

Village of Monticello

Payroll

NOVEMBER 2022



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

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Report Highlights

Village of Monticello

Audit Objective

Determine whether Village of Monticello (Village) officials ensured that payroll and payroll-related benefits were paid properly.

Key Findings

Village officials did not ensure that employees were paid appropriately. As a result, for the limited periods that we reviewed, 11 (15 percent) of the Village's employees received erroneous compensation totaling \$141,800.

- Due to unclear Board resolutions, undocumented verbal agreements and a lack of Board oversight, training and controls, the Village's deputy clerk was overpaid by approximately \$80,000 over a two-year period.
- Nine police officers were overpaid by \$49,000. Two officers accounted for \$39,000 of the total overpayments.
- The payroll clerk accrued and used unauthorized leave and paid herself for more time than she was entitled, resulting in overpayments of about \$12,800.

Key Recommendations

- Take immediate action to strengthen the Village's policies and procedures for payroll processing.
- Review the overpayments identified in this report and seek reimbursement, if necessary.

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

Background

The Village is located in the Town of Thompson in Sullivan County. The Village provides various services to residents, including police protection, road maintenance and snow removal and general government support.

The Village is governed by an elected five-member Board, which includes the Mayor and four Trustees. The Board and Mayor are responsible for overseeing and managing Village operations.

The Village Treasurer (Treasurer) is the custodian of all Village money and is responsible for maintaining the Village's accounting records.

Quick Facts

2019-20 Fiscal Year Payroll Expenditures	\$9.5 million
Employees	72

Audit Period

July 16, 2018 – July 31, 2020. We extended our audit scope period to review payments and payroll through January 29, 2021 to test for overpayments and unauthorized payments.

Payroll and Leave Benefits

During our audit period, the full-time building department account clerk began performing payroll processing duties and eventually changed to part-time status to solely function as the Village's payroll processor. As a result, we refer to this individual as the payroll clerk in this report.

How Should Village Officials Ensure That Employees Are Paid Appropriately?

Village boards (boards) are responsible for establishing adequate policies and procedures to ensure payroll and employee benefits are authorized, accurate and properly documented. This includes authorizing written employment contracts and collective bargaining agreements (CBAs) or adopting resolutions and policies documenting employees' terms of employment, job descriptions and responsibilities, and work hours. This written documentation communicates a board's intent to employees and to staff who are responsible for administering and processing payroll.

Effective payroll procedures should ensure that one employee does not 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 payroll and prepare, approve and distribute paychecks.

New York State Village Law Section 5-524(5) requires village officers, or supervisory employees who directly supervise employees, to certify employees' fixed salaries or wages. Before payrolls are finalized, village officials should review registers or similar records and independently certify them to properly oversee the payroll process.

Village Officials Did Not Ensure Employees Were Paid Appropriately

The Board adopted certain payroll-related policies that addressed who was responsible for processing and maintaining payroll records and passed resolutions that did not include details regarding extra pay.

The Village uses a third-party payroll system with third-party time and attendance software to track employees' hours worked. Office employees use a fingerprint time-clock system to record their beginning and ending times. The deputy clerk also maintains a separate manual timesheet to record her hours, including out-of-title and overtime hours. In addition, the deputy clerk records days when the Village Clerk is absent.

The payroll clerk and Treasurer are system administrators for the payroll and time and attendance systems. These elevated user permissions allow them to

manually adjust payroll and attendance information, such as pay rates and leave time accrued and used.

The payroll clerk entered employee information – such as name, social security number, tax withholdings and pay rates – into the payroll system. She also authorized, executed, approved and modified payroll data without any oversight. For example, no one independently reviewed or certified payroll registers or periodically reviewed payroll payments and their supporting documentation, such as time records.

We reviewed the contracts, payroll journals and timesheets of 36 employees and officials and found that they were paid their contractual hourly rate or Board-approved salary. However, the deputy clerk and certain police officers were paid incorrectly for overtime and out-of-title work.

