

# Town of Canton

## Compensation and Benefits

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JANUARY 2020

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

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# Report Highlights

## Town of Canton

### Audit Objective

Determine whether compensation and benefits were paid in accordance with the collective bargaining agreement (CBA) or Board authorized amounts.

### Key Findings

- The Supervisor re-allocated and collected additional salaries for bookkeeping duties totaling \$73,794 from April 2015 through August 2017 without Board authorization. In August 2017, he reimbursed the Town for these extra payments and the Town paid \$58,858 to the Supervisor's wife for services she provided during this period.
- The Board did not authorize salaries paid to officers and employees totaling \$145,671 or certain health insurance benefits provided by the Town.

### Key Recommendations

- Ensure the required elected officials are paid in accordance with the advertised salary in the public hearing notice for the preliminary budget and that any increases above the amounts advertised are pursuant to local law, subject to permissive referendum requirements.
- Set the salary or hourly wage of all officers and employees.
- Implement procedures to ensure that all salaries and benefits are provided to officers and employees in accordance with Board authorizations and the CBA.

Town officials generally agreed with our recommendations and indicated they planned to initiate corrective action. Appendix B includes our comments on issues raised in the Town's response letter.

### Background

The Town of Canton (Town) is located in St. Lawrence County. The Town is governed by an elected Town Board (Board) composed of four Board members and a Town Supervisor (Supervisor). The Board is responsible for the general management and control of operations. The Supervisor serves as chief executive officer and chief fiscal officer.

#### Quick Facts

Population	10,995
Employees	26
2017 Appropriations	\$2.75 million
2016 Payroll	\$1.24 million

### Audit Period

January 1, 2016 - August 31, 2017. We extended our audit period back to January 1, 2015 and forward through December 31, 2017 to review salary records for certain officials and employees.

# Compensation and Benefits

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The Supervisor was in office from January 1, 2002 through December 31, 2017. Among other duties, he was responsible for developing the tentative budgets,<sup>1</sup> maintaining the accounting records and processing payroll. His wife was employed by the Town as the bookkeeper to assist with the payroll and recordkeeping duties and various other human resource and administrative functions. Effective March 31, 2015, the bookkeeper retired from the Town and subsequently began receiving a pension from the New York State and Local Retirement System (NYSLRS).

After the bookkeeper's retirement, she served as the Supervisor's secretary and continued to assist with fiscal and administrative duties. The Supervisor and his wife told us that she was less involved in the recordkeeping after her retirement and the Supervisor reduced her salary and began paying himself an additional salary for bookkeeper services. The Board did not adopt a resolution for the change in salaries and no notice was given to the public.

In June 2017, at a regular Board meeting, a Board member indicated that it had come to his attention that the bookkeeper had been retired since March 2015. Several Board members were unaware of the bookkeeper's 2015 retirement, which led to further questions regarding the amount of pay the Supervisor was receiving. As a result, the Board (including the Supervisor) formally requested the Office of the State Comptroller (OSC) to perform an audit.

In September 2017, Town officials hired a certified public accounting firm to assist the Supervisor with maintaining the accounting records and processing the payrolls after the secretary left Town employment.

## **How Should Officials Ensure Compensation and Benefits Are Paid as Authorized?**

The town board must authorize and approve all salaries and wages paid to officers and employees and any benefits provided. Documenting this authorization by resolution, collective bargaining agreement, or in a policy approved by resolution, is an important internal control over these significant expenditures. Such documentation communicates the board's intent to the officers and employees who must execute the procedures and provides everyone involved with a clear description of the compensation and benefit terms.

A well-designed payroll processing system can provide assurance that employees are paid in accordance with board authorizations. For example, payroll duties should be segregated so that one employee does not control all phases of a transaction. If it is not feasible to adequately segregate duties, the board should

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<sup>1</sup> The Supervisor also served as the Budget Officer.

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establish compensating controls and routinely monitor and review the work of the officer or employee who processes the payroll.

Detailed time records should be prepared by employees and reviewed by supervisory personnel. Further, New York State Town Law (Town Law) requires payrolls for personal services rendered to the town, except for the services of elective officials, to be certified by officials having direct supervision over the officers or employees.<sup>2</sup> Such certification is generally documented by a signed statement on the payroll report, which attests that services were actually performed by the employees to be paid.

On or before the Thursday following the general election, the board must hold a public hearing on the preliminary budget. The advertised public hearing notice must include the proposed salary for each board member (including the supervisor), an elected town clerk and elected highway superintendent. Town Law provides that the board must pass a local law, subject to permissive referendum requirements, to increase the salary paid to any such elected officer in excess of the amount advertised.

### **Elected Officials Were Paid More Than the Salaries Advertised**

We reviewed the salaries of elected officials including the Supervisor and other Board members, the Town Clerk and the Highway Superintendent to evaluate whether officials were paid as advertised in the public hearing notices for the 2015 through 2017 preliminary budgets. The Supervisor, Town Clerk and Highway Superintendent were all paid more than their advertised salaries.

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<sup>2</sup> The Town Board may, by resolution, determine that, in lieu of certification, these payrolls shall be verified by such officials to the same effect. New York State Town Law, Section 120

**Figure 1: Salary Payments Made to Elected Officials in Excess of Those Advertised in the Public Hearing Notice**

Position	Year	Advertised Salary	Salary Paid	Difference
<b>Supervisor</b>	2015	\$14,256	\$32,590	\$18,334
	2016	\$14,612	\$51,269	\$36,657
	2017	\$14,977	\$33,780	\$18,803
<b>Subtotal</b>		\$43,845	\$117,639	\$73,794 <sup>a</sup>
<b>Town Clerk<sup>b</sup></b>	2017	\$39,920	\$41,920	\$2,000
<b>Highway Superintendent</b>	2017	\$30,000	\$30,750	\$750
<b>Total Difference</b>				<b>\$76,544</b>

a In August 2017, the Supervisor repaid the Town \$73,794, the amount his salary exceeded the amount advertised in the public hearing notices for the 2015 through 2017 preliminary budgets.

b The Board appointed the elected Town Clerk to the positions of Tax Collector and Registrar of Vital Statistics. She received additional salaries totaling \$8,703 in 2017 for these positions which are not reflected in our presentation because the salaries for these separate appointed positions are not required to be included in the advertised public hearing notice.

Supervisor and Bookkeeper Salaries – The Supervisor told us that after the bookkeeper (his wife) retired from the Town effective March 31, 2015 and received a NYSLRS pension, she transitioned to working for the Town as the Supervisor’s personal secretary and at this time he took on additional bookkeeping duties and responsibilities. The Supervisor re-allocated the bookkeeper salary to himself and collected additional salaries for bookkeeping duties totaling \$73,794 from April 1, 2015 through August 8, 2017 without Board authorization.

According to payroll records, the Supervisor’s wife bi-weekly salary was reduced from \$1,424 to \$635 on April 1, 2015 (after she became the secretary) and was reduced to zero in the last four pay periods of 2015. In 2016, the secretary’s salary remained at zero for the first two pay periods but was retroactively increased to \$50 per pay period for the remaining 24 pay periods of 2016 for a total of \$1,300 annually.

The Supervisor told us that the Deputy Supervisor initiated a discussion that the secretary could not work without compensation. Therefore, the secretary’s pay was increased to \$50 per pay period. However, we found no evidence to document this decision.

In addition to his regular salary, the Supervisor began collecting a second paycheck for an assistant bookkeeper position beginning April 1, 2015 and a third paycheck for the bookkeeper position during the last four pay periods of 2015. In total the Supervisor exceeded the 2015 advertised salary by \$18,334.

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From January 2016 through June 2017,<sup>3</sup> the Supervisor did not receive separate paychecks as assistant bookkeeper; instead, he received paychecks for the full bookkeeper salary less the \$50 per pay period that was paid to the secretary. The Supervisor received \$36,657 in 2016 and \$18,803 in 2017 for bookkeeping.

The Supervisor told us that he recalled a discussion regarding the bookkeeper's potential retirement taking place in an executive session held during a Board meeting in late 2014. The Deputy Supervisor and another board member recalled attending a meeting at which the Supervisor indicated the bookkeeper would be out of the office more and that he would take on additional bookkeeping functions. While the Deputy Supervisor recalled a discussion regarding the reallocation of the bookkeeper's salary the other board member did not recall this discussion.

