



Town of Broadalbin Leave Accruals

Report of Examination

Period Covered:

January 1, 2012 — December 31, 2013

2014M-88



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

July 2014

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 Broadalbin, 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 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 Broadalbin (Town) is located in Fulton County and has a population of approximately 5,260 according to the 2010 census. The Town Board (Board) comprises four elected council members and an elected Town Supervisor (Supervisor). The Board is responsible for overseeing the Town's operations, finances and overall management. The Supervisor, who serves as the Town's chief executive officer and chief fiscal officer, is responsible for overseeing the financial management of the Town's moneys. The Town's Highway Superintendent (Superintendent) is also an elected official and is responsible for overseeing the Highway Department's employees and operations.

The Town provides various services to its residents, including highway maintenance, fire protection, court, youth recreation programs and general government services. The majority of costs incurred in providing these services are accounted for in the general and part-town highway funds.¹ The Town finances these services with real property taxes, sales tax, State aid, fees and court revenues. The Town's 2013 annual budget included general fund appropriations of approximately \$686,000 (\$546,396 for the town-wide fund and \$140,000 for the part-town fund) and part-town highway fund appropriations of approximately \$706,000.² Total Town expenditures for payroll and employee benefits totaled approximately \$445,000. The payroll and employee benefit costs for the Highway Department totaled approximately \$250,000, which represented approximately 35 percent of the total part-town highway fund's 2013 appropriations.

The Highway Department employs four full-time employees and hires part-time hourly employees as needed throughout the year. The wages and benefits of the Highway Department employees, both full-and part-time, are authorized through a collective bargaining agreement (CBA). Paid leave time is an employee benefit granted exclusively to the Town's Highway Department full-time employees pursuant to the CBA.

Objective

The objective of our audit was to examine the adequacy of the Town's system to monitor leave accruals of Highway Department employees. Our audit addressed the following related question:

¹ The general and highway funds comprise both town-wide and part-town funds. The town-wide funds reflect operations that are funded by taxpayers of the whole Town, while the part-town funds reflect operations funded by the Town taxpayers residing outside of the Village of Broadalbin.

² The Town also maintains a town-wide highway fund, but the operations of this fund are minimal; the 2013 adopted appropriations for the fund were only \$2,500.

- Has the Town developed a system to ensure leave accruals that are earned and used by Highway Department employees are accurately accounted for?

**Scope and
Methodology**

We examined the Town’s monitoring system over leave accruals of the Highway Department employees for the period January 1, 2012 through December 31, 2013.

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 is 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 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 they have initiated, or planned to initiate, corrective action.

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

Leave Accruals

After employee payroll costs, fringe benefits represent one of the larger components of nearly every local government's budget. A key component of employees' fringe benefits includes the earning and use of paid time off for employees. The Board is responsible for developing a system to ensure leave accruals earned and used by employees are adequately accounted for and that procedures exist for the request and approval of leave time. The Town should have comprehensive policies and procedures that provide for periodic independent review of leave time accrual records and balances throughout the year. It is important for procedures to ensure that leave time is earned in accordance with CBAs and that leave time used is properly deducted from employee leave accrual records.

The Town has not established a system to ensure that leave accruals earned and used by Highway Department employees are properly accounted for. There is no system to ensure that the Highway Department employees request permission from the Superintendent to use leave time or for the Superintendent to approve leave requests when he does receive them in advance. Also, the employees' leave accrual balances are not adequately accounted for and monitored. Employees maintain their own leave records (including leave balances and recording of leave time used and earned) without oversight and independent verification by Town officials. In addition, the Superintendent has not maintained adequate records of compensatory time as required by the CBA. Although the cost for the discrepancies identified was not material, the cumulative impact of such errors and irregularities over time could result in a substantial cost.

Leave accruals – Paid leave time is an employee benefit granted exclusively to the Highway Department's full-time employees, pursuant to the CBA. The full-time Highway Department employees earn a fixed number of days each year for vacation, illness and personal use.³ Also, upon retirement, employees are able to receive a payment for unused sick leave not to exceed 90 days. It is important for the Town to establish an adequate timekeeping system to ensure that time worked and leave used is accurately recorded and tracked. This system should include an accurate record of leave accrual balances for each employee and should track usage of leave accruals. The Town should regularly reconcile the leave balances between the records maintained by each employee and the Town's official records.

³ The CBA authorizes the employees to earn annual vacation leave based on years of service, one and one-half days per month or 18 days per year of sick leave and five days of personal leave per year.

In addition, employees should be required to request and have the Superintendent approve time off prior to taking leave time.

