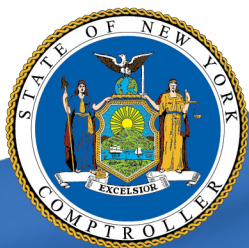


Village of Croton-on-Hudson

Payroll

DECEMBER 2017



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

Contents

Report Highlights 1

Payroll. 2

 How Does a Village Accurately Pay Employees’ Salaries
 and Wages? 2

 Departments Do Not Follow the Village’s Established
 Payroll Periods. 2

 Timesheets Did Not Have Employees’ Signatures or Show Actual
 Hours Worked 2

 Out-of-Title Wages Were Paid Inaccurately 3

 How Should Overtime be Properly Budgeted, Controlled and
 Monitored? 3

 Overtime Was Not Properly Budgeted, Controlled and Monitored. . . 4

 What Do We Recommend? 5

Appendix A – Response From Village Officials 6

Appendix B – OSC Comments on the Village’s Response 8

Appendix C – Audit Methodology and Standards 9

Appendix D – Resources and Services. 11

Report Highlights

Village of Croton-on-Hudson

Audit Objective

Determine whether the Village accurately paid employees' salaries and wages, and budgeted, controlled and monitored overtime.

Key Findings

- During a three month period, five employees were overpaid for out-of-title work by \$902.
- Departments submit employee timesheets prior to pay period ending.
- The Village under-budgeted for overtime in 2016-17 by \$284,608 or 43 percent.

Key Recommendations

- Require employees use and sign timesheets documenting actual hours worked.
- Consider adjusting the timesheet deadline so the payroll reflects actual hours worked.
- Develop more accurate overtime budget estimates based on historical trend and require written pre-approval of non-emergency overtime.

Village officials generally agreed with our audit recommendations and indicated they planned to initiate corrective action. Appendix B includes OSC comments on the Village's response.

Background

The Village of Croton-on-Hudson (Village) is located in Westchester County.

The Village is governed by a Council – Manager form of government with an elected Board of Trustees (Board). The Board is comprised of four Trustees and a Mayor. The Board hires a full-time Village Manager (Manager) who manages the Village's day to day activities and reports directly to the Board. The Treasurer has custody of all Village money. The Deputy Treasurer prepares the Village's bi-weekly payroll.

Quick Facts

2017-18 Budgeted Appropriations	\$19 million
Employees	255
2016-17 Payroll	\$8.4 million
2016-17 Budgeted Overtime	\$656,861

Audit Period

June 1, 2016 – July 13, 2017

Payroll

How Does a Village Accurately Pay Employees' Salaries and Wages?

To pay employees accurately, records must contain sufficient documentation to determine actual time worked and leave time taken. Village officials should require employees to use timesheets to document actual days and hours worked. Timesheets should be signed by employees and supervisors. Hours paid should match the payroll period and the hours worked.

Departments Do Not Follow the Village's Established Payroll Periods

The Village has a Friday through Thursday, two-week pay period. Employees are paid on the Friday after the pay period ends. All departments are required to submit payroll information to the Deputy Treasurer on Tuesday (two days before the last day of the pay period) for it to be processed by Wednesday. Therefore, the Departments submit employee timesheets prior to actual hours being worked on Thursday. However, some Village departments are not following the established pay periods and are submitting payroll information based on different pay periods created on their own – pay periods are as follow:

- Recreation Department – Tuesday through Monday
- Police Department – While the police Department uses the established Friday through Thursday pay period, any overtime incurred on the second week is included in the following pay period.
- DPW – Tuesday through Monday
- Other Departments (including Court and managerial employees) – Friday through Thursday except Parking Enforcement uses Tuesday through Monday.

As a result of not paying for time worked within the established pay period, the Board has no assurance that the actual payroll amounts are accurate and correspond to the established pay period. Since the pay periods are different depending on Department, an employee could be paid for hours that were not worked. Additionally, it would be difficult for Village officials to review the payroll and verify that the amount paid was correct.