Officials were unable to present any evidence to document that the Board set the secretary's salary or authorized the Supervisor to increase his salary for the assistant bookkeeper and bookkeeper positions. The Town Attorney,<sup>4</sup> in a letter to the OSC, acknowledged that a written record of an executive session discussion or any official Board action does not exist.

Two Board members (in office in 2014 and 2015) told us that they were unaware that the bookkeeper had retired in 2015 or that her pay was shifted to the Supervisor. In addition, the Town Clerk, who works regular office hours at the Town hall, told us that she first learned of the bookkeeper's retirement in 2017, and was surprised to learn the bookkeeper had been retired since 2015 because she had not noticed any change in the bookkeeper's full-time office hours before or after her retirement.

The only evidence documenting the bookkeeper's post-retirement work plan was a handwritten note dated December 1, 2014 in her personnel file. This note, addressed to the Town and the personnel file, indicated her intention to retire either by the end of the year (2014) or sometime in 2015 and to continue to work within the Supervisor's office as much as possible, as needed. The personnel file also contained the NYSLRS paperwork dated March 31, 2015 that detailed the bookkeeper's intentions to retire but continue to work for the Town on a part-time basis.

The Supervisor told us it has been the Town's past practice to allow the Supervisor to staff the office as he sees fit and to allocate salaries within his office as long as he does not exceed the total amount the Board budgeted for personal services for his office (e.g., \$52,569 for 2016 and \$53,833 for 2017). However,

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3 When the pay discrepancies became public in June 2017 the Supervisor stopped receiving a separate salary as bookkeeper. He also stopped receiving his supervisor pay until the matter was settled in August 2017.

4 The Town Attorney resigned effective March 1, 2018.

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although the Supervisor had the authority to designate a bookkeeper and/or secretary to assist in the office, the Board is responsible for setting the salary for these positions.

OSC has previously expressed the view that the Supervisor may not appoint himself to the position of bookkeeper.<sup>5</sup> If the Supervisor performs bookkeeping functions this must be done in his capacity as Supervisor, not in a separate bookkeeper position.<sup>6</sup> There was no authority for the Supervisor to designate himself as holding the separate position of assistant bookkeeper or bookkeeper and receive a separate salary for these positions.

Furthermore, the Board did not pass a local law (subject to permissive referendum) authorizing the increase in the Supervisor's pay in 2015. The Town continued to publish the Supervisor's regular salary in the public notices for the 2016 and 2017 preliminary budgets even though the Supervisor was paid the additional amounts for the bookkeeping work. Although the payroll records showed that the Supervisor was paid the additional salaries as bookkeeper, this was not transparent to the public because the Board did not pass the necessary local laws to allow him to exceed the salaries advertised in the public notices.

Three Board members (in office in 2017) told us that they did not learn about the bookkeeper's 2015 retirement and the Supervisor's additional compensation until midway through 2017. As a result, they were unaware that the Supervisor's pay had exceeded the advertised salary.

In an effort to remedy the pay discrepancy after it was made public, the Supervisor and Board reached a settlement in August 2017, in which the Supervisor agreed to repay \$73,794 of income received from April 1, 2015 through August 8, 2017 relating to bookkeeping responsibilities and the Town paid \$58,858 to the Supervisor's wife for services she performed during this period.

The Town Attorney explained during a Board meeting that negotiations took place individually with Board members to reach an agreement that the Supervisor would write a check to the Town for \$73,794. Although the Board did not pass a resolution authorizing or accepting the settlement agreement, it accepted the Supervisor's payment and no Board members were on record challenging the agreement.

While Town officials have not disputed that the Supervisor's wife continued to work for the Town following her retirement as bookkeeper, she stopped maintaining a timesheet after March 31, 2015, so officials have no record of her

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5 Refer to New York State Comptroller's Opinion 87-38.

6 When the Board sets the salary for the Supervisor, it may take into account that the Supervisor will be performing bookkeeping duties and it may set the salary higher than it would if there were a separate bookkeeper.

actual work hours after that date. The amount paid to the Supervisor's wife was based on a \$30,000 annual salary after her retirement, less the amount she was paid by the Town from April 1, 2015 through August 8, 2017.<sup>7</sup>

New York State Retirement and Social Security Law (RSSL) generally limits the amount a retiree may earn annually in a post-retirement position in public service, without loss, suspension or reduction of his or her retirement allowance. RSSL currently provides that a service retiree under age 65 can return to public employment without reduction in his or her retirement benefit as long as his or her calendar year earnings are less than \$30,000. This limitation ceases in the calendar year in which the retiree turns 65.<sup>8</sup>

The Supervisor's settlement agreement acknowledges that the former bookkeeper can receive no more than \$30,000 annually because she retired and is receiving NYSLRS pension benefits.

**Figure 2: Payments Made to the Supervisor's Wife**

	2015 <sup>a</sup>	2016 <sup>b</sup>	2017 <sup>c</sup>	Totals
<b>Salary Paid</b>	\$10,154	\$1,300	\$650	\$12,104
<b>Additional Compensation From August 2017 Settlement</b>	\$12,346	\$28,700	\$17,812	\$58,858
<b>Total</b>	<b>\$22,500<sup>d</sup></b>	<b>\$30,000</b>	<b>\$18,462</b>	<b>\$70,962</b>

a April 1 through December 31, 2015

b January 1 through December 31, 2016

c January 1 through August 8, 2017

d Town officials prorated the 2015 annual salary of \$30,000 for nine months (from April 1 through December 31, 2015) when determining the additional compensation payment.

The net result of this settlement was that about 80 percent (\$58,858) of the \$73,794 income that the Supervisor repaid the Town was paid to his wife. Had the Supervisor's wife received the \$30,000 annual salary when she continued working for the Town after retirement, this salary would not have factored into the calculation of her pension benefit.

However, by shifting her pay to the Supervisor while she continued to work for the Town for a lower or nominal salary, the couple was able to avoid the \$30,000 limit on earnings and the Supervisor was able to report a higher salary for himself to the NYSLRS, which could have resulted in his receiving a higher pension upon retirement. In January 2018 (after the Supervisor left office), Town officials filed an adjustment report with the NYSLRS to reduce the Supervisor's reported salary

7 Following the settlement the Town continued to pay the Supervisor's wife based on the \$30,000 annual salary for three pay periods totaling \$3,462 until she left payroll in September 2017.

8 New York State Retirement and Social Security Law, Section 212

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by the full amount (\$73,794) repaid the Town, so the increased salary he received will not be factored into his pension calculation.

Town Clerk and Highway Superintendent Salaries – The salaries paid to the Town Clerk<sup>9</sup> and Highway Superintendent in 2015 and 2016 agreed with the amounts advertised in the public notices. However, both the Town Clerk and Highway Superintendent were paid more than the publicly advertised salaries in 2017, without the Board’s adoption of a local law.

- The Town paid the Town Clerk an additional \$2,000 salary for duties related to records management.<sup>10</sup> However, New York State Arts and Cultural Affairs Law<sup>11</sup> provides for the Town Clerk to serve as the Town’s records management officer and these functions are performed in her capacity as Town Clerk.

If the Board wishes to provide the Town Clerk with additional compensation to recognize the functions performed as records management officer, it should be included as part of the Town Clerk’s advertised salary in the public hearing notice on the preliminary budget. If there is an increase to the advertised salary, the Board must first adopt a local law, subject to permissive referendum, to increase the salary above the amount advertised.

- The Highway Superintendent was paid \$750 more than his advertised salary of \$30,000. This occurred because the Board authorized a 2.5 percent pay increase in 2017 for all Town employees. However, the publicly advertised salary for the Highway Superintendent did not take this increase into account.

## **The Board Did Not Establish All Salaries and Wage Rates**

We reviewed payroll records for all 29 employees who were paid \$156,353 during December 2016 and August 2017 and evaluated whether they were paid at the Board-approved salaries and wage rates. The Board entered into a CBA that established wage rates for unionized employees in the highway department and included an approved list of salaries in the 2016 and 2017 adopted budgets for the Supervisor, Town Clerk, Highway Superintendent, Town Justices, Assessor

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9 The individual serving as Town Clerk was also appointed to be the Tax Collector and Registrar of Vital Statistics and she received an additional salary for each of these positions during our audit period. These salaries were not required to be included in the notice of hearing on the budget because the positions were separate from that of Town Clerk. For purposes of this report, we have assumed the legal propriety of the appointment of this individual as “Tax Collector.”

