

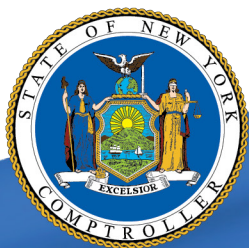
# Village of Massapequa Park

## Claims Audit and Leave Accruals

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DECEMBER 2017

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

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# Report Highlights

## Village of Massapequa Park

### Audit Objective

Determine whether the Board audited claims for Village expenditures prior to payment.

Determine whether Village officials ensured that leave accruals and payments were calculated correctly.

### Key Findings

- The Board reviewed and approved abstracts (list of claims) without auditing the individual claims.
- While Village Law authorizes certain claims to be paid in advance of audit, 10 of 18 claims totaling \$163,725 were not authorized for such payment under Village Law.

### Noteworthy Achievement

- Village officials ensured that leave accruals and payments were recorded and calculated accurately.

### Key Recommendations

- The Board should conduct a thorough and deliberate audit of claims before authorizing payment.
- Claims paid prior to audit should be limited to those authorized under Village Law.

### Background

The Village of Massapequa Park (Village) is located in the Town of Oyster Bay in Nassau County.

The Village is governed by an elected Board of Trustees (Board), which is composed of four Trustees and the Mayor. The Board is responsible for the overall management and oversight of Village operations, including the audit of claims. The Treasurer, who is appointed by the Board, is responsible for receiving, disbursing and maintaining custody of Village money and maintaining accounting records.

The Village provides various services to its residents including street maintenance, snow removal, recreation and street lighting. These services are funded primarily by real property taxes.

#### Quick Facts

Employees	49
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2016-17 General Fund Expenditures	\$6.2 million
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### Audit Period

June 1, 2015 – March 31, 2017

# Claims Audit

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## What is an Effective Claims Audit Process?

New York State Village Law requires the Board to audit all claims against the Village prior to directing the claims to be paid. Village Law allows the Board to authorize, by resolution, payment for utility services, postage, freight and express charges in advance of audit. The claims for such prepayments must be presented at the next regular Board meeting for audit. To properly approve claims for payment, the Board must ensure that all claims contain sufficient documentation to determine whether the nature of the purchases and the amounts represent actual and necessary Village expenditures. The Board also should determine whether prepaid claims are both permissible and processed properly. Approval of all claims for payment should be documented in the Board minutes. An adequate claims audit can help ensure that public money is being spent and handled properly, identify conditions in need of improvement, and provide oversight and review of the Village's disbursements process.

## The Village Did Not Establish an Effective Claims Audit Process

The Treasurer and his staff assemble the claim packets and prepare the abstracts.<sup>1</sup> The Board reviews and approves the abstracts without auditing the individual claims. Without a thorough and deliberate examination of each individual claim and the supporting documentation, the Board does not have enough information to determine whether the claims it approves are appropriate and legitimate. Therefore, there is an increased risk that improper claims could be paid. After the Board approves the abstract and prior to disbursing payment, the Village Administrator reviews and initials each claim.

We reviewed all 184 claims<sup>2</sup> paid in October 2016 and February 2017 totaling \$339,928 to determine whether they contained sufficient documentation and appeared to be for legitimate Village purposes. Our testing disclosed only minor deficiencies, which we discussed with Village officials.

In addition, the Board adopted a resolution authorizing Village officials to pay certain claims without going through the routine audit process. We reviewed all 18 of these claims totaling \$178,304, that were paid prior to being presented to the Board for audit, to determine whether they were authorized for payment in advance of audit under Village Law. We found that 10 claims totaling \$163,725 were not authorized by Village Law to be paid prior to audit. Examples include health insurance premiums, housing inspections and work boots. However, the claims were presented to the Board at the next regular meeting. While the Board approved the abstracts, it did not audit the individual claims.

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1 An abstract is a list of claims waiting to be paid. It contains information such as vendor names, voucher numbers and claim amounts.

2 See Appendix B for information regarding our sample selection.

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Without proper audit and approval of each claim, the Board does not have adequate assurance that the purchases were actual and necessary Village expenditures and complied with Village policies and regulations, or the goods and services were actually received.

### **What Do We Recommend?**

1. The Board should conduct a thorough and deliberate audit of claims before authorizing payment to ensure that they are accurate, properly supported, for valid Village expenses and in compliance with required statutes and policies.
2. The Board and Village officials should ensure that claims paid prior to audit are authorized under Village Law to be paid in advance of audit.

