

Town of Fort Edward

Payroll and Leave Accruals

NOVEMBER 2022



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

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Report Highlights

Town of Fort Edward

Audit Objective

Determine whether the Town of Fort Edward (Town) officials ensured that payroll payments and leave accruals were authorized, accurate and supported.

Key Findings

Payroll payments were not always accurate and supported, and leave accrual benefits were not clearly authorized.

- The Highway Superintendent was incorrectly paid \$6,015 in overtime and call-in hours.
- Timekeeping and leave accrual records were not always clear and accurate, and timecards were unreliable because the time clock was set to an incorrect date.
- The Board did not adopt policies or implement controls to properly segregate payroll duties. Without clear written policies, procedures or other authorizations, the Town could pay its officers and employees incorrectly, or allow them to receive benefits to which they are not entitled.

Key Recommendations

- Establish written payroll policies and procedures and segregate payroll duties or establish compensating controls.
- Maintain detailed, accurate timekeeping records.
- Review leave accrual balances for accuracy and communicate leave balances to employees.

Town officials agreed with our recommendations and have initiated or indicated they planned to initiate corrective action.

Background

The Town is located in Washington County.

The Town is governed by an elected Town Board (Board), which includes four Board members and the Town Supervisor (Supervisor). The Board is responsible for overseeing the Town's operations and finances.

The Supervisor is the Town's chief executive and chief fiscal officer. The Supervisor is responsible for ensuring that employees are paid in accordance with Board resolutions, the Highway Department Employees' Contract (highway contract) and the Town's employee manual.

The Supervisor's clerk assists the Supervisor with his responsibilities and processes payroll in-house from manual timecards provided by the elected Highway Superintendent, Town Clerk and other employees.

Quick Facts

Employees	37
Gross Payroll With Benefits	
2020	\$988,371
2021	\$957,553

Audit Period

January 1, 2020 – March 31, 2022

Payroll and Leave Accruals

How Should Officials Ensure Payroll Payments Are Authorized, Accurate and Supported?

Town boards (boards) should ensure payroll and leave accrual benefits are authorized, accurate and properly documented. This is done by establishing comprehensive written policies and procedures, authorizing written group or individual employee contracts, adopting resolutions and documenting terms of employment, including salaries and pay rates, work hours and benefits. In addition, the documentation provides transparency for employees and taxpayers.

Officials should ensure payroll responsibilities are segregated so that one employee does not have the ability to authorize, execute and record payroll transactions or control the entire payroll process. For example, one employee should not enter new employees and pay rates into the payroll system, process the payrolls, and prepare, sign and distribute paychecks.

If it is impractical to adequately segregate these duties, officials should implement compensating controls and routinely monitor and review the work of the officer or employee who processes payroll. Officials also should ensure that monitoring and reviewing includes periodically reviewing bank reconciliations, bank statements, canceled check images and payroll payments and their supporting documentation, such as time records.

Furthermore, a town's chief fiscal officer should sign payroll checks. Because rubber stamps can be easily replicated and, therefore, are not secure, officials should not use a rubber signature stamp to sign checks.

Officials also should develop procedures to help ensure that payroll transactions are properly recorded, authorized by management and comply with statutory requirements. Supervisors, department heads and employees should prepare, review and sign detailed time and attendance records.

Employees should obtain prior approval to work overtime from their supervisor, and officials should ensure that overtime was authorized before disbursing overtime payments. Elected officials generally are not eligible to receive overtime because they receive their salary as an incident of their office and may take as much or as little time off as they please without it affecting their salary.

Officials should ensure that call-in hours were authorized before disbursing payments for the hours worked. Therefore, when employees are called in to work outside of their regular schedule, officials should ensure that the prior authorization for the call-in hours and the actual hours worked are clearly documented. Finally, officials should review payroll registers to provide oversight of the payroll process and sign the registers (certify) to document their review, before signing and disbursing all payroll and payroll-related checks.