10 In prior years, the Town paid an employee for duties related to records management, which included sorting and filing old documents into storage boxes. The legality of that arrangement is not within the scope of this audit. In 2017, the Town Clerk performed the records management duties along with the Deputy Town Clerk.

11 New York State Arts and Cultural Affairs Law, Section 57.19

and Board members. However, we found no evidence that the Board established and authorized the salaries paid to another eight officers and employees for 2016 (Figure 3).<sup>12</sup>

**Figure 3: 2016 Salaries Without Board Authorization**

Position	Salary Paid
<b>Code Enforcement Officer</b>	\$45,318
<b>Court Clerk</b>	\$38,873
<b>Deputy Town Clerk</b>	\$26,650
<b>Town Attorney</b>	\$16,435
<b>Tax Collector Salary Paid to the Town Clerk<sup>a</sup></b>	\$6,250
<b>Historian</b>	\$5,900
<b>Records Manager</b>	\$4,000
<b>Registrar of Vital Statistics Salary Paid to the Town Clerk<sup>a</sup></b>	\$2,245
<b>Total</b>	<b>\$145,671</b>

<sup>a</sup> The Board-approved salary schedule in the adopted 2016 budget included the Town Clerk's base salary of \$38,947, but did not include the additional salaries paid to her for serving as the Tax Collector and Registrar of Vital Statistics.

While the Board approved the personal services appropriation line items in the budget each year, it did not adopt resolutions setting forth all officer and employee salaries. Additionally, when the Board approved hiring an assistant historian in October 2016, and a bailiff in March 2017, it did not set the wage rates for these positions (\$12 per hour when hired).

In November 2016, the Board passed a resolution to authorize a 2.5 percent pay raise for all employees for 2017 and a 7.5 percent pay raise for the Court clerk.<sup>13</sup> We found that these pay raises were applied correctly to the 2016 salary and wages with only minor differences. However, as previously discussed, the Town Clerk was paid an additional \$2,000 salary in 2017 for records management. In addition, the Deputy Town Clerk was paid an additional \$1,000 that year for assisting the Town Clerk with records management.<sup>14</sup> We found no Board authorization for these additional salary payments.

<sup>12</sup> The lack of Board authorization for the salaries paid to the Supervisor and bookkeeper/secretary is addressed previously in our report.

<sup>13</sup> In April 2017, the Board approved an additional annual pay increase of \$1,813 for the Court clerk.

<sup>14</sup> A different employee had served as the records manager in 2016.

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Although the Board approved the percentage increases in the salaries and wage rates for 2017, Town officials provided no evidence that a formal salary schedule was prepared and provided to the Board to show each employee's salary for the coming year. Had a formal, complete salary schedule for all officers and nonunion employees been prepared and approved by the Board each year, it would have provided greater transparency on the amount of salaries and wages authorized to be paid. Without clear Board authorization for salaries and wages by resolution, or pursuant to an approved CBA, there is an increased risk that officers and employees will not be paid accurately or in the amounts the Board intends.

### **Officials Did Not Implement Effective Payroll Controls**

The Supervisor, with the assistance of his secretary (wife) was responsible for all facets of the payroll process including entering employee salary and wage rates, hours worked and deductions; and processing direct deposits and printing payroll checks. The Supervisor told us that they shared the payroll duties, depending on who was available.

While no clear separation of duties for internal control purposes were implemented, Town officials did implement some checks and balances to provide oversight of the payroll process. For example, a Board member<sup>15</sup> reviewed the computerized payroll journals and a folder containing supporting payroll documentation such as timecards and time sheets and cosigned payroll checks with the Supervisor. In addition, the Board reviewed the monthly bank statements and canceled check images for the bank account used for payroll disbursements and performed an annual audit of the Supervisor's 2016 records, including payroll.

Although these oversight procedures were in place, they were ineffective because a Board resolution was not adopted to set the salaries and wages paid to certain officers and employees. As a result, it was difficult for officials to determine the accuracy of gross pay amounts as part of the payroll review process. Additionally, the Board member reviewing payroll did not question the amounts paid elected officials that were in excess of the approved salary schedules. Further, officials had no process for department heads or other direct supervisors to certify the payrolls for their employees as required by Town Law<sup>16</sup> and there were weak controls over time records for some employees.

The Highway Superintendent prepared and approved biweekly summary time sheets for his eight employees<sup>17</sup> and biweekly the Town Clerk and the historian

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15 The Board member was also the Deputy Supervisor.

16 Town Law, Section 120

17 The Highway Superintendent used timecards maintained by highway employees to prepare these summaries.

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approved the time records of their employees. However, the Supervisor did not sign or otherwise approve the time sheets maintained by the assessor and code enforcement officer. In addition, the Court clerk who worked full-time and earned leave benefits did not maintain any time records. Further, Town officials were unable to locate the timecards or time sheets for four highway employees and the assistant historian for one of five pay periods we tested in December 2016 and August 2017.<sup>18</sup>

When time records are not maintained and approved by supervisors and payrolls are not properly reviewed and certified, there is an increased risk that employees could be paid for hours not worked and that errors or irregularities could occur without detection.

### **How Should Officials Ensure Employee Benefits Are Accurate?**

The Town provides health insurance benefits through a CBA for unionized highway employees and a Board-adopted benefits policy (policy) for full-time employees who are not covered by the CBA (noncontractual employees). The CBA provides health insurance for all full-time highway employees and requires the employees to pay part of the health insurance premium based on the coverage they receive (e.g., single, two-person or family coverage).

In addition, the CBA provides post-employment health insurance benefits to covered employees. Covered employees hired before January 1, 2012, who retire after serving at least 20 years of continuous service and obtain at least the age of 55 may elect to continue medical insurance and prescription drug coverage after retirement as an individual or with a spouse provided they contribute 50 percent of the annual premium. In the event the retiree predeceases the eligible spouse, the surviving spouse may continue insurance coverage provided the spouse pays the entire annual premium cost.

For noncontractual employees, the policy provides that the Town will fully pay the annual insurance premium (including prescription drug coverage) less \$10 (paid by the employee) per pay period for all full-time<sup>19</sup> noncontractual employees hired before January 1, 2002. The policy provides that the Town will pay 75 percent of the annual premium for those employees whose first date of employment with the Town is on or after that date.

The policy provides post-employment health insurance benefits for noncontractual employees. For employees hired on or before December 31, 2001, the Town will pay 75 percent of any future health insurance plan after they retire. The Town will pay 50 percent of future premiums for employees hired after this date if they have

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<sup>18</sup> See Appendix C for information on our sampling methodology.

<sup>19</sup> The policy specifies that part-time, seasonal or temporary hires do not receive fringe benefits.

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attained the age of 62 and have 20 years of service when they retire. The policy is silent on health insurance benefits for retiree spouses and surviving spouses.

Employees with alternative health insurance coverage who decline and waive insurance provided by the Town are eligible for a health insurance buyout paid biannually in June and December. Full-time highway employees who are part of the CBA are eligible to receive a buyout of \$500 per year for individual or \$750 per year for family coverage. Highway employees who are eligible for family coverage but elect individual coverage are also eligible to be compensated \$500 per year. In addition, noncontractual employees are provided a similar option and are entitled to receive a buyout of \$1,200 per year.<sup>20</sup>

### **Health Insurance Benefits Were Not Always Properly Authorized or Accurately Calculated**

We reviewed supporting documentation for all 12 current employees and officers who received health insurance benefits in August 2017.<sup>21</sup> We were able to find Board authorization for each of the current employees receiving health insurance. However, we found no Board resolution or Board policy expressly authorizing health insurance benefits to be provided to the Supervisor and we were unable to determine whether the Board expressly authorized health insurance benefits to be provided to the Town Attorney. The Town paid approximately \$69,500 in health insurance premiums for these two officers' family coverage for 2016 and 2017.