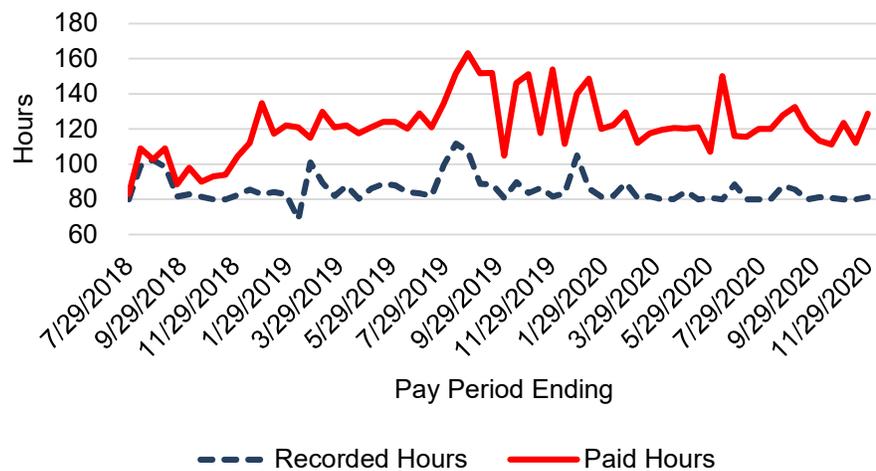
Deputy Clerk – In June 2018, the Board passed a resolution authorizing extra pay for the deputy clerk to perform additional out-of-title work. However, the resolution did not clearly define what constituted time worked for the additional duties.

Two Board members told us that the Board’s intent was to pay this employee for deputy clerk duties only when the employee attended Board meetings or when the Village Clerk was absent during normal work hours. However, the payroll clerk paid the deputy clerk for additional hours regardless of whether the Village Clerk was present.

We reviewed the deputy clerk’s manual timesheets, time-clock records and payroll journals for the pay periods ending July 29, 2018 through December 13, 2020 and found that the Village paid the deputy clerk for 2,222 hours that were not recorded in the fingerprint time-clock system (Figure 1). The deputy clerk was not entitled to receive compensation for these unrecorded hours.

FIGURE 1

Deputy Clerk’s Recorded and Paid Hours



In addition, without oversight or authorization from other Village officials, the payroll clerk processed payments to the deputy clerk at higher rates for overtime and out-of-title work than those approved by the Board. For example, during one payroll cycle, the payroll clerk paid the deputy clerk for overtime hours worked at a rate of \$59.39 per hour, which was \$26.68 per hour higher than the Board's approved rate. For another payroll cycle, the payroll clerk paid the deputy clerk for out-of-title work at a rate of \$39.60 per hour, which was \$4.89 per hour higher than the Board's approved rate.

We calculated what the deputy clerk should have been paid – based on the number of hours she reported as regular, overtime and out-of-title work – and found that the deputy clerk was overpaid by approximately \$80,000 for the pay periods ending July 29, 2018 through December 13, 2020. This occurred due to unclear Board resolutions, undocumented verbal agreements, and a lack of Board oversight, training and controls.

Police Officers – Village police officers (officers) are covered by a CBA with designated shift hours, pay rates, holidays, leave accrual and usage guidance and out-of-title work information. According to the CBA, out-of-title work occurs when an officer works at a higher class (e.g., sergeant), which allows the officer to receive a pay differential. Many officers received this pay differential when the shift sergeant was off duty, thereby making them the most senior officer (the acting shift sergeant).

We reviewed the payroll records for all 10 officers who received shift differential pay from the first payroll in August 2018 through the last payroll in January 2021¹ and found that nine officers were overpaid by approximately \$49,000. Of the \$49,000 in overpayments, we found that two officers were overpaid by \$39,000. Those two officers were typically the most senior officers on duty. All overpayments occurred because the payroll clerk incorrectly entered the officers' hourly rates, when the payroll software only required the shift differential rate.

These deficiencies occurred because the payroll clerk processed payroll without any oversight. While the police lieutenant verified recorded time for officers, no Village official or supervisors, certified their employees' payrolls. These officials and supervisors did not verify that overtime and out-of-title pay rates were accurate, payroll had adequate supporting documentation or that payments to employees were reasonable. Because these controls were not in place, officials were unaware that the Village overpaid the deputy clerk by approximately \$80,000 and nine officers by \$49,000.

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

How Should Officials Ensure Employee Leave Records Are Accurate and Properly Authorized?

Village officials should periodically review leave records to ensure that employees' leave balances and leave time used are accurate. Officials also should establish procedures that require a staff member, who is independent of the payroll process, to periodically review leave records and balances.

