

New Hyde Park Fire District

Payroll

OCTOBER 2018



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

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Report Highlights

New Hyde Park Fire District

Audit Objective

Determine whether District officials implemented a system to ensure that payroll was properly segregated and that payroll time was properly authorized and recorded.

Key Findings

- Direct supervisors did not review or approve 244 of 309 timecards (79 percent) totaling \$171,092.
- The Secretary did not document the reasons for adjustments of 151 of 158 payroll hours (96 percent) totaling \$4,451.
- Commissioners or direct supervisors did not approve 178.25 of 196 overtime or double-time hours (91 percent) totaling \$7,833.

Key Recommendations

- Certify payrolls before payroll checks are distributed.
- Ensure timecards for all employees are reviewed and approved by their direct supervisors.
- Ensure Commissioners and direct supervisors document their pre-approval for overtime and double-time hours worked.

District officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

Background

The New Hyde Park Fire District (District) is located in the Towns of North Hempstead and Hempstead. The District is a distinct corporation of the State, distinct and separate from the Towns in which it is located.

The Board of Fire Commissioners (Board) consists of five elected members and is responsible for the District's overall financial management. Board responsibilities include approving the annual operating budget, adopting policies and certifying payrolls. The appointed District Secretary (Secretary) is responsible for recording Board minutes and processing payroll.

Quick Facts

| | |
|------------------------------|---------------|
| 2016 Revenues | \$4.3 million |
| 2017 Appropriations | \$4.2 million |
| 2017 Budgeted Salaries | \$693,000 |
| Full and Part Time Employees | 26 |

Audit Period

January 1, 2016 – September 30, 2017

Payroll

How Should District Officials Control the Payroll Process?

A well-designed payroll processing system requires policies and procedures that provide guidance and oversight for employees who process payroll. Payroll duties should be segregated so that no one person controls all phases of the payroll process. The system should implement monitoring procedures to verify that payments are accurate. Before payroll checks are distributed, payroll records should be reviewed and independently certified by the Board. When modifications and adjustments are made for timecards, there should be sufficient documentation supporting the reasons for the changes. Additionally, timecards for all employees should be reviewed and approved by their direct supervisors and over-time and double-time hours worked should be pre-approved by Commissioners or direct supervisors.¹

The Board Did Not Segregate the Payroll Function or Certify Payrolls

The Secretary collects and adjusts timecards, prepares and reviews the worksheets and reports payroll totals to the District's third party payroll processor. However, all of these duties are performed without management oversight. While the Board certifies each payroll, it is unclear when the Board certifies the payroll because the Board does not record the date of certification on the face of the payroll certification or in the Board minutes. A Board Commissioner informed us that the certification may occur prior to or after payroll checks are distributed.

The failure to segregate duties or establish mitigating controls over payroll and the lack of a clear payroll certification process can result in inaccuracies going undetected.

Timecards Lacked Documentation

The Board did not implement policies and procedures over payroll. District officials record time and attendance using a manual punch clock and paper timecards. Twice monthly, the Secretary collects timecards (including her own) and adds the total hours each employee clocked during the pay period. During this process, the Secretary adjusts the total hours for each employee so that final hours are standardized² for full-time employees and capped at 19.5 hours for part time employees. Additionally, the Secretary indicated that employees do not clock out when they temporarily leave work for personal reasons, or if the employees are volunteer firefighters and choose to leave work to answer fire calls. Instead, the Secretary is verbally notified and uses that to adjust the time cards.

¹ For further information, see <http://www.osc.state.ny.us/localgov/pubs/lgmg/practiceinternalcontrols.pdf>.

² Employee hours are reported to the third party processor by hours worked; full-time employee hours are adjusted to 87 hours for each semi-monthly pay period.

The Secretary prepares a manual time and attendance worksheet for the pay period. The worksheet lists each employee and the total hours worked, with a separate listing for overtime or double-time hours worked. The Secretary performs a check of the hours for each employee and contacts the District's third party payroll processor to relay hours for each employee in the pay period. However, the Secretary's supervisor does not review and approve the Secretary's work prior to the relaying of payroll information. The third party payroll processor generates a payroll report and paychecks and delivers them to the District. The Board certifies the payroll, but does not record the date of certification, either on the face of the payroll certification or in the Board minutes. On the fifteenth and the last day of the month, payroll checks are distributed to or direct deposited in the accounts of employees.