The Supervisor told us that the Town did not have a comprehensive employee benefits policy when he took office in 2002. He further told us that he reviewed available documents related to employee benefits that were on file and also reviewed who was receiving benefits at the time he took office to develop a benefit policy for employees. According to Board minutes, the Board adopted a benefit policy for non-contractual employees in 2002,<sup>22</sup> which was subsequently amended by the Board in 2004. We were told that the 2004 benefit policy (with certain revisions) was in effect during our audit period. According to the Supervisor, the health insurance benefits provided to elected officials and the Town Attorney were based on the Town's past practice, not the 2002 or 2004 benefits policy.

Upon the conclusion of our audit fieldwork, current officials provided a November 14, 2000 Board resolution that stated that the only elected officials eligible for health insurance coverage were the Highway Superintendent and Town Clerk.

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<sup>20</sup> For purposes of this audit, we have assumed the legal propriety of providing a buyout for employees.

<sup>21</sup> We also reviewed the current employees who received health benefits in December 2016. Eleven of the 12 employees who were covered in August 2017 were also covered in December 2016.

<sup>22</sup> The 2002 minutes included an attached policy entitled Town of Canton Benefit Policy for Non-Unionized Employees.

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According to this resolution, other elected officials were not eligible for health coverage. The resolution also stated that it is not the intent of the resolution to change any health care coverage or privilege of any employee, elected or appointed official serving the Town before November 15, 2000. The Supervisor told us that he was unaware of this resolution while in office.

Based on the November 14, 2000 resolution, it appears the Town intended to discontinue providing health insurance benefits to elected officials, other than the Highway Superintendent and Town Clerk, who were elected after November 15, 2000. If that were the case, the Supervisor, who took office in 2002, would not have been eligible for health insurance benefits as an elected official. As for the Town attorney, it is unclear whether the appointed Attorney would have been eligible as we were unable to determine if he was receiving the benefit prior to November 15, 2000.

However, we found that, the Board continued to approve claims showing the payment of monthly health insurance premiums that included both the Supervisor and the Town Attorney as covered individuals. This indicates the Board was aware each was receiving health insurance benefits and may have ratified providing the benefit to the Supervisor and Town Attorney. A better and more transparent practice would be for the Board to formally authorize coverage for these positions in a policy if the Board intends to continue to provide this benefit.

We also reviewed available supporting documentation for all 16 individuals<sup>23</sup> who received post-employment health insurance benefits in December 2016 and all 15 individuals who received this benefit in August 2017 for a combined total of \$13,694 during these months.<sup>24</sup> We found that Town officials did not maintain the records necessary to enable them to determine whether 14 individuals were eligible to receive post-retirement benefits in December 2016 (88 percent).

For example, Town officials did not have personnel folders or other employment records needed to determine whether three of these retirees were entitled to benefits. In many cases, officials were unable to provide documentation such as prior CBAs or resolutions showing that these retirees were entitled to receive post-employment benefits.

Because most missing documentation pre-dated the Supervisor's time in office, he had no control over the records that were kept on file. However, going forward, it is important for officials to maintain records showing that former employees and their eligible dependents are entitled to the post-employment benefits provided.

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23 Includes retirees and their spouses or surviving spouses

24 All 15 individuals covered in August 2017 were also covered in December 2016. One other individual was covered in December 2016, but that coverage ended before August 2017.

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Health Insurance Premium Contributions – We reviewed the health insurance contributions paid by current employees, retirees, spouses and surviving spouses in December 2016 and August 2017. Our testing revealed that the Town accurately calculated the employees’ portion of contributions for all current employees tested.

However, contributions for retirees, spouses of retirees and surviving spouses receiving post-employment benefits were calculated at a 25 percent contribution rate, the rate established in the policy for noncontractual employees. All individuals receiving these benefits were not subject to the policy rate because some were covered under CBAs.

Based on our discussions with Town officials and review of records, 10 of 16 individuals receiving post-employment benefits were former highway employees and/or their spouses or surviving spouses. Therefore these individuals would have been subject to the rates established in CBAs. The current CBA stipulates that employees hired on or before January 1, 2012 must pay 50 percent of the annual health insurance premium for themselves and their spouse, while a surviving spouse must fully pay the premium cost.

It is unclear whether the provision addressing health insurance premium contributions in the current CBA was intended to cover highway employees who retired under prior agreements. Officials should consult with the Town Attorney to determine the contribution rates that should be in effect for retired highway employees and their eligible dependents.

In July 2017, the Supervisor unilaterally increased the required employee contributions established in the policy from the \$10 per pay period to \$45 per pay period for himself, the Town Attorney and Town Clerk without seeking Board authorization for the change. The Supervisor told us that he made the change to better align the contributions with escalating insurance costs. Although, none of the individuals whose contributions increased contested the changes, the Town Clerk told us that she did not consider the increase voluntary.

While it may be appropriate to require these officials to contribute more towards their health insurance coverage, this determination should have been discussed and decided on by the entire Board and authorized by a resolution or policy instead of the Supervisor acting on his own.

Further, the Supervisor did not maintain adequate billing, cash receipt and accounts receivable records to track health insurance contributions due from retirees, surviving spouses and individuals receiving benefits under the Consolidated Omnibus Budget Reconciliation Act (COBRA)<sup>25</sup> program. The Board

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<sup>25</sup> COBRA allows qualified individuals to continue health insurance coverage, often at the individual's expense, for a period of time after leaving employment.

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has not developed a policy to address billing and payment due dates, collection and recording procedures, or enforcement of unpaid accounts.

As a result, some individuals were allowed to fall behind in making payments to the Town. For example, a surviving spouse was six months behind in making health insurance contribution payments totaling \$763 before passing away, which makes it unlikely the Town will be able to recover these funds. In addition, as of the end of our audit period (August 2017), a former employee was about \$9,450 behind in making COBRA payments to the Town for 2017 health coverage.

We informed the current Supervisor (who took office in January 2018) about this delinquency and the Town subsequently billed this individual about \$8,000 – the amount of unpaid contributions as of December 31, 2017. The former employee paid the Town the overdue amount in March 2018.

Health Insurance Buyout – During the audit period (January 1, 2016 through August 31, 2017), eight officers and employees received health insurance buyout payments totaling \$13,150. We reviewed these payments and found that one highway employee was overpaid by \$800. This employee was paid three payments of \$600 each for a total of \$1,800 (\$1,200 in 2016 and \$600 in 2017), at the rate established by the Board for noncontractual employees (\$1,200 annually).

However, this employee was covered under the CBA as a highway department employee that stipulates a buyout of \$500 annually for single coverage and \$750 for family coverage. As a result, the employee should have received \$1,000 in total (\$750 for opting out of family coverage in 2016 and a \$250 payment for opting out of single coverage in June 2017).

The Supervisor's secretary received two health insurance buyout payments totaling \$1,200 for waiving health insurance in 2016, when she was covered by the Town's insurance under her husband's policy. These payments were made when she was working as the Supervisor's secretary.

The Town's policy for noncontractual employees provides that only full-time employees are eligible for health insurance buyout payments. We found that the secretary received a total salary of \$1,300 for the 2016 year. This suggests she was not employed full-time. However, the Town Clerk and certain Board members acknowledged she was seen working regular full-time office hours at the Town hall.

Given this apparent conflicting information, along with the lack of time records following her retirement as bookkeeper and transition to secretary, it is unclear whether the secretary was eligible for the buyout payments she received.<sup>26</sup> In

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<sup>26</sup> The Town also made health insurance buyout payments totaling \$1,200 to the secretary in June and December 2015, after her retirement.

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June 2017, the secretary submitted a health insurance buy-out claim for \$600, however, the payment was not made. Board members questioned her eligibility for the buyout due to her March 2015 retirement.

Town officials also paid buyouts to the two elected Town Justices totaling \$2,950.<sup>27</sup> According to the November 2000 Board resolution that addressed health insurance benefits for elected officials, the Town Justices would not have been eligible to receive health insurance coverage unless they were already receiving health care coverage from the Town before November 15, 2000. One of the Town Justices was first elected after this date and therefore may not have been eligible for health benefits based on the language set forth in the 2000 resolution. It is unclear whether the second Justice was receiving health insurance benefits as of November 15, 2000 because records for this period were not readily available.

Although the 2000 Board resolution did not provide health insurance coverage for the Town Justice positions, the Supervisor told us that it has been the Town's past practice to provide the Town Justices with health insurance coverage or buyouts, if applicable to Town Justices.<sup>28</sup> We found that the Board approved claims showing the buyout payments to the Town Justices, which indicated it was aware the Town Justices were receiving this benefit.