In addition, officials should ensure that payroll staff properly calculates and deducts leave time used from employee leave balances. Furthermore, officials should ensure that leave time is both earned and carried over from year to year according to a CBA and/or modifications through board resolutions.

Village office employees are covered by a CBA with designated hours worked, pay rates, holidays and overtime information, which includes information related to compensatory (comp) and leave time. According to the CBA, comp time can be accumulated up to four hours for time worked that exceeds eight hours in one day or forty hours in one week.

Part-time employees who work at least 21 hours per week are entitled to receive all benefits on a prorated basis. Part-time employees who work 20 hours or less per week are not entitled to receive benefits, including comp time.

The Payroll Clerk Accrued and Used Unauthorized Leave

As the full-time building department account clerk, the payroll clerk's job duties included tracking, creating and distributing bills for the Building Department. In July 2018, the Board authorized the payroll clerk to receive out-of-title pay to also process the Village's payroll.

Beginning in July 2020, the payroll clerk agreed to a reduced part-time schedule to solely process the Village's payroll. The Treasurer told us that he and the former Mayor verbally agreed to pay the payroll clerk for 32 hours per two-week pay period at her normal hourly rate for payroll processing, instead of paying her an out-of-title rate for performing part-time payroll processing duties.

We reviewed payroll payments made to the payroll clerk for the pay periods ending August 14, 2020 through December 31, 2020² based on the Treasurer's assertion that she was a part-time employee. We tested this time frame because we found that inappropriate payments occurred when the payroll clerk began working part-time. We found that she accrued and used unauthorized leave and paid herself full-time hours during this time period.

² Ibid.

Also, the payroll clerk inappropriately accrued compensatory time (comp time) by multiplying her hours worked by 1.5 and adding the resulting amount to her leave bank. For example, if she worked 7.5 hours, she paid herself 7.5 hours and accrued 11.25 hours of comp time (7.5 hours x 1.5 hours). As a result, the payroll clerk inappropriately accrued 464 hours of comp time. In addition, she inappropriately accrued 213.5 hours of other leave (i.e., sick, vacation, personal and holiday) to which she was not entitled to as a part-time employee.

At the same time, the payroll clerk ignored the 32-hour part-time agreement and guaranteed herself full-time pay by reporting hours worked and charging comp time and other leave, without supervisory approval, to reach 80 hours of compensation each pay period. For example, during four pay periods from August 14, 2020 through September 25, 2020, the payroll clerk was paid for 320 hours. She reported working 110 hours and charged 210 hours to leave, but should have been paid for only 128 hours (Figure 2).

Figure 2: Payroll Clerk Hours Paid vs. Hours Entitled

Pay Date	Hours Reported As Worked	Leave Hours ^a	Total Hours Paid	Hours Entitled
8/14/2020	0	80	80	32
8/28/2020	46	34	80	32
9/11/2020	64	16	80	32
9/25/2020	0	80	80	32
Totals	110	210	320	128

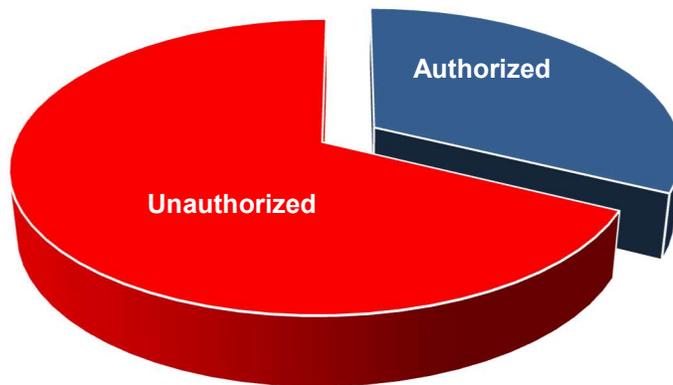
^a These leave hours include sick leave, annual leave, personal leave, holiday leave and/or comp time.

In January 2021, the payroll clerk stopped preparing the Village’s payroll and began taking extended leave. The Treasurer assumed the Village’s payroll processing duties. The payroll clerk claimed that her errors were due to lack of training and inadequate supervision. Also, she stated that she made an error based on misinterpreting the union contract regarding accrual and use of comp time.

