general government support. Budget appropriations for the general, water and sewer funds in the 2012-13 fiscal year were approximately \$1.1 million and were funded primarily by real property taxes, State aid, user charges, fees, and sales tax.

The Village is governed by a Board of Trustees (Board), which is comprised of four elected Trustees and an elected Mayor. The Board is responsible for the general oversight of the Village's operations, and the design and implementation of internal controls to safeguard Village assets from loss or misuse. The Mayor is the chief executive officer and appoints all non-elected officers, subject to Board approval, including the individual who serves as both Clerk and Treasurer. The Clerk-Treasurer is the chief fiscal officer and is responsible for collecting and depositing cash received, maintaining Village bank accounts, signing checks and making disbursements, preparing and processing bi-weekly payroll, maintaining leave records and the accounting records, and filing financial reports. The Clerk-Treasurer also is responsible for keeping a record of all Village resolutions and local laws, and has custody of the Village's books, records and papers, and all of the Board's official reports and communications.

Scope and Objectives

The objectives of our audit were to determine if leave time benefits were administered in accordance with Board-adopted policy and if Village information technology (IT) policies and procedures were adequate for the period June 1, 2007 through November 7, 2012. Our audit addressed the following related questions:

- Are internal controls over the administration of leave time benefits properly designed and operating effectively?
- Has the Board adopted and enforced IT policies and procedures to protect Village IT assets and personal, private and sensitive information from deliberate destruction, unauthorized disclosure and misuse?

Audit Results

We found that the Board's personnel policy did not clearly define important terms and conditions regarding eligibility for accruing leave or the payment for unused leave. Moreover, there is a lack of

segregation of duties over the administration of leave time benefits. The Clerk-Treasurer was the only individual responsible for maintaining records of accrued leave balances, including her own, with no independent review. We reviewed two former Clerk-Treasurers' leave accruals, and the payments made to them for unused leave time at separation from service, totaling \$19,605. We found that the Village overpaid these two individuals by \$6,875. Going forward, unless the Board adopts adequate policies and implements proper internal controls, employees can continue to accrue more leave time than they are entitled to, and may be overpaid at separation from service.

The Board has not adopted written policies and procedures regarding the retention and safeguarding of personal, private and sensitive information in electronic format. We found that the Mayor discarded floppy disks without deleting such information first. Furthermore, the Mayor, contrary to adopted Board policy, took custody of an external hard drive owned by the Village and is currently using it for personal purposes. IT assets and data resources are provided to municipal officials and employees to help them efficiently and effectively perform their official Village duties. When these assets are improperly used or carelessly discarded, the risk is increased that sensitive and confidential data could be compromised.

Comments of Local Officials

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

Introduction

Background

The Village of Lyndonville (Village) is located in the Town of Yates in Orleans County and has approximately 800 residents. The Village provides various services to residents, including water and sewer services, street and sidewalk maintenance, street lighting, snow removal, and general government support. Budget appropriations for the general, water, and sewer funds in the 2012-13 fiscal year were approximately \$1.1 million and were funded primarily by real property taxes, State aid, user charges, fees, and sales tax.

The Village is governed by a Board of Trustees (Board), which is comprised of four elected Trustees and an elected Mayor. The Board is responsible for the general oversight of the Village's operations, and the design and implementation of internal controls to safeguard Village assets from loss or misuse. The Mayor is the chief executive officer and appoints all non-elected officers, subject to Board approval, including the individual who serves as both Clerk and Treasurer. The Clerk-Treasurer is the chief fiscal officer and is responsible for collecting and depositing cash received, maintaining Village bank accounts, signing checks and making disbursements, preparing and processing bi-weekly payroll, maintaining leave records and the accounting records, and filing financial reports. The Clerk-Treasurer is responsible for keeping a record of all Village resolutions and local laws, and has custody of the Village's books, records and papers, and all of the Board's official reports and communications.