# Leave Accruals

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## What is an Effective Leave Accrual Process?

Leave accruals represent time off earned by employees. The accumulation and use of leave accruals is generally addressed in collective bargaining agreements (CBAs), individual employment contracts and employee benefit schedules, which should clearly stipulate each employee's entitlement to leave benefits. Sufficient records should be kept of each employee's leave time to ensure employees accrue and use leave time to which they are entitled.

Village officials should ensure that any payments made for unused leave accruals are accurate and that there are sufficient available leave balances before payments are issued. Village officials must also ensure that all leave paid and used is deducted from the employees' leave accrual balances. Periodic independent reviews of leave time accrual records and balances provide additional assurance that the accrual and use of leave time is accurate and in accordance with applicable guidelines.

## The Village Has an Effective Leave Accrual Process

Village officials have established adequate procedures over the leave accrual and payment process to ensure that leave accruals and payments are recorded and calculated correctly.

The CBA grants vacation based on length of employment and a fixed number of sick days every year. The Village's CBA states that up to five days of unused vacation days per period may be sold back to the Village on May 31 and December 1 each year, the total not to exceed 10 days per year. In addition, the CBA allows for separation payments for unused sick time based on years of employment.

To request time off, employees complete a leave request form which is signed by the employee and approved by the employee's supervisor. This form is maintained for each employee and reconciled to the time keeping system. Each month, the account clerk and the Treasurer update leave balances and reconcile attendance and time used. Twice per year, employees are given forms to request payment of unused vacation days, which they must return to the Treasurer with their signature and the number of days they request that the Village buyback. The Treasurer calculates leave payments using these forms and appropriate employee pay rates. After completing the calculation, the account clerk verifies that employees have sufficient leave accrual balances and makes the appropriate deductions. The Administrator reviews the pay-out calculations prior to payment.

We selected 12 employees<sup>3</sup> who were paid a combined salary total of \$1.1 million during the 2015-16 fiscal year to determine whether leave had been earned in

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<sup>3</sup> See Appendix B for information on our methodology.

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accordance with their CBA or applicable guidelines. We also reviewed all leave request forms and payments made for unused leave time to determine whether leave used or paid was deducted from their leave balances. All leave balances reviewed were calculated correctly and appropriately adjusted.

In addition, we reviewed separation payment calculations for four employees who received separation payments totaling \$72,797 during our audit period.<sup>4</sup> The separation payments were accurately calculated.

## **Conclusion**

We commend Village officials for maintaining accurate records of employee accruals, leave time use and separation payments.

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<sup>4</sup> Two of the four employees were included in our initial sample of 12 and received separation payments totaling \$69,027.

# Appendix A: Response From Village Officials

Telephone 516-798-0244

Fax 516-798-6106



## **Incorporated Village of Massapequa Park**

VILLAGE HALL, 151 FRONT STREET, MASSAPEQUA PARK, NEW YORK 11762-2794

WEBSITE: [www.masspk.com](http://www.masspk.com)

### **MAYOR**

JEFFREY P. PRAVATO

### **DEPUTY MAYOR**

TERESA SPINOSA

### **TRUSTEES**

RICHARD BEGANDY

DANIEL PEARL

TINA SCHIAFFINO

### **CLERK/ADMINISTRATOR**

PEGGY CALTABIANO

### **TREASURER**

CHRISTOPHER R. BRIGGS

### **VILLAGE ATTORNEY**

KEVIN M. WALSH

### **SUPERINTENDENT OF PUBLIC WORKS**

ROBERT MACRI

November 17, 2017

Mr. Ira McCracken, Chief Examiner  
Office of the State Comptroller  
New York State Office Building  
250 Veterans Memorial Building  
Hauppauge, NY 11788-5533

Dear Mr. McCracken:

Inc. Village of Massapequa Park  
Claims Audit and Leave Accruals  
Audit Report No. 2014M-193

### **COMBINED AUDIT RESPONSE AND CORRECTIVE ACTION PLAN**

The Village of Massapequa Park acknowledges and appreciates the efforts of the New York State Comptroller's Office in conducting the audit of the Village and commends your staff for their professionalism and courtesy during the review of our operations. The Village is pleased to learn that this audit did not reveal any significant weaknesses, improprieties, fraud, waste or abuse on the part of either the Board or its staff. The Board stands proud of its staff, from management to clerical, who carry out the daily duties of the office and commend them for their hard work and dedication to the Village.