The Board Did Not Establish Adequate Controls Over Payroll

The Board did not adopt policies or implement controls to ensure there was proper segregation of payroll duties and did not establish any compensating controls to provide oversight of the payroll process. The Supervisor's clerk performed all aspects of payroll processing, including inputting employees and pay rates, entering time worked documented on manual timecards, processing payroll, printing checks and signing checks with the Supervisor's signature stamp.

Officials did not oversee or monitor the work performed by the Supervisor's clerk or review the payrolls before the Supervisor's clerk disbursed payroll payments. For example, the Supervisor, or someone independent of the payroll process, did not review or certify the payrolls. Also, the Supervisor's clerk used the Supervisor's rubber signature stamp to sign payroll checks, though there is no authority for the Supervisor to use a rubber signature stamp. This created a significant control weakness.

In addition, the Board did not authorize written contracts or adopt resolutions or policies to document authorized rates, work hours and benefits for all classes of employees. The Board authorized salaries and benefits through budgets, resolutions (for elected officials) and a highway contract (for the highway department employees).

The highway contract documents approved leave time for highway department employees (highway employees), including sick, vacation and personal leave. However, the Board did not authorize employment conditions and benefits – such as work hours, time record expectations or leave benefits – for other classes of Town employees, including the deputy town clerk and building/zoning inspector (inspector).

The Board allowed the deputy town clerk to follow the highway contract for some of these conditions, instead of developing other agreements or adopting resolutions to provide intended benefits. The Supervisor and two Board members told us they were unaware that the highway contract pertained only to highway employees. Also, the Town provided the inspector with similar benefits based on verbal authorizations or approvals, instead of establishing written documentation to support these provisions.

Without clear written policies, procedures or other authorizations, the Town could pay its officers and employees incorrectly, or allow them to receive benefits to which they are not entitled. Additionally, because officials did not segregate payroll duties or provide additional oversight measures, and allowed signature stamps to be used, the Town has an increased risk that errors or irregularities could occur and remain uncorrected.

Officials and Supervisors Did Not Maintain Adequate Time Records

Timekeeping records were not always clear and accurate to support processed payroll. Although highway employees were required to clock in and out on a mechanized time clock, the timecards were unreliable because the time clock was not set to the correct date. For example, timecards for the period ending March 23, 2022 had stamped dates from December 2021 and timecards for the period ending November 12, 2021 had stamped dates from September 2021.

Also, employees did not sign timecards to certify their hours worked. In addition, the Highway Superintendent did not sign the manual timecards to document his review and approval of regular time worked, employee overtime or call-in hours.

Because the timecards reflected incorrect dates, the Supervisor's clerk relied on manual timecards prepared and provided by the Highway Superintendent each pay period to process the payroll for highway employees. The Highway Superintendent told us that the time clock reverted to an incorrect date and time when the Highway garage lost power, and no one corrected it. The Highway Superintendent could not provide the date on which the garage lost power.

Furthermore, while the inspector prepared manual timecards for the zoning work that he performed, he did not consistently submit timecards. The inspector's documented time ranged from 32 to 40 hours each pay period during the 2020 fiscal year. The inspector was paid at an hourly rate, which was set by a Board resolution. The Supervisor's clerk told us that the Board instructed him to pay the inspector based on 40 hours per week beginning in the 2021 fiscal year. He was paid a straight salary for his building inspector work.

We recalculated annual gross salaries and wages totaling \$847,762 paid to 11 officials and employees¹ during our audit period and found that salaries and rates used to process payroll were authorized and accurate, except for overtime paid to the Highway Superintendent.² However, without reliable time records to support days and hours worked, the Town cannot confirm that amounts paid for overtime and call-in hours worked were accurate. Also, the Town has an increased risk that employees could be paid for hours not worked.