Objectives

The objectives of our audit were to determine if leave time benefits were administered in accordance with Board-adopted policy and if Village information technology (IT) policies and procedures were adequate. Our audit addressed the following related questions:

- Are internal controls over the administration of leave time benefits properly designed and operating effectively?
- Has the Board adopted and enforced IT policies and procedures to protect Village IT assets and personal, private and sensitive information from deliberate destruction, unauthorized disclosure and misuse?

Scope and Methodology

We examined Village payroll, leave records and IT policies and procedures for the period June 1, 2007 through November 7, 2012.

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 Village officials and their comments, which appear in Appendix A, have been considered in preparing this report. Village officials agreed with our recommendations and 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 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 Village to make this plan available for public review in the Clerk-Treasurer's office.

Leave Time Benefits

Village officials are responsible for adopting policies and procedures to ensure that leave time benefits are clearly defined and properly administered, and that leave time is available before an employee is approved to use the leave and/or is compensated for it. The Board and Village officials must enforce policy limitations on the accrual and use of leave time, and maintain accurate leave accrual records, to prevent improper payments or misuse of leave benefits. The Board must design and implement adequate internal controls and segregate duties to ensure that there is proper oversight over the leave benefits that employees receive.

The Board-adopted personnel policy¹ provides permanent full- and part-time employees with vacation and sick leave benefits. We found that the personnel policy did not clearly define important terms and conditions regarding eligibility for accruing leave or for the payment of unused leave. Moreover, there is a lack of segregation of duties over the administration of leave time benefits. The Clerk-Treasurer was the only individual responsible for maintaining records (including her own) of leave accruals, usage and balances, with no independent review. The Clerk-Treasurer also prepared and disbursed the payroll, including payments to employees for the monetary value of unused leave time at separation from service. With these incompatible duties, the Clerk-Treasurer had the ability to credit herself with more leave accruals than she was entitled to or compensate herself more than she was entitled to without detection.

The department head² was responsible for approving leave requests; however, the request forms did not include accumulated leave balances. Further, while the Board did review and approve timesheets, which included any leave time taken, the timesheets did not report accumulated leave balances to allow for a proper Board review of employees' leave earned, used and balances. The Board also approved payouts for unused leave, but did not review accrued leave balances or payout calculations to verify the accuracy of the payment. Because of these weaknesses, the risk exists that employees could accumulate, use or be paid for more leave time than they are entitled to.

¹ Payments for unused vacation leave can be authorized by resolution of the governing board, but payments for unused sick leave should be authorized by local law: see General Municipal Law, Section 92.

² The Mayor is the department head for the non-union employees. The Department of Public Works Superintendent is the department head for union employees.

During our audit period, two employees (both Clerk-Treasurers) received separation payments. We reviewed the two former Clerk-Treasurers' leave accruals and the payments made to them for unused leave time at separation from service, totaling \$19,605. We found that the Village overpaid these two individuals by \$6,875, as discussed below.

- A former Clerk-Treasurer was employed by the Village for 22 years and separated from service on May 31, 2011. Although she worked an average of seven hours per day,³ she accrued sick leave at a rate of 7.5 hours per month. The personnel policy provides one day of sick leave for each month of employment but does not identify how many hours constitute one day of sick leave. Since she worked, on average, seven hours each day, she should have received sick leave at a rate of seven hours per month. She received a lump sum payment of \$16,301 for unused sick leave. Based upon her average seven-hour work day, her payout would have been \$13,692, or \$2,609 less than the actual payout. Furthermore, the personnel policy allows for a sick leave payout at retirement but does not indicate how many years of service with the Village are needed to retire. The policy does not allow a sick leave payout for termination of services. Therefore, it is unclear whether the Clerk-Treasurer was entitled to a payment for her unused sick leave.