Similar to the Supervisor's and Town Attorney's health insurance coverage, a better and more transparent practice would be for the Board to clarify that the Town Justices are authorized to receive health insurance benefits or the buyout in a policy, if it intends to continue to provide this benefit. Without Board authorization for all health insurance benefits provided and procedures for verifying the eligibility and accuracy of those receiving the benefits, individuals could receive more benefits than they are entitled to or the Board intended.

## **How Should Officials Ensure Proper Leave Records Are Maintained?**

The board should exercise proper oversight by establishing procedures for town officials to follow when maintaining leave records. These procedures should ensure that employees are receiving paid leave benefits to which they are entitled. A good system of accounting for employee leave time requires officials to periodically verify the accuracy of employee leave records with regard to leave time earned and used.

Town officials should establish procedures for periodic independent reviews of accrued leave records and balances. Officials should also ensure that staff properly calculate and deduct leave time used from employee accrued leave

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<sup>27</sup> One Justice is the Town Attorney's spouse and was covered by the Town's insurance under her husband's policy.

<sup>28</sup> As previously discussed, the Supervisor told us that health insurance benefits provided to elected officials were based on the Town's past practices, not the 2002 or 2004 benefits policy.

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balances and that leave is both earned and carried over from one year to the next in accordance with any benefits policy or CBA. Accurate leave records are especially important when a town provides payments to employees for a portion of their unused vacation or sick leave upon leaving town employment.

### **Leave Records Were Not Always Accurate and Available**

The Town's policy and CBA outline leave benefits and accrued leave guidelines for employees. The Supervisor's office was responsible for accounting for all employees' accrued leave, except for highway department employees whose accrued leave records are maintained by the Highway Superintendent.

The Supervisor's office tracks leave balances by requiring employees to use leave request forms and manually posts leave used to a log maintained for each employee. Office staff provide employees with semi-annual leave update letters with leave balances and leave categories for their review. Each employee's leave record shows leave balances, accrued leave earned and use by date with copies of completed leave request forms attached.

The Highway department uses similar leave request forms, which are attached to time sheets submitted to the Supervisor's office for payroll processing. The Highway Superintendent tracks leave use and balances for all highway employees in a leave tracking notebook and annually submits the leave records to the Supervisor's office to maintain on file.

We selected and examined accrued leave records for all employees who received and used paid leave during our audit period to determine whether these records were accurate and balances were appropriate based on the eligibility stipulated in the policy or CBA. We also compared leave used as documented on payroll records to the leave records for December 2016 and August 2017 to evaluate whether these records agreed.

We found errors and discrepancies in the accrued leave records, which included, but were not limited to, the following:

- Leave records were not maintained beyond 2015 for the salaried Court clerk who earns leave benefits and is required to work a minimum of 35 hours per week. Although the clerk told us that he would provide absence reports to the Supervisor's office, Supervisor office staff were unable to locate any records.
- The assessor carried over 266 hours of vacation leave from 2016 to 2017, even though the policy allows a maximum vacation carryover of 210 hours. Based on his 2017 salary, the value of the 56 hours of excess vacation leave was \$705.

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- Two highway employees were not credited with leave to which they were entitled totaling 16 hours valued at \$379. One employee was not credited with 5.25 hours of sick leave to which he was entitled valued at \$117 as a result of several recording errors.
  - One employee was incorrectly credited with 8 hours of vacation leave valued at \$179 to which he was not entitled.
  - One highway employee used a total of 40 hours of compensatory time in August 2017. However, no leave records were available to support the hours used.

In addition, the leave records for the bookkeeper (Supervisor's wife) showed accumulated balances of 1,929 hours of sick leave and 476 hours of vacation leave as of March 31, 2015 that exceeded the policy maximums allowed by 969 hours for sick leave and 266 hours for vacation leave. The bookkeeper stopped earning and using leave benefits when she retired in March 2015 and became the Supervisor's secretary.

Although Town officials did not pay her for any unused leave when she retired or when she later left Town service, because these leave balances were overstated there was an increased risk that she could have used more leave time or received a higher payout for unused leave than she was eligible for.

These errors and discrepancies primarily occurred because Town officials did not ensure that the procedures of tracking and maintaining leave records were working effectively and they did not periodically review the leave records for accuracy. Without accurate leave records, officials may not be able to properly determine the amount of payments due to employees who retire from Town employment, or ensure that employees receive the amount of leave time to which they are entitled.

## **What Do We Recommend?**

The Board should:

1. Ensure those elected officials whose salaries are advertised in the notice of public hearing on the preliminary budget are paid in accordance with the advertised salary. If it wants to increase the salary above the advertised amount, it must adopt a local law, subject to permissive referendum requirements.
2. Set the salary or hourly wage of all officers and employees.
3. Require the certification of payrolls by department heads or other direct supervisors.

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4. Adopt a policy to help ensure health insurance benefits, including buy-out options and contribution rates, for elected and appointed officials are clearly specified.
  5. Consult with the Town Attorney to determine the premium contribution rates that should apply to retired highway employees.
  6. Establish policies and procedures for postemployment health insurance benefits including the billing and collecting of premiums from former employees and enforcement of unpaid accounts.
  7. Consult with the Town Attorney about the payments made to the Town Clerk and Highway Superintendent in excess of the advertised salaries and the overpayments and questionable payment of the health insurance buyouts made to the highway employee and the secretary. Seek recovery of these funds, as appropriate.
  8. Designate an individual who is independent of leave accrual record maintenance to periodically review accrued leave records and balances for accuracy.

Town officials should:

9. Implement procedures to ensure that all salaries and benefits are provided to officers and employees in accordance with the CBA, or pursuant to a Board-adopted policy or other proper Board authorizations.
10. Ensure time records are maintained by employees and retained on file to support payroll payments.
11. Ensure that accrued leave is both earned and carried over in accordance with the terms of the policy and CBA and that the leave records are kept on file.
12. Ensure that the errors in the leave accrual records, as identified in this report, are corrected.

The Supervisor should:

13. Establish procedures to capture and retain employment histories and other relevant information to enable Town officials to verify that former employees and their eligible dependents receiving post-employment health insurance coverage are entitled to the benefits they receive.
14. Maintain billing, cash receipt and accounts receivable records to track post-employment health insurance contributions.

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15. Develop and implement procedures to ensure all health insurance buyout payments are made in accordance with the policy or CBA that covers the employee.

# Appendix A: Response From Town Officials



Est. 1805

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## Town Board

Mary Ann Ashley  
Supervisor

Bob Washo  
Deputy Supervisor

James T. Smith  
Council Member

Phil LaMarche  
Council Member

Tim Danehy  
Council Member

12/13/19

## Departments

Animal Control  
Jim Pipher

Assessor  
Cindy Brand

Clerk & Tax Collector  
Lisa A. Hammond

Code Enforcement Officer  
Jeffrey Murray

Courts  
Justice Rosemary Philips  
Justice Michael Morgan

Highway Superintendent  
Terry L. Billings

Historian  
Linda Casserly

## Shared Services

Community Economic  
Development  
Leigh Rodriguez

Parks & Recreation  
Jim Putman



Office of NYS Comptroller  
Local Government and School Accountability  
333 E Washington St # 409  
Syracuse, NY 13202

Dear

The Canton Town Board requested that the New York State Office of the Comptroller perform a full audit of the Town of Canton via 7/13/17 correspondence. The current Town Board would like to express our gratitude to OSC for performing a partial audit of Compensation and Benefits for the years 2015-2017.

### #1. As a board, we agree entirely with the following findings:

- Page 7 - "OSC has previously expressed the view that the Supervisor may not appoint himself to the position of bookkeeper. If the Supervisor performs bookkeeping functions this must be done in his capacity as Supervisor, not in a separate bookkeeper position. There was no authority for the Supervisor to designate himself as holding the separate position of assistant bookkeeper or bookkeeper and receive a separate salary for these positions."
- Page 5/6 - "The Supervisor re-allocated the bookkeeper salary to himself and collected additional salaries for bookkeeping duties totaling \$73,794 from April 1, 2015 through August 8, 2017 without Board authorization."
- Page 6 - "In addition to his regular salary, the Supervisor began collecting a second paycheck for an assistant bookkeeper position beginning April 1, 2015 and a third paycheck for the bookkeeper position during the last four pay periods of 2015. In total the Supervisor exceeded the 2015 advertised salary by \$18,334."
- Page 6 - "Officials were unable to present any evidence to document that the Board set the secretary's salary or authorized the Supervisor to increase his salary for the assistant bookkeeper and bookkeeper positions. The Town Attorney, in a letter to the OSC, acknowledged that a written record of an executive session discussion or any official Board action does not exist."