Timesheets Did Not Have Employees' Signatures or Show Actual Hours Worked

We reviewed timesheets for 30 employees from selected months¹ and found that 29 employees, paid \$301,769, submitted timesheets without signatures attesting to hours worked;² and 22 employees, paid \$287,899, submitted timesheets that did not show actual hours worked.

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

² One Town Hall employee signed the timesheet

The Treasurer explained that the Village has never required employees to sign their timesheet attesting to hours actually worked and did not consider implementing this due to the strict timeline of when timesheets need to be submitted to be processed for payment.

In addition, timesheets do not show actual hours worked because full-time employees are not required to keep track of their hours worked. Some but not all part-time employees are required to document hours worked. For example, employees who work for the Recreation department as part-time seasonal laborers are not required to document hours.

We found no exceptions when we compared leave requests to timesheets. However, there is an increased risk that employees could be paid for time not worked since there is not sufficient documentation showing actual hours worked.

Out-of-Title Wages Were Paid Inaccurately

The collective bargaining agreement stipulates that when employees perform duties of a higher classification, they are paid the rate of the higher classification at their increment level for the time worked in the higher classification.

We reviewed payroll records for the DPW employees who performed out-of-title work duties for the three test months. Five of the 12 employees were overpaid a total of \$902.

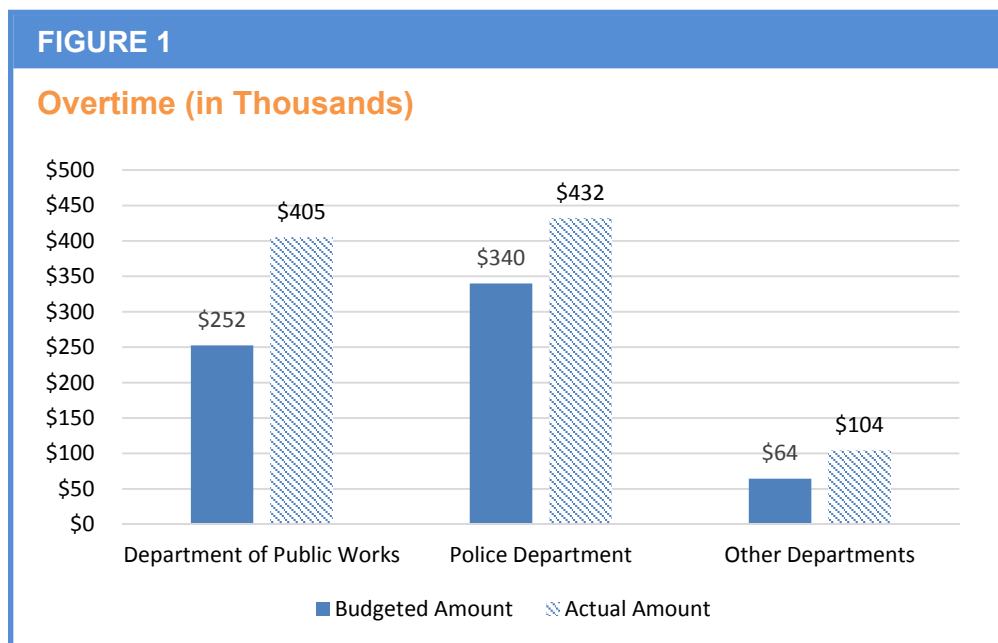
The Deputy Treasurer was unaware of the collective bargaining requirements and paid employees at the highest increment level for work performed in that title. Therefore, it is likely that employees were also overpaid in months we did not test. We found no exceptions for payments made in title.

How Should Overtime be Properly Budgeted, Controlled and Monitored?

The Board is responsible for developing adequate budgets, including overtime budgets, by estimating appropriations based on known needs and historical trends. To help the Board with this responsibility, Department heads should monitor their overtime budgets and use and request reasonable overtime appropriations when developing the budget. An important control over overtime expenditures is written pre-approval of overtime work and subsequent approval of employees' timesheets for payment, which helps ensure that the Village incurs only necessary overtime costs. Overtime logs that indicate the date, time of day and purpose of overtime, combined with proper authorization, provide an acceptable method of documenting overtime.