The District has 26 employees, of which eight³ work in the District office. These eight employees were paid a total of \$343,654 in 2016. We reviewed seven months⁴ of timecards for those eight employees, which included 309 timecards with gross salary payments totaling \$182,739. We found that a direct supervisor did not review or approve 244 (79 percent) of the timecards totaling \$171,092 (94 percent) in gross salary payments:

- The Board chairman did not review four of the 69 time cards⁵ submitted by the Secretary.
- A direct supervisor did not review or approve any of the 240 time cards submitted by the remaining seven employees.

We analyzed adjustments totaling \$4,675 and found the Secretary did not document the reasons she adjusted 151 of 158 hours of adjustments (96 percent) totaling \$4,451. The Secretary informed us that she made adjustments for a variety of reasons, including standardizing hours and employees leaving work during work hours as discussed previously. Also, four of the eight employees submitted time cards that included 196 overtime or double-time hours totaling \$8,739. We found no indication that a Commissioner or direct supervisor approved 178.25 of the 196 overtime or double-time hours (91 percent) totaling \$7,833.

When District officials do not implement a proper system to approve time records and adjustments to hours worked and overtime, the District may incur excessive payroll costs.

3 Four fire house maintainers, two clerks, the Secretary and the Treasurer

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

5 During each pay period, the Secretary worked in the office and in her home, and submitted timecards for work done at each location.

What Do We Recommend?

The Board should:

1. Segregate the payroll function.
2. Certify payrolls before payroll checks are distributed and document the date of certification on the face of the payroll certification and in the Board minutes.
3. Establish policies and procedures over payroll.
4. Require employees to punch in when they start work and punch out if they leave work for personal reasons during the day so that time cards record the actual time worked.
5. Ensure that timecards for all employees are reviewed and approved by their direct supervisors and that supervisors sign the cards to document that the time recorded is for actual time worked.
6. Ensure the Secretary prepares documentation supporting the reasons for adjustments of timecards and that the adjustments are approved by the employee's supervisor.
7. Ensure that Commissioners or direct supervisors document their pre-approval for overtime or double-time hours worked.

Appendix A: Response From District Officials

THE BOARD OF FIRE COMMISSIONERS

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Chairman

JAMES ROMAGNOLI
MICHAEL BONURA
MICHAEL STEIN
ERNEST GENTILE



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October 16, 2018

Mr. Ira McCracken
Chief Examiner
Division of Local Government and School Accountability
Office of the State Comptroller
NYS Office Building
Room 3A10, Veterans Memorial Highway
Hauppauge, NY 11788-5533

Re: Report of Examination, New Hyde Park Fire District;
Payroll Report of Examination; Period 1/1/2016- 9/30/2017;
2018M-165;
Fire District Response and Corrective Action Plan

Dear Mr. McCracken:

This communication is sent as the response of the Board of Fire Commissioners to the draft audit report submitted by your office. We have also detailed the Corrective Action Plan ("CAP") which we will undertake at our fire district to address the recommendations made by your office. We would like to take this opportunity to thank your office for the professional work done by your auditors in reviewing various aspects of our financial system. Their recommendation made during the audit process and in the report will assist us to improve our financial operation.

In reviewing our prior practices we realize that inserting internal controls and having Fire Commissioners review and approve payroll processing is not sufficient when the officials assigned to those duties perform them, but do not record the work that they have done. Our new procedures will include the performance of internal controls and recording the control activities at the time that they are performed.

We note that the report does not indicate findings of fraud, waste or abuse, and we believe that our current practices and the quality of the personnel that work for us certainly contributed to that result.

The following are our responses to each recommendations stated in your report as well as the corrective action that will be undertaken as to each.