- Page 7 - “Three Board members (in office in 2017) told us that they did not learn about the bookkeeper’s 2015 retirement and the Supervisor’s additional compensation until midway through 2017. As a result, they were unaware that the Supervisor’s pay had exceeded the advertised salary.”
- Page 6 - “In addition, the Town Clerk, who works regular office hours at the Town hall, told us that she first learned of the bookkeeper’s retirement in 2017, and was surprised to learn the bookkeeper had been retired since 2015 because she had not noticed any change in the bookkeeper’s full-time office hours before or after her retirement.”
- Page 7 - “While Town officials have not disputed that the Supervisor’s wife continued to work for the Town following her retirement as bookkeeper, she stopped maintaining a timesheet after March 31, 2015, so officials have no record of her actual work hours after that date.”
- Page 8 - “However, by shifting her (the supervisor’s wife’s) pay to the Supervisor while she continued to work for the Town for a lower or nominal salary, the couple was able to avoid the \$30,000 limit on earnings and the Supervisor was able to report a higher salary for himself to the NYSLRS, which could have resulted in his receiving a higher pension upon retirement.”
- Page 14 - “Further, the Supervisor did not maintain adequate billing, cash receipt and accounts receivable records to track health insurance contributions due from retirees, surviving spouses and individuals receiving benefits under the Consolidated Omnibus Budget Reconciliation Act (COBRA)25 program... As a result, some individuals were allowed to fall behind in making payments to the Town. For example, a surviving spouse was six months behind in making health insurance contribution payments totaling \$763 before passing away, which makes it unlikely the Town will be able to recover these funds. In addition, as of the end of our audit period (August 2017), a former employee was about \$9,450 behind in making COBRA payments to the Town for 2017 health coverage.”
- Page 12 - “Upon the conclusion of our audit fieldwork, current officials provided a November 14, 2000 Board resolution that stated that the only elected officials eligible for health insurance coverage were the Highway Superintendent and Town Clerk. According to this resolution, other elected officials were not eligible for health coverage... Based on the November 14, 2000 resolution, it appears the Town intended to discontinue providing health insurance benefits to elected officials, other than the Highway Superintendent and Town Clerk, who were elected after November 15, 2000. If that were the case, the Supervisor, who took office in 2002, would not have been eligible for health insurance benefits as an elected official.”

**#2 The Canton Town Board has concerns, described below, with regards to the following findings:**

- Page 7 - “Furthermore, the Board did not pass a local law (subject to permissive referendum) authorizing the increase in the Supervisor’s pay in 2015. The Town

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continued to publish the Supervisor’s regular salary in the public notices for the 2016 and 2017 preliminary budgets even though the Supervisor was paid the additional amounts for the bookkeeping work. Although the payroll records showed that the Supervisor was paid the additional salaries as bookkeeper, this was not transparent to the public because the Board did not pass the necessary local laws to allow him to exceed the salaries advertised in the public notices.”

**This paragraph places fault with the Board for failing to properly structure/authorize the increase in the Supervisor’s pay, which pre-supposes that the Board had such knowledge of the increase and would have approved thereof. As stated in numerous other findings within the report, the Board was not made aware of the increase, and as such it is unknown if the Board would have approved of the change.**

See  
Note 1  
Page 34

- Page 4 - “After the bookkeeper’s retirement, she served as the Supervisor’s secretary and continued to assist with fiscal and administrative duties. The Supervisor and his wife told us that she was less involved in the recordkeeping after her retirement and the Supervisor reduced her salary and began paying himself an additional salary for bookkeeper services. The Board did not adopt a resolution for the change in salaries and no notice was given to the public.”

**As stated elsewhere in the report, other officials and employees were unaware of the bookkeeper’s retirement, suggesting that no discernable change in duties had in fact occurred. As the Board itself was not made aware of any change, it would have been impossible for the Board to adopt a resolution and/or provide notice to the public.**

See  
Note 1  
Page 34

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# Town of Canton Response NYS Comptroller Audit

UNIT NAME: TOWN OF CANTON

AUDIT REPORT TITLE: COMPENSATION AND BENEFITS

AUDIT REPORT NUMBER: 2018M-159

## Audit Recommendations:

The Board should:

### Audit Recommendation #1

(The Board) Ensure those elected officials whose salaries are advertised in the notice of public hearing on the preliminary budget are paid in accordance with the advertised salary. If it wants to increase the salary above the advertised amount, it must adopt a local law, subject to permissive referendum requirements.

### Implementation Plan of Action

Beginning in the year of 2018, the Town Supervisor and Town Board 2019 and 2020 budgeting process included a timeline of activities that included legal notices of public hearings advertising salaries of elected officials. The posted salary listing matched the budgeted salary amounts that were disbursed accordingly.

The Town Supervisor is responsible to present a tentative budget to the Town Board. The Budget process was enhanced, with integrity of the process, with Board members receiving three ring binders with all pertinent information necessary to develop an annual town spending plan. Two working board sessions occurred. Salary schedules were part of the binder. The agenda for the public hearing listed elected official's salaries.

In November 2019, the Town Board added an additional transparency step by passing a Salary approved resolution at the November 2019 meeting listing all town employees 2020 salaries. Advertised salaries and annual board resolutions will continue.

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### **Audit Recommendation #2**

(The Board) Set the salary or hourly wage of all officers and employees.

### **Implementation Plan of Action**

With the standard of integrity of the process, beginning in the year of 2018, the Town Supervisor and Town Board 2019 and 2020 budgeting process included a timeline of activities that included legal notices of public hearings advertising salaries of elected officials. The posted salary listing matched the budgeted salary amounts that were disbursed accordingly.

The Town Supervisor is responsible to present a tentative budget to the Town Board. The 2018 budget had already been approved by the former town board. The 2019 and 2020 budgets were changed to reflect all individual positions as a separate line item, except for highway positions. The Supervisor has reviewed this issue. Let the record show that because of the fund breakdowns of Snow Removal, Brush & Weed and General Repair, this will continue to be reviewed.

The Budget process was enhanced with Board members receiving comprehensive three ring binders with all pertinent information necessary to develop an annual town spending plan. Two working board sessions occurs. Salary schedules are part of the binder. The agenda for the public hearing listed elected official's salaries. The Highway Department salaries were set as part of a four-year negotiated contractual agreement January 2018-December 2021. The CBA was negotiated in 2018.

In November 2019, the Town Board added an additional transparency step by passing a Salary approved resolution at the November 2019 meeting listing all town employees 2020 salaries. Advertised salaries and annual board resolutions will continue.

### **Audit Recommendation #3**

(The Board) Require the certification of payrolls by department heads or other direct supervisors.

### **Implementation Plan of Action**

Beginning in January 2018, all department heads or other direct supervisors certify payroll through time sheets signed by employees and department heads/other direct supervisor.

Additional certification is conducted by the Supervisor and Deputy Supervisor. Board Audit committees review monthly bi-weekly payroll summaries. Employees that do not have direct deposit, are issued checks that are signed by the Supervisor and Deputy Supervisor.

Beginning in January 2018, elected official signature stamps have not been created.

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#### **Audit Recommendation #4**

(The Board) Adopt a policy to help ensure health insurance benefits, including buy-out options and contribution rates, for elected and appointed officials are clearly specified.

#### **Implementation Plan of Action**

The Town Board will thoroughly review, re-write and adopt a non-contractual policy in 2020 outlining health insurance benefits, including buy-out options and contribution rates for elected and appointed officials.

#### **Audit Recommendation #5**

(The Board) Consult with the Town Attorney to determine the premium contribution rates that should apply to retired highway employees.

#### **Implementation Plan of Action**

The Town Board has and will continue to consult with the Town Attorney in 2020 to examine the premium contributions rates that should apply to retired highway employees.