Overtime Was Not Properly Budgeted, Controlled and Monitored

The Village under-budgeted for overtime in the 2016-17 fiscal year by \$284,608 or 43 percent.



In addition, the Village does not require the use of overtime forms or pre-approval of non-emergency overtime except in the Police Department. Police Sergeants, who authorize the overtime, complete the form for the officer after verbal approval. Department Heads authorize overtime in their Department and the Village Manager verbally authorizes overtime for all managerial staff.

According to the Treasurer, the overtime budget lines were under-budgeted for the Police Department because an employee was out of work receiving workers compensation during this period, and other police staff worked overtime to cover shifts. Additionally, there were community activities that police were needed for and overtime was used and subsequently reimbursed by the community. Community events are not considered when developing the overtime budget. The Treasurer further explained that for the DPW, the Village budgets all salaries and overtime into the account code for regular salaries and makes budget transfers monthly to transfer costs to the various overtime budget lines. The Board budgets only a small appropriation of overtime in each account code.

When adopted budgets do not reflect accurate overtime cost estimates, residents are not aware of what the Village actually incurs in overtime costs and the budgets are not transparent. Without the use of overtime approvals, Village officials do not have any documentation of the purpose for overtime worked, which may lead to paying for unnecessary overtime costs.

What Do We Recommend?

The Manager should:

1. Consider adjusting the submission of timesheets to ensure employees only submit timesheets after work is completed.
2. Require all departments to follow Village established payroll periods.
3. Require employees use time sheets documenting actual hours worked and require employees to sign all time sheets.
4. Correct all errors identified in this report and recover any overpayments made to employees.
5. Consider implementing the use of overtime approval forms that require pre-approval of non-emergency overtime and document the purpose of the overtime.

The Board should:

6. Should develop more accurate overtime budget estimates based on historical trends.

Village officials should:

7. Monitor their respective overtime budgets, control overtime throughout the year, pre-approve all non-emergency overtime and document the purpose of all overtime.

Appendix A: Response From Village Officials



Stanley H. Kellerhouse Municipal Building
One Van Wyck Street
Croton-on-Hudson, NY 10520-2501

Mayor
Brian Pugh
Trustees
Ian W. Murtaugh
Ann H. Gallelli
Sherry Horowitz
Amy Attias

Manager
Janine King

Clerk
Pauline DiSanto
Engineer
Daniel F. O'Connor, P.E.

December 15, 2017

Chief Examiner Tenneh Blamah
New York State Office of the State Comptroller
33 Airport Center Drive
Suite 103
New Windsor, NY 12553-4724

Dear Chief Examiner Blamah:

Re: Village of Croton on Hudson – Payroll – Draft Audit Report – Period June 1, 2016-July 13, 2017

On behalf of the Village of Croton on Hudson, I am writing to acknowledge receipt of the Office of the State Comptroller's Report of Examination of Payroll for the period from June 1, 2016 through July 13, 2017. The Village appreciates the time, effort, and guidance throughout the entire audit process.

The following is the Village's response to the recommendations in the report. The corrective action plan will follow within the required 90 days after the final report is released.

Recommendation 1

Consider adjusting the submission of timesheets to ensure employees only submit timesheets after work is completed.

The Village agrees with this recommendation and intends to institute this going forward for all part-time employees. However, in order to institute this for full-time employees, the Village would have to change its pay period, requiring the agreement of two unions, the Croton Police Association and the Teamsters Union Local 456. It is uncertain if these agreements can be obtained.

Recommendation 2

Require all departments to follow village established payroll periods.

The Village agrees with this recommendation.

Tel: 914-271-4781

www.crotononhudson-ny.gov

Fax: 914-271-2836

Recommendation 3

Require employees use time sheets documenting actual hours worked and require employees to sign all time sheets.