For the pay periods ending August 14, 2020 through December 31, 2020, the payroll clerk was entitled to 352 hours, but paid herself for 881 hours. This caused the Village to pay her about \$12,800 more than the \$6,111 that she was authorized to receive (Figure 3).

FIGURE 3

Payroll Clerk Compensation: August 14, 2020 through December 31, 2020



Because the payroll clerk maintained her own leave records and processed payroll without any oversight, Village officials (including the Mayor) were unaware that she was reporting questionable hours and receiving compensation for which she was not entitled. Furthermore, because the payroll clerk's agreement to process payroll on a part-time basis was not documented, and because the Mayor or the Treasurer did not independently review her records, she had the opportunity to give herself extra hours and pay to which she was not entitled.

What Do We Recommend?

The Board should:

1. Take immediate action to strengthen the Village's policies and procedures for payroll processing, including ensuring biweekly payroll is properly certified.
2. Clarify and document, through Board action, when the deputy clerk is responsible for serving her various roles, as well as what responsibilities she performs in each title.
3. Clarify and document how the deputy clerk should be compensated for out-of-title work.

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4. Clarify and document, through Board action, the payroll clerk's roles and responsibilities and clearly identify the number of hours that the payroll clerk should work when performing payroll duties, if applicable.
 5. Review the overpayments identified in this report and seek reimbursement, if necessary.

The Mayor and Treasurer should:

6. Provide adequate oversight of the payroll clerk, including approving her time sheets and leave usage and certifying payroll.

Village officials and appropriate supervisors should:

7. Properly review and certify employees' payroll.

Appendix A: Response From Village Officials

VILLAGE OF MONTICELLO



October 28th, 2022

To: New York State Comptroller
From: James Snowden, Village Manager
Re: **Response to Report of Examination – 2022M-59**

First, on behalf of the Village of Monticello, I thank the staff from the Comptroller's Office who conducted the audit.

Second, we note that the audit deals with a time period before the current village administration took office. Upon taking office, I am determined to take actions to address the issues raised by the audit, many of which were widely known at that time.

Third, we agree with the central conclusions and findings of this audit and have implemented tighter controls as we will show in a Corrective Action Plan and taken several initiatives which, we hope, will assist the Village in raising funds to better meet its obligations.

Sincerely,


James Snowden, Village Manager
Village of Monticello

Enc/

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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 Village officials to gain an understanding of the payroll process and employee duties.
- We reviewed CBAs, Board meeting minutes, Village policies and Board resolutions to gain an understanding of job responsibilities, employment terms and conditions of titles.
- We reviewed the pay rates for all 14 elected and appointed officials and 22 employees as entered in the Village's payroll software as of December 29, 2019. We compared the rates to those stated in CBAs and Board resolutions to determine whether officials and employees were paid according to agreed-upon rates.
- For the deputy clerk, we reviewed the applicable CBA, Board resolutions, biweekly payroll journals, time punches from the time management system and manual timesheets for the July 16, 2018 through December 13, 2020 pay periods to determine whether the deputy clerk was paid appropriately. We chose to review this time frame because it includes two pay periods before overpayments to the deputy clerk occurred and continues through to the last payroll that the payroll clerk processed before she went on extended leave.
- For all 10 police officers, we reviewed the applicable CBA, biweekly payroll journals and manual timesheets from the August 3, 2018 through January 29, 2021 pay dates, and CBA to determine whether the police officers, who received out-of-title pay, were paid appropriately. We chose to review this time period because it includes all occurrences of when officers received overpayments for shift differential pay.
- For the payroll clerk, we reviewed the applicable CBA, Board resolutions, biweekly payroll journals and time punches from the time management system for the August 14, 2020 through December 31, 2020 pay dates to determine whether the payroll clerk was paid appropriately. We chose this time frame because it begins at the first date when the payroll clerk began working part-time and processing the Village's payroll as her main duty and continues through to the last payroll that the payroll clerk processed before she went on extended leave.
- We reviewed biweekly payroll journals, the leave accrual spreadsheet maintained by the payroll clerk and the payroll clerk's time punches for the August 14, 2020 through December 31, 2020 pay dates to determine whether the payroll clerk earned and used leave accruals to which she was entitled. We chose this time frame because it begins at the first date when

the payroll clerk began working part-time and processing the Village's payroll as her main duty and continues through to the last payroll that the payroll clerk processed before she went on extended leave.

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 Village 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

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