The Highway Superintendent Was Incorrectly Paid for Overtime Hours

As an elected official, the Highway Superintendent could not be paid for working overtime. However, the Highway Superintendent was paid \$6,015 for overtime

1 Refer to Appendix B for further information on our sample selection.

2 Refer to The Highway Superintendent Was Incorrectly Paid for Overtime Hours section.

and call-in hours worked from January 1, 2020 through March 31, 2022. He submitted manual timecards to the Supervisor's clerk documenting this time worked.

The Board adopted a resolution authorizing 12 weeks of overtime for January and February 2020 to alleviate the workload caused by a highway employee's absence. During this 12-week period, the Highway Superintendent worked overtime hours totaling \$3,073. He also was paid \$895 for call-in hours, which were not authorized by the Board.

The Supervisor told the Supervisor's clerk to process the Highway Superintendent's additional overtime and call-in hours totaling \$2,047. The Town Supervisor and one Board member told us they were unaware that elected officials were ineligible for overtime compensation.

How Should Officials Ensure Leave Accruals Are Accurate and Supported?

In written contracts, resolutions or policies, officials should clearly specify leave benefits available to, and eligibility requirements for, employees, including the type and amount of leave time employees are entitled to earn, use, carry forward and exchange for payment.

Town officials should ensure that leave balances are accurate and leave time is properly earned and used by establishing written procedures that require officials to periodically review leave accrual records and balances. In addition, town officials should ensure personnel properly calculate and deduct leave time used from employee leave balances. Officials also must ensure that leave time is earned and carried over from year-to-year according to the town's policies, procedures and employment contracts. Employees should receive balance information periodically to ensure they agree with accruals earned, used and remaining.

The Highway Superintendent and Supervisor's clerk must review the accuracy of sick-day balances on an annual basis. The highway contract states that the Town must include sick-day balances in the final monthly check statement for all highway employees.

Officials should ensure that highway employees comply with leave accrual rules, which allow highway employees who have at least 240 hours of unused sick leave to choose to be paid for up to 48 sick leave hours (or six days). These employees also can carry forward sick leave and be paid for up to 1,600 hours of sick leave upon retirement. However, unused vacation and personal leave does not carry forward.

Officials and Employees Did Not Maintain Adequate Leave Accrual Records

Officials and employees did not maintain complete and accurate leave accrual records. The Highway Superintendent maintained manual leave accrual records for highway employees by writing the dates that employees used leave on a piece of paper. The Town Clerk maintained leave accrual records for the deputy town clerk on a spreadsheet. The inspector earned 40 hours of vacation leave per year and documented his vacation hours used on his timecards.

While the Highway Superintendent and Town Clerk maintained records of dates when highway employees and the deputy town clerk used leave, no one calculated leave balances throughout the year. The Town Clerk told us that she did not calculate leave balances because the deputy town clerk never exceeded allowable accruals as authorized in the highway contract.

Also, the Highway Superintendent did not annually review the accuracy of sick-day balances for highway employees. In addition, sick-day balances were not included in the final monthly check statements for these employees. The Highway Superintendent did not submit the leave records that he maintained to the Supervisor's clerk. Therefore, the Supervisor's clerk could not review or compare the Highway Superintendent's records to the time records that the Supervisor's clerk maintained or annually review the accuracy of sick-day balances for the highway employees.

We reviewed the leave accrual records,³ which were maintained during our audit period, for five employees to determine whether leave accruals were earned and used as authorized and whether records were adequately maintained to ensure balances were accurate. While we found that leave accruals earned were accurate, the records were incorrect. As a result, the accrual balances were inaccurate. The Highway Superintendent:

- Incorrectly recorded 40 hours of sick leave for three employees in 2020 when timecards documented those hours as being worked.
- Did not record 18 hours of sick leave for two employees in 2021 when timecards documented sick time being used.