The Village intends to implement this recommendation for part-timers. However, it is not practicable to implement for full-timers. Each department has a person that submits payroll for its department. The department head approves the submission.

See
Note 1
Page 8

Recommendation 4

Correct all errors identified in this report and recover any overpayments made to employees.

This is referring to out of title wages paid inaccurately resulting in overpayments to employees in the total amount of \$902. The errors have been corrected going forward. The Village does not intend to ask employees to reimburse the Village for the overpayments.

See
Note 2
Page 8

Recommendation 5

Consider implementing the use of overtime approval forms that require pre-approval of non-emergency overtime and document the purpose of the overtime.

The Village will consider implementing overtime approval forms to be used in certain departments.

Recommendation 6

The Board should develop more accurate overtime budget estimates based on historical trends.

The Manager and the Board review the overtime lines before approving the operating budget. Historical trends are not necessarily a good baseline for forecasting overtime. Police overtime is usually a reflection of an undermanned department based on disability leave or unforeseen retirements. Public works overtime is usually a reflection of infrastructure emergencies or are weather related.

See
Note 3
Page 8

Recommendation 7

Village officials should monitor their respective overtime budgets, control overtime throughout the year, pre-approve all non-emergency overtime and document the purpose of all overtime.

This is already being done, all non-emergency overtime is pre-approved by Department Heads.

See
Note 4
Page 8

Sincerely,

Janine King
Village Manager

Appendix B: OSC Comments on the Village's Response

Note 1

All employees should document days and hours worked and leave credits used. A lack of appropriate time and attendance records increases the likelihood that an employee could be paid for time not worked or for unauthorized absences.

Note 2

The \$902 overpayment to employees was for a three-month period (January 2017 through March 2017) for five employees. Village officials should review the entire year's payments for these employees to determine if errors occurred throughout the year.

Note 3

Overtime was under-budget in the DPW by 61 percent and the Police Department by 27 percent. The Board could have a more accurate budget regarding overtime expenditures by analyzing historical trends in these departments.

Note 4

There was no documentation provided that non-emergency overtime is pre-approved by Department Heads.

Appendix C: 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, we performed the following audit procedures:

- We reviewed Board minutes and Board-adopted policies.
- We interviewed Village officials to gain an understanding of the processes and procedures over payroll processing.
- The Village paid 255 employees, \$8,368,165 in 2016-17 fiscal year. Based on professional judgment, we determined a sample of 30 employees from judgmentally selected test months during the 2016-17 year for each of the five departments was sufficient to test. We randomly selected fourteen employees from the Department of Recreation to test June, July and August; one employee from Courts to test September and October; five employees from various other Departments to test November and December; and five employees from DPW to test January, February and March (we expanded our testing to 12 DPW employees for out-of-title work); and five employees from the Police Department for April and May. We reviewed the timesheets, payroll check register and leave slips to determine if: time sheets show actual hours worked, time sheets have signatures of employees attesting to work, hours paid match those for the pay period and pay rates were accurate and approved.
- We reviewed the budget to actual expenditures and listed all budgeted and actual amount for each overtime line by department. We then determined the percentage difference for each budget line and by department.

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.

A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit

report. We encourage the Board to make the CAP available for public review in the Village Clerk's office.

Appendix D: 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

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.state.ny.us

www.osc.state.ny.us/localgov

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

NEWBURGH REGIONAL OFFICE – Tenneh Blamah, Chief Examiner

33 Airport Center Drive, Suite 103 • New Windsor, New York 12553-4725

Tel (845) 567-0858 • Fax (845) 567-0080 • Email: Muni-Newburgh@osc.state.ny.us

Serving: Columbia, Dutchess, Greene, Orange, Putnam, Rockland, Ulster, Westchester counties



Like us on Facebook at facebook.com/nyscomptroller

Follow us on Twitter [@nyscomptroller](https://twitter.com/nyscomptroller)