Beginning in January 2018, the Town Supervisor and staff have been compiling data as the records permit. There continues to be missing information on retired highway employees which is being re-created as part of the personnel files and other pertinent information, including a copy of a particular highway contract.

The Town Supervisor will be appointing a board committee to research and analyze town sponsored health insurance issues.

#### **Audit Recommendation #6**

(The Board) Establish policies and procedures for post-employment health insurance benefits including the billing and collecting of premiums from former employees and enforcement of unpaid accounts.

#### **Implementation Plan of Action**

Beginning in 2018, the Supervisor and Town Board have established internal control procedures for postemployment health insurance benefits including the billing and collecting of premiums from former employees and enforcement of any unpaid account(s).

It was discovered that COBRA payments from a former employee were not paid totaling \$8,037.20. The funds were recouped in March 2018. There were no other former employees, to the Town's knowledge or search of limited records, that owed the Town funds.

In addition, the Town health insurance provider changed the way COBRA payments are made. For future transactions, COBRA payments will be paid directly to the provider and not through the Town.

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The Town Supervisor will be appointing a board committee to research and analyze town sponsored health insurance data and records including, but not limited to, plans, costs and contributions.

**Audit Recommendation #7**

(The Board) Consult with the Town Attorney about the payments made to the Town Clerk and Highway Superintendent in excess of the advertised salaries and the overpayments and questionable payment of the health insurance buyouts made to the highway employee and the secretary. Seek recovery of these funds, as appropriate.

**Implementation Plan of Action**

The Board has consulted with the Town Attorney about the payments made to the Town Clerk and Highway Superintendent in excess of the advertised salaries. Because this was the responsibility of the former Supervisor David Button as the Chief Fiscal Officer of the Town of Canton to make sure this process was followed according to the law, and it was not done, the current Town Board has decided to not seek recovery of these funds.

To expect the Town Clerk and Highway Superintendent to have to pay back overpayment of funds is fundamentally not fair, nor right, due to the fact that former Town Supervisor David Button did not fulfill the fiduciary duties of the Supervisor of the budget process and legal notification of appropriate salaries.

**Audit Recommendation #8**

(The Board) Designate an individual who is independent of leave accrual record maintenance to periodically review accrued leave records and balances for accuracy.

**Implementation Plan of Action**

The Supervisor and Town Board hired a Confidential Secretary/Bookkeeper in May 2018. One of the duties of this position is to maintain leave accrual records under the supervision of the Town Supervisor. Annual statements were and will continue to be created and given to eligible full-time employees Code Enforcement, Court Clerk, Deputy Town Clerk. Individual employee meetings have and will continue to be set up to review the data.

The Highway Superintendent maintains leave accrual records for highway employees. Town officials have been researching automated leave accrual systems and will continue to discuss a possible change for all employees.

The Board has budgeted for a new part time employee, in 2020, that will assist with Human Resources duties under the supervision of the Supervisor. Leave accrual and record maintenance will be part of the duties.

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The Town officials should:

**Audit Recommendation #9**

(Town Officials) Implement procedures to ensure that all salaries and benefits are provided to officers and employees in accordance with the CBA, or pursuant to a Board-adopted policy or other proper Board authorizations.

**Implementation Plan of Action**

Town officials have implemented procedures to ensure all salaries and benefits are provided to officers and employees in accordance with the Collective Bargaining Agreement and pursuant to board-adopted policy or other proper board authorizations.

Beginning January 2018, the board process of assessing the finances of the town included thoroughly examining all bank accounts, payroll and accounts payable data. This has also been accomplished through the budget development process.

The Supervisor and Town Board has been analyzing the Non-Contract Benefit policy. Town sponsored health insurance benefits were discontinued in 2018 for the Town Supervisor and Town Justices including the Town Attorney who resigned in March 2018. These positions are not considered full time as per 2002 Board Resolution. The former Supervisor's wife sent in payments for the first and second quarter of the 2018 under the assumption that Town sponsored health insurance coverage would continue for her and the former Supervisor. This was not the case due to the fact that neither were eligible.

A Town Board Policy Committee will be reviewing all town policies and present to the Town Board any recommended changes.

There will also be a separate written benefit policy created for elected positions of Town Board Members, Town Justices, Town Clerk and Town Highway Superintendent.

**Audit Recommendation #10**

(Town Officials) Ensure time records are maintained by employees and retained on file to support payroll payments.

**Implementation Plan of Action**

Beginning in January 2018, a new time sheet system was created for non-contract full time employees and has been maintained by employees and retained on file to support payroll payments. Employees keep a copy for their records. Time accrual files were created in the Supervisor's Office.

The Town Highway Superintendent ensures time records and retains them on file at the highway department. On anniversary dates, the Highway Superintendent gives the accumulated time document to the Supervisor for the employee's file. The Town Board

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document to the Supervisor for the employee's file. The Town Board Highway Committee will discuss this issue with the Highway Superintendent to review if there is a need to change.

Additional leave accrual/requests forms will be created for highway employees requesting time accrual benefits. i.e. Payout of vacation time or compensatory time as per contract.

**Audit Recommendation #11**

(Town Officials) Ensure that accrued leave is both earned and carried over in accordance with the terms of the policy and CBA and that the leave records are kept on file.

**Implementation Plan of Action**

Beginning in January 2018, a new time records system was created for non-contract full time employees and has been maintained by employees and retained on file to support payroll payments. Employees keep a copy for their records. Time accrual files were created in the Supervisor's Office.

The Town Supervisor met with the Court Clerk to review the time accrual records. Once it was determined the amount of time accrued utilizing employee data compared to records on file. Data was missing or not recorded in the Supervisor's Office. Once this was determined, it was presented to the Town Board for approval.

The Town Highway Superintended ensures time records and retains them on file at the highway department. On anniversary dates, the Highway Superintendent gives the accumulated time document to the Supervisor for the employee's file. The Town Board Highway Committee will discuss this issue with the Superintendent to review a need to change.

Additional leave accrual/requests forms may be created for highway employees requesting time accrual benefits. i.e. Payout of vacation time or compensatory time as per contract.

**Audit Recommendation #12**

(Town Officials) Ensure that the errors in the leave accrual records, as identified in this report, are corrected.

**Implementation Plan of Action**

Town Officials respectfully requests from the NYS OSC identified data on specific employee records that need to be corrected. Town Officials will further review the recommendation and data. Once this is thoroughly examined, the town will conduct due diligence in trying to rectify the identified errors.

See Note 2 Page 34
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The Supervisor should:

**Audit Recommendation #13**

(The Supervisor) Establish procedures to capture and retain employment histories and other relevant information to enable Town officials to verify that former employees and their eligible dependents receiving post-employment health insurance coverage are entitled to the benefits they receive.

**Implementation Plan of Action**

The Supervisor has established procedures to capture and retain employment histories and other relevant information verifying former employees and their eligible dependents receiving post-employment health insurance coverage are entitled to the benefits they receive.

The Supervisor has increased the standard of records management in the Supervisor's Office. This is due to the fact that employee records did not meet the expected standard of the current Supervisor. The issues the current Supervisor faced starting in January 2018 consisted of an office that was left in disarray on many levels.

In several cases, records were not organized, complete or even existed. Many records that were expected to be on the computer didn't exist or were encrypted. Employee personnel records needed to be either recreated or upgraded to meet the expected standard.

**Audit Recommendation #14**

(The Supervisor) Maintain billing, cash receipt and accounts receivable records to track post-employment health insurance contributions.

**Implementation Plan of Action**

The Supervisor and Town Board continued the contractual agreement with [REDACTED] CPA to maintain billing, cash receipt and accounts receivable records including post-employment insurance contributions.

Health insurance contributions for full time active employees are taken out of each employee's bi-weekly payroll.

Health insurance contributions by retirees are either received through the postal service or direct delivery by the retiree to the Supervisor's Office.

All deposits of health insurance contributions from retirees are maintained by the Supervisor's Office and [REDACTED] and a report is generated. Each and every deposit is audited by board members on a monthly basis.

A copy of the retiree report will become part of the monthly board audit of accounts payable, payroll summary and retiree health insurance contributions.