Although unused vacation or personal leave did not carry forward after the end of the year, the Highway Superintendent did not monitor leave accrual balances throughout the year to ensure that employees did not exceed their earned vacation or personal days. The Highway Superintendent maintained inaccurate records, as follows:

³ See supra, note 1.

-
- 194 hours (24.25 days) of vacation leave reported on two employees' timecards was not deducted from their leave accrual balances.
 - 93 hours (11.5 days) of vacation leave was deducted from three employees' leave balances, even though their timecards documented those days and hours as being worked.
 - 18 hours (2.25 days) of vacation leave was deducted incorrectly from one employee's leave balances on authorized paid holidays.
 - One employee was allowed to use six hours (.75 days) of vacation leave, even though the employee had not yet earned it.

Because officials did not review leave records, did not calculate leave balances throughout the year and did not include leave balances in employees' checks, employee leave records were inaccurate, and officials and employees were unaware of the inaccuracies. Without adequate records and properly calculated balances, officials may not be able to ensure employees only take leave time they are entitled to or accurately determine amounts for sick leave payments that are due to employees.

What Do We Recommend?

The Board and officials should:

1. Establish policies and procedures to provide guidance for pay rates, work hours, time records and benefits for all classes of employees.
2. Adequately segregate the payroll duties performed by the Supervisor's clerk or establish compensating controls to provide oversight of the payroll process.
3. Ensure employees maintain and sign detailed, accurate timekeeping records, and ensure supervisors review and sign timekeeping records.
4. Discontinue paying overtime to the Highway Superintendent and consult with the Town's attorney regarding whether recouping ineligible overtime payments is possible and/or appropriate.
5. Maintain accurate leave records and calculate leave balances throughout the year to ensure employees do not exceed available accruals.
6. Periodically review leave accrual balances for accuracy and communicate the balances to employees. Also, comply with the highway contract by including sick-day leave balances in the final monthly check statements for highway employees.

The Supervisor should:

7. Destroy his signature stamp and properly affix his signature to checks.

The Highway Superintendent should:

8. Provide adequate time records and leave accrual information to the Supervisor's clerk each pay period and periodically review leave accrual balances for accuracy.

Appendix A: Response From Town Officials



TOWN OF FORT EDWARD

118 BROADWAY

P.O. BOX 127

FORT EDWARD, N.Y. 12828-0127

**NYS OFFICE OF THE STATE COMPTROLLER
ONE BROAD STREET PLAZA
GLENS FALLS, NY 12801**

ATTN: [REDACTED]

CC: [REDACTED]

**SUBJECT: AUDIT RESPONSE AND CORRECTIVE ACTION PLAN
OCTOBER 28, 2022**

The Town of Fort Edward agrees with the NY State audit findings. This audit response is also serving as the corrective action plan.

AUDIT RECOMMENDATION:

1. Establish policies and procedures to provide guidance for pay rates, work hours, time records and benefits for all classes of employees.

CORRECTIVE ACTION PLAN:

1. The Town of Fort Edward will create contracts with each employee. Contracts will detail pay rate, work hours, and benefits. Contract must be signed by employee and Town Supervisor.
 - Implementation date ~ December 1, 2022
 - Person(s) responsible ~ Town Supervisor and Town Board

AUDIT RECOMMENDATION:

-
2. Adequately segregate the payroll duties performed by the Supervisor's Clerk or establish compensating controls to provide oversight of the payroll process.

CORRECTIVE ACTION PLAN:

2. The payroll process will be looked over by the Town Supervisor and one Council Person.
 - Implementation Date ~ December 1, 2022
 - Person Responsible ~ Town Supervisor

AUDIT RECOMMENDATION:

3. Ensure employees maintain and sign detailed, accurate time keeping records and ensure supervisors review and sign timekeeper's records.