The Board and Superintendent have not enforced the use of an adequate timekeeping system to clearly track time worked and leave accruals used by the full-time Highway Department employees. The Board has not established any written policies and procedures for the maintenance of leave accrual records for employees to request time off or for the monitoring of leave accruals earned and used. Furthermore, the Town does not maintain centralized records to account for each employee's leave time earned and used, nor does the Town maintain running leave accrual balances for each employee.

In November 2011, the Board adopted a resolution to purchase a facial recognition (computerized) time clock to increase the accountability and accuracy of timekeeping. The Board implemented a requirement that Town employees, both in the Highway Department and at the Town Hall, use the system. However, the Superintendent informed us that the Highway Department employees have not used the computerized time clock system and he did not provide us with a reason for why they did not use it, even though the system was being used by the Town Hall employees. We found no evidence that the Highway Department employees ever attempted to use the system, as required by the Board's November 2011 resolution. Instead, the employees manually recorded the hours they worked, including overtime hours, and the leave time they used on their time sheets.

Each employee maintains a record of time worked and leave time used on biweekly time sheets. In addition, the Superintendent maintains a record of leave time for each employee; however, his records do not contain enough detail to adequately monitor the leave accruals earned and used by the employees. The Superintendent's records do not contain a running balance of the employees' leave accruals earned and used or a running balance of unused leave accruals for each category of leave time. As a result, the Town does not have any centralized records to account for each employee's leave accruals that are earned and used and the current available balances of leave time. In addition, employees are not required to request and have the Superintendent approve time off prior to taking leave time. Instead of getting prior approval, employees simply take time off and deduct the time they have taken off from the leave accrual balances they maintain with no authorization or oversight.

Due to the deficiencies with the maintenance of leave records, we originally intended to review employee time sheets and leave records maintained by the employees and Superintendent for the period January 1, 2012 through December 31, 2013. However, the employee

time sheets for the period January 1 through July 23, 2012 were not available for review. The Superintendent submitted these time sheets to a third-party vendor for payroll processing; however, the vendor did not retain these records. As a result, our review of time sheets and leave records was limited to all 151 time sheets submitted by the four full-time Highway Department employees for the period July 24, 2012 through December 31, 2013. We recalculated the leave accruals earned, used and unused and found several variances between the information recorded on the employee time sheets and our recalculations. For example:

- All four full-time employees charged sick leave time on a paid holiday and then used the holiday leave on a regularly scheduled workday. In addition to this being a questionable use of paid sick leave, the CBA does not entitle the employees to charge sick leave accruals on a paid holiday and then bank the holiday leave to use later.
- One employee did not report to work for one week and did not request to take time off or notify the Superintendent of his plans to take a week off. Although the Superintendent should not approve the employee's time sheet because there was no notification from the employee and the leave was not requested, the former Supervisor approved the time sheet.
- One employee's sick leave balance as of December 31, 2012 was overstated by 30 hours, valued at \$657, due to recording errors during the year. The variance was a result of 30 sick hours that were recorded as taken off on submitted time sheets and not deducted from the running balance maintained by the employee.
- One employee used 19.5 hours of personal leave time, valued at \$410, in excess of the five days he was entitled to. There were 19.5 hours recorded on biweekly time sheets as used during the year; however, those hours were not deducted from the balance of personal leave time he was entitled to.

The Town's failure to maintain its own centralized leave time records also contributed to these errors occurring and not be detected. Although the cost to the Town for these discrepancies was not material, the cumulative impact of such errors and irregularities over time could result in a substantial cost. It is essential that the Town maintain centralized leave accrual records to ensure each employee's leave balances are accurate. Accurate leave records are also essential in determining the proper amount of termination payments for employees either retiring or resigning from their positions and

ensuring that Town employees are only compensated for the amounts to which they are contractually entitled.

Compensatory Time – Compensatory time is defined as time off granted to a regular full-time employee to offset hours worked exceeding the hours in the normal course of employment. The Town utilizes compensatory time as an alternative to overtime pay to reduce the Town’s payroll costs. The benefit of compensatory time is pursuant to an addendum of the original CBA. Employees are required to request compensatory time off seven days in advance and obtain approval from the Superintendent. It is the responsibility of the Superintendent to maintain adequate records of the employees’ compensatory time accruals and have a plan to exhaust unused compensatory time balances.