The former Clerk-Treasurer also charged 205 hours of vacation leave during the 2010-11 fiscal year, which was 65 hours more than what she was allowed to accrue. The additional 65 hours of vacation were valued at \$1,396. Moreover, when she separated from service on May 31, 2011, the Clerk-Treasurer paid herself \$2,254 for 105 hours⁴ of unused vacation, despite the fact that she had already used more vacation leave than allowed by Village policy during the 2010-11 fiscal year. In total, the former Clerk-Treasurer received \$3,650 in vacation leave benefits to which she was not entitled.

- Another Clerk-Treasurer terminated her employment with the Village on May 4, 2012. She was a part-time Village employee until August 2011, and a full-time employee from August 2011 to May 2012. According to the personnel policy, she was entitled to two weeks of vacation leave during the 2011-12 fiscal year. She accrued a total of 27.5 hours of vacation leave at the start of the 2011-12 fiscal year. We were

³ The former Clerk-Treasurer worked 7.5-hour days four times per week and a five-hour day once per week.

⁴ Equivalent to three weeks vacation

unable to determine how she calculated this amount since the personnel policy is unclear and the Clerk-Treasurer's part-time work hours varied significantly during the year she accrued vacation leave.⁵ The Clerk-Treasurer had an unused vacation leave balance of three hours upon separation from service, valued at \$45.⁶ However, she paid herself \$1,050 for 70 hours of unused vacation leave. Thus, it appears she overpaid herself by \$1,005. In June 2012, the Village attempted to reclaim \$389, the value of net pay for 35 hours⁷ of vacation leave from the former Clerk-Treasurer and, as of November 7, 2012, recovered the overpayment. Based on the actual amount of \$1,005 that the former Clerk-Treasurer was overpaid, we estimate that she still owes the Village \$616.

Unless the Board adopts adequate policies and implements proper internal controls, going forward, employees can continue to accrue more leave time than they are entitled to, and may be overpaid at separation from service.

Recommendations

1. The Board should develop personnel policies that are clear with respect to the accrual and use of leave time and the payment for unused leave at separation from service.
2. The Board should design and implement proper internal controls and segregate duties to ensure that there is proper oversight over the leave benefits that employees are receiving.
3. The Board should attempt to recover any overpayments made to the former Clerk-Treasurers.

⁵ Time records show that during the 2010-11 fiscal year, the Clerk-Treasurer did not work a consistent schedule. Her bi-weekly hours ranged from 37.5 to as much as 66, for an average of 47.25 hours every two weeks, or 4.75 hours per day.

⁶ The amounts listed here represent gross wages paid to the employee.

⁷ Prior to our audit, Village officials realized that they had overpaid the former Clerk-Treasurer for unused vacation leave. However, they did not accurately calculate the actual amount overpaid. We subsequently determined that the former Clerk-Treasurer was overpaid for 67 hours, valued at \$1,005.

Information Technology

The Board should establish and communicate written policies and procedures regarding the retention and safeguarding of personal, private and sensitive information. Previously collected information should be periodically reviewed to determine if it should continue to be retained and best practices should be followed when disposing of information in electronic format. Computers and electronic storage media should be disposed of in a manner that prevents the inadvertent disclosure of information. Village officials should be sure to “clean” all electronic equipment capable of storing records before disposing of such equipment.

The Board has implemented “Disciplinary Action Guidelines,” which provide general guidance for appropriate behavior of employees when using Village IT assets. The policy states that unauthorized use, abuse, misuse, deliberate destruction, theft or misappropriation of Village equipment is strictly prohibited and violations to the policy are subject to disciplinary action.

The Board has not adopted written policies and procedures related to the retention and safeguarding of personal, private and sensitive information. We found that the Mayor discarded 135 floppy disks without deleting such information first. The Mayor stated that he threw the disks away because he did not think that anyone had a working floppy drive and that the floppy disks were useless. However, the Village has a computer with a floppy drive that is operational. Further, other individuals with access to a floppy drive could have acquired the disks from the trash and obtained access to the confidential information stored on them. We reviewed the contents of all discarded floppy disks and found that 87 of them contained back-up data, including Board minutes, vendor and employee files, and other miscellaneous information. The employee information included addresses and social security numbers. Village officials have a responsibility to vendors and employees to keep their information confidential and safe from inadvertent disclosure.