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### **LEAVE ACCRUALS**

The Board appreciates your thorough review of leave accruals, leave time use, and separation payments and accepts your commendation for its accurate records.

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## **CLAIMS AUDIT**

THE BOARD REVIEWED AND APPROVED ABSTRACTS WITHOUT AUDITING THE INDIVIDUAL CLAIMS.

Although the Board acknowledges the recommendations of the Comptroller's Office and intends to fully implement the procedures recommended, it should be noted that the Board has always signed off on the Abstracts and has, when it felt necessary, requested additional information on a proposed expense.

### **Corrective Action Plan**

#### **Audit Recommendation**

The Board should conduct a thorough and deliberate audit of claims before authorizing payment.

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

The Board of Trustees receives a copy of the abstract on the Friday before the Monday meeting so that sufficient time is given to review the proposed payments. On the night of the scheduled Board meeting, the Abstract and accompanying vouchers will be thoroughly reviewed and signed off on by three Board members.

#### **Implementation Date**

This procedure was put in place during the NYS Audit review when the matter was brought to the Board's attention and well before the final key recommendations were submitted to the Village. The procedure has been adopted and will continue as recommended.

#### **Person(s) Responsible for Implementation**

The Board is responsible for implementing this recommendation.

\*\*\*\*\*

WHILE VILLAGE LAW AUTHORIZES CERTAIN CLAIMS TO BE PAID IN ADVANCE OF AUDIT, 10 OF 18 CLAIMS TOTALLYING \$163,725 WERE NOT AUTHORIZED FOR SUCH PAYMENT UNDER VILLAGE LAW.

The Board recognizes the importance of auditing claims prior to issuing payment and acknowledges that payments totaling \$163,725 were paid without prior authorization. It should be noted, however, that \$157,886 of the \$163,725 was for medical insurance premiums which had been previously authorized and were being paid as part of a

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payment plan. Additionally, four other claims totaling \$4,932 were for approved contractual items which were already approved by the Board.

### **Corrective Action Plan**

#### Audit Recommendation

Claims paid prior to audit should be limited to those authorized under Village Law.

#### Implementation Plan of Action

The Board has instructed both the Treasurer and Village Administrator to adhere to the allowable payments under the law.

#### Implementation Date

Immediate.

#### Person(s) Responsible for implementation

The Treasurer and Village Administrator will ensure claims are processed and paid according to Village Law.

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In closing, the Board appreciates the opportunity to respond to these issues and continues to be committed to maintaining efficient operations and internal controls for the benefit of its residents.

Very truly yours,

Jeffrey Pravato  
Mayor

PC

## Appendix B: 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 objectives and obtain valid audit evidence, we performed the following audit procedures:

- We interviewed Village officials and Board members to gain an understanding of the Village's claims audit process.
- We reviewed 184 claims totaling \$339,928 that were paid in October 2016 and February 2017 to determine whether they had adequate supporting documentation and were for a legitimate purpose.
- We reviewed all 18 of the 184 claims that were paid in advance of audit in October 2016 and February 2017, totaling \$178,304, to determine whether they were authorized under Village Law to be paid in advance of audit.
- We interviewed Village employees responsible for maintaining employee leave accrual records and calculating payments to gain an understanding of the process.
- We reviewed the CBA to ensure that leave accruals recorded for employees in our sample were accurate.
- We examined the vacation leave accruals and payments for the 12 highest paid employees during our audit period. We recalculated their vacation leave balances by reviewing their leave balance records, added current accruals based on applicable guidelines, deducted leave charges based on leave requests, deducted vacation buy back days, and compared our calculations to the Village's.
- We reviewed separation payments for unused leave time made to four employees that left Village employment during our audit period. This included two of the 12 employees in our initial sample and an additional two employees that separated from the Village during our audit period. For each employee examined, we recalculated the separation payments and compared our calculations to the Village's.

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 objectives.

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

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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 Clerk's office.

## Appendix C: 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#lgmg](http://www.osc.state.ny.us/localgov/pubs/listacctg.htm#lgmg)

### **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/lgli/pdf/cybersecurityguide.pdf](http://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](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

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