We reviewed the Superintendent’s records, 151 employee time sheets and all 38 compensatory time requests on record to determine if compensatory time earned and used was requested and approved as per the policy and recorded properly. We found that the Superintendent did not ensure that the compensatory policy was followed by the employees. In addition, he did not maintain records that documented compensatory time earned and used by employees nor did he record a running balance to ensure that year-end totals were correct. We found the following:

- During 2012, Highway Department employees used a total of 87.5 hours of compensatory time; however, they submitted three written requests to use a total of 44 hours of compensatory time.⁴ Further, only one leave request was signed by the Superintendent to approve 8 hours of compensatory time.
- During 2013, Highway Department employees used a total of 309.5 hours of compensatory time; however, they submitted 24 written requests to use a total of 132 hours of compensatory time. Further, none of the leave requests were signed by the Superintendent.
- From the time sheets available for 2013, we identified one employee’s time sheets which charged 112 hours to compensatory time; however, we could not verify that the compensatory time used was actually earned. Because the Superintendent’s records were not adequate, he was not aware that the employee had used compensatory time that may have not been earned.

⁴ Time sheets for 2012 were only available from July 23, 2012 through the end of the year.

As a result of the inadequate recordkeeping for the employees' compensatory time, the employees received and used leave they were not entitled to. Although the cost to the Town for these discrepancies was not material, the cumulative impact of such errors and irregularities over time could result in a substantial cost.

Recommendations

1. The Board should adopt a leave policy that provides specific guidance for the process of submitting and approving leave requests. Employees should be required to request and have the Superintendent approve time off prior to taking leave time.
2. Town officials should establish and maintain centralized records of employee leave time that clearly account for leave time earned and used and a running balance of leave accruals available for the employees. The records should be maintained for each type of leave time the employees are allowed to use and Town officials should regularly reconcile the Town's official records to the records maintained by each employee.
3. The Board and Town officials should ensure that all Town employees, including Highway Department employees, are using the Town's timekeeping system.
4. The Superintendent should ensure that employees' time sheets are complete and contain an accurate record of hours worked and leave time accruals charged.
5. The Superintendent should retain a copy of each time sheet that is submitted to the third-party vendor for payroll processing.
6. The Superintendent should maintain adequate records for employees' compensatory time to ensure that the employees receive the compensatory leave time they are entitled to and that charges of this type of leave are properly recorded.

APPENDIX A
RESPONSE FROM LOCAL OFFICIALS

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

TOWN OF BROADALBIN

201 Union Mills Road

Broadalbin NY 12025

Tom Christopher, Supervisor

Phone 518-883-4657

July 14,2014

[REDACTED]

[REDACTED]

Office of the State Comptroller

One Broad St.

Glens Falls, NY 12801

This letter serves as a response and our corrective action plan to the Report of Examination of the Town of Broadalbin regarding the Leave Accruals of Employees.

I, as town supervisor, as well as the town board have read and reviewed the report for the period covering January 1, 2012 thru December 31, 2013. The town agrees with the recommendations contained in the audit and will take the following actions.

1. The board will develop and adopt a leave policy that provides specific guidance for the process of submitting and approving leave requests. Employees will be required to receive approval before taking leave.
2. The highway Superintendent will maintain copies of all time records and leave requests with the originals maintained at town hall with the

supervisor. All leave accruals and usage will be reviewed by both the highway superintendent and supervisor and reconciled with employee records.

3. Computerized time system will be updated and utilized.
4. Timesheets will be accurate and signed by both the employee and highway superintendent.
5. Compensatory time will be maintained the same as all other leave to insure accuracy. This will also be reconciled with employee records.

We would like to take this opportunity to thank the auditors for the courtesy and professionalism they extended to the town during this audit. We appreciate the auditor's willingness to be of assistance to our newly elected officials.

Thomas Christopher

Supervisor, Town of Broadalbin

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy the Town's internal controls. 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. During the initial assessment we interviewed Town officials, performed limited tests of transactions and reviewed pertinent documents, such as Town policies and procedures, Board Minutes and financial records and reports.

After reviewing the information gathered during our initial assessment, we determined where weakness existed and evaluated those weaknesses for the risk of potential fraud, theft and professional misconduct. We then decided upon the reported objective and scope by selecting for audit those areas most at risk. We selected the highway department leave accruals for further testing for the period January 1, 2012 through December 31, 2013.

We interviewed Town officials and examined pertinent documents as part of a comprehensive evaluation of the Town's system to monitor accrued leave for highway department employees. We gained an understanding of the Town's monitoring system by performing the following procedures.

- We documented the process of accumulation and use of leave accruals through interviews with Town officials.
- We reviewed all time sheets for the four highway employees' from July 24, 2012 through December 31, 2013, which also document the employees leave accruals. We documented all leave used and earned per the records maintained and submitted by each employee. We calculated leave balances for time accrued and used in accordance with the provisions in the CBA.
- We reviewed time sheets and compared them to payroll registers.
- We reviewed time records, leave requests and the CBA to determine if compensatory time was authorized and adequate records were maintained.

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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