Recommendations:

The Board should:

1. Segregate the payroll function.

UNDER OUR NEW POLICY SUPERVISORS, THE SECRETARY, THE TREASURER, INDIVIDUAL COMMISSIONERS, AND THE BOARD AS A BODY WILL ALL PLAY ROLES IN REVIEWING PAYROLL RECORDS AND THE ISSUANCE OF PAYROLL CHECKS. THIS WILL RESULT IN MULTIPLE LAYERS OF OVERSIGHT AND THE SEGREGATION RECOMMENDED. MORE IMPORTANTLY, THE FUNCTIONS PERFORMED WILL BE NOTED IN RECORDS WITH DATED SIGN-OFFS SO THAT THERE IS PROOF THAT THE INTERNAL CONTROLS HAVE BEEN EMPLOYED.

2. Certify payrolls before checks are distributed and document the date of certification on the face of the payroll certification.

THE PAYROLL WILL BE CERTIFIED AND CERTIFICATIONS DATED ON THE FACE OF THE CERTIFICATION BY THE TREASURER AND AT LEAST ONE COMMISSIONER BEFORE THE CHECKS ARE DISTRIBUTED. THE CERTIFICATION WILL BE EMAILED TO ALL COMMISSIONERS AND AT LEAST THREE COMMISSIONER APPROVAL REPLIES WILL BE RECEIVED BEFORE CHECK DISTRIBUTION. THE PAYROLL CERTIFICATION WILL BE APPROVED IN THE MINUTES OF THE BOARD MEETING PRIOR TO THE DISTRIBUTION OR RATIFIED AT A MEETING THAT OCCURS AFTER DISTRIBUTION SINCE THE BOARD REGULARLY MEETS ONLY TWICE EACH MONTH AND ONE TIME IN THE MONTHS OF JULY AND AUGUST.

3. Establish policies and procedures over payroll.

WE HAVE ADDED A NEW PAYROLL PROCESSING POLICY THAT WAS ADOPTED AT OUR MEETING OF THIS DATE AND WE HAVE BEGUN IMPLEMENTATION OF THE NEW POLICY. WE ARE IMPLEMENTING USE OF A FINGER SCAN SYSTEM TO REPLACE TIME CARD PUNCHING AS

PART OF THAT POLICY.

4. Require employees to punch in when they start work and punch out if they leave work for personal reasons during the day so that time cards record the actual time worked.

THE BOARD WILL BE IMPLEMENTING THE FINGER SCAN SYSTEM AND EMPLOYEES WILL BE REQUIRED TO FINGER SCAN EACH TIME THEY REPORT FOR WORK, LEAVE EARLY FROM WORK AND LEAVE AT THE END OF THEIR ASSIGNED SHIFT. IN THIS WAY TIME RECORDS WILL REFLECT ACTUAL TIME WORKED

5. Ensure that time cards for all employees are reviewed and approved by their direct supervisors and that supervisors sign the cards to document that the time recorded is for actual time worked.

THE FINGER SCAN WORK SHIFT REPORT WILL REPLACE THE TIME CARD AND SUPERVISORS WILL SIGN OFF AND DATE THE FINGER SCAN WORK SHIFT REPORT THAT COVERS THEIR ASSIGNED EMPLOYEES. IN ADDITION, AT LEAST ONE COMMISSIONER WILL REVIEW THE FINGER SCAN WORK SHIFT REPORTS OF ALL EMPLOYEES FOR EACH PAY PERIOD AND SIGN OFF/DATE HIS REVIEW.

6. Ensure the Secretary prepares documentation supporting the reasons for adjustments of timecards and that the adjustments are approved by the employee's supervisor.

THE SUPERVISOR WILL REVIEW ADJUSTMENTS AND DOCUMENT THE REASONS FOR AN ADJUSTMENT ON THE EMPLOYEE'S FINGER SCAN WORK SHIFT REPORT. THE COMMISSIONER REVIEWING FINGER SCAN WORK SHIFT REPORTS WILL REVIEW ADJUSTMENT DETAIL DURING THAT REVIEW.

7. Ensure that Commissioners or direct supervisors document their pre-approval for overtime and double-time hours.

A REQUEST FOR OVERTIME OR DOUBLE TIME WILL BE SUBMITTED TO A COMMISSIONER WHO WILL REVIEW THE REQUEST AND APPROVE IT BY EMAIL OR TEXT MESSAGE. A COPY OF SUCH APPROVAL WILL BE ATTACHED TO THE FINGER SCAN WORK SHIFT REPORT FOR THE PAY PERIOD.