CORRECTIVE ACTION PLAN:

3. Employees and their supervisor must sign time cards. Employees and their supervisor must maintain accurate records. Time clock has been calibrated and is accurate and up to date.
 - Implementation date ~ December 1, 2022
 - Person responsible ~ Highway Superintendent and Town Supervisor

AUDIT RECOMMENDATION:

4. Discontinue paying overtime to Highway Superintendent and consult with the Town's attorney regarding whether recouping ineligible overtime payment is possible and/or appropriate.

CORRECTIVE ACTION PLAN:

4. The town will not pay overtime for any elected official. The town has contacted the town attorney.
 - Implementation date ~ October 28, 2022

-
- Person responsible ~ Town Supervisor

AUDIT RECOMMENDATION:

5. Maintain accurate leave records and calculate leave balances throughout the year to ensure employees do not exceed available accruals.

CORRECTIVE ACTION PLAN:

5. Town Highway Superintendent will provide current records to Supervisor's Clerk and Councilperson Mullen. Councilperson will maintain [REDACTED] spreadsheet with accurate up to date vacation, PTO, and sick time. Employee will get up to date information once a month.
 - Implementation date ~ December 1, 2022
 - Person responsible for implementation ~ Highway Superintendent, Supervisor's Clerk, and Councilperson Mullen

AUDIT RECOMMENDATION:

6. Periodically review leave accrual balances for accuracy and communicate the balances to employees. Also, comply with the highway contract by including sick day leave balances in the final monthly check statements for highway employees.

CORRECTIVE ACTION PLAN:

6. Supervisor's Clerk will provide up to date vacation, PTO, and sick time to each employee once a month.
 - Implementation date ~ December 1, 2022
 - Person responsible for implementation ~ Supervisor's Clerk

AUDIT RECOMMENDATION:

7. The Town Supervisor should destroy his stamp and properly affix his signature to checks.

CORRECTIVE ACTION PLAN:

7. Town Supervisor destroyed the stamp. Town Supervisor will sign all checks going forward.
 - Implementation date ~ October 28, 2022
 - Person responsible ~ Town Supervisor

AUDIT RECOMMENDATION:

8. Highway Superintendent should provide adequate time records and leave accrual information to the supervisor's clerk each pay period and periodically review leave accrual balances for accuracy.

CORRECTIVE ACTION PLAN:

8. Highway Superintendent will sign time cards and provide them to the Supervisor's Clerk. Highway Superintendent will provide up to date vacation, sick and PTO time to Supervisor's Clerk.
 - Implementation Date ~ September 1, 2022
 - Person responsible ~ Highway Superintendent

11-09-2022



FORT EDWARD - TOWN SUPERVISOR

Appendix B: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed officials and employees and reviewed Board minutes, employment manuals and the highway contract to determine whether adequate policies and procedures were implemented, or compensating controls were in place, to mitigate the risk related to inadequate segregation of duties. We also determined whether the Board authorized current employment conditions for all classes of employees.
- We reviewed payroll records to determine whether payroll was accurately processed and supported. We also reviewed time records to determine whether employees signed time records and supervisors reviewed and signed time records.
- We used our professional judgment to select a sample of 11 officials and employees based on titles and responsibilities, which included salaried officials and employees and hourly employees. We recalculated the gross payroll for these officials and employees using Board authorized rates and timecards for hourly employees to determine whether amounts were properly authorized and accurately paid.
- For the five employees in our sample who were eligible to earn and use leave time (vacation, sick and personal), we reviewed available records to determine whether they were complete, accurate and adequately maintained. We also determined whether leave accruals were properly credited, deducted and carried forward, up to the maximum allowed. We compared leave accrual records to contracts and time records. We recalculated the ending leave balances for the 2020 and 2021 fiscal years, and ending leave balances as of March 31, 2022, and compared our recalculated balances to the leave records maintained by the Highway Superintendent.

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.

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.

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 provided to our office within 90 days, pursuant to Section 35 of General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review in the Town Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/local-government/publications

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/local-government/publications

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/local-government/publications

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/local-government/academy

Contact

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