Furthermore, the Mayor, contrary to adopted Board policy, took custody of an external hard drive owned by the Village and is currently using it for personal purposes. These actions are particularly troubling since the Mayor is responsible for enforcing policies governing the use of Village IT assets and the safeguarding of personal, private and sensitive information. The Mayor told us that he took the hard drive in an attempt to recover the back-up payroll data that had purportedly

been deleted from this device.⁸ The Mayor stated that he was unable to recover any payroll data, sanitized the hard drive, installed a new operating system on it, and decided to use it for personal purposes. We reviewed Board minutes and did not find any evidence that the Board authorized the Mayor to use the Village's hard drive in this manner.

IT assets and data resources are provided to municipal officials and employees to help them efficiently and effectively perform their official Village duties. When these assets are improperly used or carelessly discarded, the risk is increased that sensitive and confidential data could be compromised.

Recommendations

4. The Board should develop policies and procedures to protect and ensure that all personal, private and sensitive information is removed from storage devices and media prior to disposal.
5. The Board should take possession of the external hard drive from the Mayor and determine if it contains any Village data and is still a useful Village asset.

⁸ Village officials did not know who deleted the files from the hard drive.

APPENDIX A
RESPONSE FROM LOCAL OFFICIALS

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



Village of Lyndonville
2 South Main Street
P.O. Box 270
Lyndonville, New York 14098-0270



February 25, 2013

Office of the State Comptroller
Division of Local Government & School Accountability
Robert E. Meller, Chief Examiner
Buffalo Regional Office 295 Main Street Suite 1032
Buffalo, NY 14203

Dear Chief Examiner Meller:

This letter will serve as a response by the Village of Lyndonville to the recent audit by OSC concerning Retirement and IT policies. The Board agrees with your findings and will begin the process to correct the problems cited. The Board will submit a Corrective Action Plan as required by OSC within 90 days.

1. The Board will pursue the former Clerk-Treasurers for repayment of specified amounts.
2. The Board will rewrite the IT policy to prevent re-occurrence of problems discovered during this audit.
3. A hard drive has been returned to the Village office and the Board will decide who will examine it in order to recover lost data, if any.
4. The previously discarded discs are stored in the Village Hall for future examination by Board members. The intent is to copy all information onto the Clerk-Treasurer's computer and retain the discs with all information intact.

Sincerely,

Stephen C. McAvoy
Mayor

Stephen McAvoy – Mayor – Teri Woodworth – Clerk-Treasurer – Terry M. Woodworth – Supt. of Public Works
Office Phone (585) 765-9385 Fax (585)765-2394 Public Works (585) 765-9312 Fax (585) 765-2055
Email villageoflyndonville@rochester.twcbc.com

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

The objective of our audit was to determine if there were effective controls over the administration of leave time benefits, and if Village IT assets and personal, private and sensitive information were protected, for the period June 1, 2007 through November 7, 2012.

To accomplish our audit objective and obtain valid audit evidence, our procedures included the following:

- We interviewed appropriate Village officials and reviewed pertinent documents, such as Village policies and Board minutes.
- We performed an assessment of the internal controls in place, including the segregation of duties over the maintenance of leave records.
- We compared leave usage as recorded on time sheets and employee absence request forms to printouts of computerized leave records to determine if leave balances recorded were accurate.
- We reviewed payouts for unused leave time to determine if individuals were eligible for payouts and if payments were made for the appropriate amounts.
- We interviewed Village officials to gain an understanding of the practices in place to protect Village IT assets from destruction, unauthorized disclosure and misuse.
- We tested 135 floppy disks using a floppy drive to review the information stored on the disks for personal, private and sensitive information.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX C

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