In summary, this communication shall serve as our response and CAP as required by statute. We have enclosed our new Payroll Processing Policy which was adopted at our meeting this evening

and has already been implemented. We will not issue a separate CAP after the report is published and instead will ask your office to accept this letter as the CAP. We will begin making certain that the corrective actions listed are undertaken.

~~Very truly yours,~~

STEPHEN DERENZE
Chairman

NEW HYDE PARK FIRE DISTRICT
PAYROLL PROCESSING POLICY AND PROCEDURES

The following practices will apply to the processing of payroll for the employees of the fire district:

- Employees will be paid twice a month (the 15th and the last day of the month)
- Payroll is distributed on a 15-day Lag System (i.e. Time worked from the 1st to the 15th of a month will be paid to the employee on the last day of the month)
- Employees are to use the Finger Scan System by entering their employee ID# to clock In and Out of their work shifts. The system will produce the Finger Scan Work Shift Report which will be used to calculate payroll.
- The Medic Supervisor will collect the Finger Scan Work Shift Report for the Paid Medic staff at the end of each pay period, calculate the hours worked and complete the Payroll Worksheet. This worksheet will be approved by signature and date.
- The District Treasurer will collect the Finger Scan Work Shift Report for all other District employees at the end of each pay period, calculate the hours worked and complete the Payroll Worksheet including vacation, holiday, sick and personal hours used by full-time employees. This worksheet will be approved by signature and date.
- The Finger Scan Work Shift Report and the Payroll Worksheets for all employees will be reviewed by the Deputy Treasurer or the office clerk prior to submission to the Payroll Service. The Finger Scan Work Shift Report will be reviewed by one commissioner prior to any check distribution and approved by him by signature and date. It will then be emailed to all commissioners and at least three (3) will approve same by email or text message prior to check distribution. Email and text approvals will be attached to the file.
- Upon receipt from the Payroll Service, the payroll will again be reviewed for accuracy.
- The Board of Fire Commissioners will approve and date the payroll certification prior to distribution to the employees. The approval will be stated at the Board meeting as a pre-approval or a ratification depending on the timing of the meeting. It will also be included in the Board minutes.
- Any adjustments to an employee's hours worked will be documented by a direct supervisor and approved by a Commissioner. Documentation will be stated on the Finger Scan Work Shift Report which will be signed and dated by those officials.
- Authorized overtime (OT) or Double-time (DT) will be pre-approved and signed and dated by a Commissioner.
- Employee Leave Request Forms will be pre- approved and signed by a Commissioner.

The adoption of the foregoing policy in the form of a resolution was duly put to a vote and upon roll call the vote was as follows:

Chairman Stephen Derenze) AYES

Commissioner Michael Bonura)

Commissioner James Romagnoli) AYES

Commissioner Michael Stein)

Commissioner Ernest Gentile)

The resolution was thereupon duly adopted.

Dated: New Hyde Park, New York

October 16, 2018

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 District officials and employees and reviewed employee time cards, Board resolutions, certified payroll reports and payroll worksheets to gain an understanding of the payroll process.
- To determine whether payroll was properly authorized and recorded, we reviewed timecards for all eight employees working in the District office as of September 2017, and sequentially sampled seven months of payroll reports, time cards and payroll worksheets spread evenly, by picking every third month throughout the 21 month audit period. We reviewed time cards and adjustments made by the Secretary. We compared timecards prepared by employees to worksheets prepared by the Secretary and identified any differences. Finally, we compared worksheets to the certified payroll to identify any differences.
- We reviewed timecards for eight employees to determine whether they were approved by their direct supervisors. We also determined whether the Secretary's reasons for adjustments to timecards were documented and whether District officials approved overtime and double-time hours.

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 size of the relevant population and the sample selected for examination.

The Board has the responsibility to initiate corrective action. Pursuant to Section 181-b of New York State Town Law, a written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and forwarded to our office within 90 days. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year.

Appendix C: Resources and Services

Regional Office Directory

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

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

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

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

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/lgli/pdf/cybersecurityguide.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

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

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

Contact

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