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### **Audit Recommendation #15**

(The Supervisor) Develop and implement procedures to ensure all health insurance buyout payments are made in accordance with the policy or CBA that covers the employee.

### **Implementation Plan of Action**

Beginning in January 2018, the Supervisor developed and implemented procedures ensuring all buyout payments were/are made in accordance with policy and CBA that covers the employee.

Buyouts were/are processed through the payroll system and not a direct payout for the full amount.

Any and all new employee pre-employment meetings include discussion of health insurance benefits. Town employees are eligible for health insurance benefits if they are full time. As per agreement with [REDACTED], the health insurance policy does not take effect until 91 days from the first date of hire.

If an employee chooses a buyout, there is a form that is processed indicating such transaction.

### **Additional Information:**

#### **Banking:**

1. The Town Supervisor and Town Board have done due diligence in critically examining all financial systems and bank accounts. Several issues that were identified, have been corrected according to the law and best municipal financial practices. For example: Trust and Agency Bank Account had not been reconciled from 2002-2017. All bank accounts were thoroughly examined and reconciled accordingly.
2. Beginning in January 2018, the Town had 29 bank accounts managed by the Town Supervisor. Ten (10) accounts have since been closed and funds reissued accordingly to the proper fund. An addition three (3) accounts will be closed in December 2018.
3. Each and every bank deposit is done by the Confidential Secretary/Bookkeeper and Town Supervisor, posted by [REDACTED] CPA, and reviewed and signed by the Town Board Audit Committee members.
4. Beginning in January 2018, [REDACTED] attends regular Town Board monthly meetings, and 12-page financial report is reviewed and accepted by the Town Board.
5. Bank accounts are reconciled on a monthly basis and audited by town board members.

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### **Bookkeeping:**

1. In August of 2017, the Town Board voted to contract with [REDACTED] CPA Accounting Firm for payroll and accounts payroll. The current Supervisor and Town Board continued the contract for the past two years.
2. Town Board members have read-only access to the town's financial system, so at any time, a board member can review financial transactions on-line.

### **Health Insurance:**

1. Prior to January 2018, all information on health insurance payments were not part of the auditing process and put on an abstract. Health Insurance payments, listing all employees and retirees, are now reviewed and signed by town board members through the auditing process.

### **Human Resources**

1. All additions and/or changes in personnel are on a public agenda to be approved the Town Board. Information includes salary, full/part time, benefits, and work hours.
2. When there are changes in personnel, there is a change of personnel form that is completed and submitted to the St. Lawrence County Department of Human Resources.
3. The Town annually submits to St. Lawrence County Human Resources Department a payroll certification form that is then certified by the county.
4. New York State Standard Work Day resolutions, for newly elected officials, have been officially authorized by the board through resolution and sent to NYSLRS.
5. The Town Board changed the 2020 budget allocation and structure for the Supervisor's Office. The past administration and board allocated a specific amount to the former Supervisor's Office and let that individual decide what is needed and whom to hire to administer town finances and human resource duties.
6. In the A Fund, the accounting firm letter of engagement (contract) allocation has been taken out of the Supervisor budget and will be a separate line item.
7. All personnel files were reviewed and some needed to be created. Records management in the Supervisor's office did not meet the expected standard.
8. An additional part-time, 12 hour/week position of Secretary has been created in the A Fund as a separate line item to further assist with Human Resources duties.

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**Payroll:**

1. All additions and/or changes in personnel are on a public agenda to be approved the Town Board. Information includes salary, full/part time, benefits, and work hours.
2. Beginning in January 2018, the Town Supervisor, Town Board and [REDACTED] have and will continue to work closely with the New York State Comptroller's Office, New York State Retirement System, [REDACTED] (Health Insurance Provider)
3. New York State Standard Work Day resolutions have been officially authorized by the board through resolution.

**Records Management:**

1. The Town Board has access to all records in the Town Supervisor's Office.
2. Town agendas are created by the Supervisor in advance of the meeting and posted three days prior to the meeting showing all town business.
3. The Town Supervisor ensures all legal documents are given to the Town Clerk for the record.

If you have any questions, concerns or need further clarification, please contact us.

Respectfully Submitted,

Mary Ann Ashley  
Town Supervisor

Robert Washo  
Deputy Supervisor

Tim Danahy  
Council Member

Philip LaMarche  
Council Member

James Smith  
Council Member

cc- [REDACTED]

file

## Appendix B: OSC Comments on the Town's Response

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### Note 1

Our report accurately states that the Board did not pass a local law or resolution to increase the Supervisor's pay. As acknowledged in the Town's response letter, our report also acknowledges that Board members told us that they were unaware that the Supervisor's pay had increased and exceeded the advertised salary.

While our report does not fault the Board for failing to pass a local law to increase the Supervisor's salary, the Board members' lack of knowledge of the Supervisor's pay increase from April 2015 through mid-2017 demonstrates that the Board did not ensure effective payroll controls were in place to oversee the work of the former Supervisor and secretary.

### Note 2

We followed up with Town officials and provided identifying information on specific employee records that need to be corrected.

## Appendix C: Audit Methodology and Standards

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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 Town officials and reviewed records to gain an understanding of payroll procedures and internal controls.
- We reviewed CBAs, employment policies and Board minutes to obtain information about salaries and benefits provided to employees.
- We reviewed the settlement agreement between the Town and Supervisor and compared calculations to payrolls for the same period.
- We reviewed and compared the wages and salaries for elected officials along with the bookkeeper/secretary for 2015, 2016 and 2017 to evaluate whether salaries were paid pursuant to the advertised public notice and salary schedules in the adopted budgets.
- We reviewed December 2016 and August 2017 payrolls for all employees to evaluate the accuracy of wages paid. We reviewed employee personnel files to establish job titles and salaries, reviewed time records including time cards or time sheets to evaluate whether hours and times worked agreed with payroll records and that the time records showed evidence of supervisory review and approval. We traced payments to canceled checks and direct deposit payments to evaluate whether payments agreed with the records. We selected one month from each year in our scope period (December 2016 and August 2017). We selected December 2016 due to the likelihood it would cover a period with higher occurrence of potential overtime and August 2017 due to concerns raised before beginning fieldwork.
- We obtained and reviewed supporting documentation of adjustments made to salaries from the NYSLRS.
- We reviewed and traced employee leave time recorded on time sheets of all employees to payrolls and leave records for December 2016 and August 2017 to assess whether leave used was accurately recorded.
- We recalculated leave time earned for all employees to determine whether it was reasonable and agreed with the established policy or CBA.
- We examined health insurance claims for December 2016 and August 2017 to evaluate whether all individuals receiving health insurance benefits were eligible and authorized to receive benefits and to assess the accuracy of employee and retiree contributions.
- We reviewed all health insurance buyouts paid in 2016 through August 2017 and examined supporting documentation to assess eligibility. We traced

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select payments to audited claims to review Board approval for the buyout payments.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). 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 relevant population size 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 D: Resources and Services

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### **Regional Office Directory**

[www.osc.state.ny.us/localgov/regional\\_directory.pdf](http://www.osc.state.ny.us/localgov/regional_directory.pdf)

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

[www.osc.state.ny.us/localgov/costsavings/index.htm](http://www.osc.state.ny.us/localgov/costsavings/index.htm)

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

[www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm](http://www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm)

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

[www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm](http://www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm)

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

[www.osc.state.ny.us/localgov/planbudget/index.htm](http://www.osc.state.ny.us/localgov/planbudget/index.htm)

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

[www.osc.state.ny.us/localgov/pubs/cyber-security-guide.pdf](http://www.osc.state.ny.us/localgov/pubs/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/localgov/finreporting/index.htm](http://www.osc.state.ny.us/localgov/finreporting/index.htm)

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

[www.osc.state.ny.us/localgov/researchpubs/index.htm](http://www.osc.state.ny.us/localgov/researchpubs/index.htm)

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

[www.osc.state.ny.us/localgov/academy/index.htm](http://www.osc.state.ny.us/localgov/academy/index.htm)

## Contact

Office of the New York State Comptroller  
Division of Local Government and School Accountability  
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: [localgov@osc.ny.gov](mailto:localgov@osc.ny.gov)

[www.osc.state.ny.us/localgov/index.htm](http://www.osc.state.ny.us/localgov/index.htm)

Local Government and School Accountability Help Line: (866) 321-8503

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