



Town of Evans

Employee Benefits

2024M-53 | September 2024

Contents

Report Highlights	1
Employee Benefits	2
What Are Accurate, Approved and Supported Leave Records?	2
Leave Records Were Not Accurate or Supported and Leave Request Forms Were Not Always Properly Approved.	3
What Are Accurate, Approved and Supported Separation Payments?	4
Separation Payments Were Not Approved and Some Were Inaccurate or Unsupported	5
What Are Accurate, Approved and Supported Opt-Out Payments?	6
Opt-Out Payments Were Not Always Accurate, Approved or Supported	6
What Do We Recommend?	7
Appendix A – Response From Town Officials	9
Appendix B – Audit Methodology and Standards	10
Appendix C – Resources and Services	12

Report Highlights

Audit Objective

Determine whether Town of Evans (Town) officials maintained leave records and paid separation and health insurance opt-out payments (opt-out payments) that were accurate, supported and approved.

Key Findings

The Town’s leave records and separation payments were generally not accurate, supported and/or approved. Opt-out payments were generally accurate; however, they were not properly supported or approved.

- We reviewed leave records for 27 of the Town’s 80 employees and determined that 373.5 of the 6,077 hours of leave time used by these employees was recorded incorrectly or not at all in the payroll system.
- Four separation payments totaling \$11,282 were inaccurate or unsupported.
- The former Town Supervisor (Supervisor) received four unsupported opt-out payments totaling \$6,000. Officials were unable to explain why the former Supervisor was treated differently than other Board members.

These errors and discrepancies occurred and were not detected or corrected due to a variety of factors including a decentralized process for maintaining leave records and a lack of oversight of leave records, separation payments and opt-out payments.

Recommendations

The audit report includes nine recommendations that, if implemented, will improve the Town’s employee benefits practices.

Town officials agreed with our recommendations and have indicated they planned to initiate corrective action.

Audit Period

January 1, 2020 – November 29, 2023. We extended our audit period back to January 1, 2015 to review Board approval of opt-out payments.

Background

The Town, located in Erie County, is governed by an elected Town Board (Board) which is composed of a Supervisor and four Councilmembers. The Board is responsible for the Town’s financial affairs.

The Supervisor is the Town’s chief financial officer, personnel director, appointing officer and budget director and is responsible for maintaining human resource records, financial records and certifying payroll. The Supervisor resigned in February 2023, transferring these responsibilities to the Deputy Supervisor and reducing the Board to four members for the rest of 2023.

The Senior Personnel Clerk (Personnel Clerk) assists the Supervisor by processing payroll and entering leave used into the computerized payroll system using both manual and electronic timecards provided by various department heads. The part-time payroll clerk reports directly to the Personnel Clerk and assists the Personnel Clerk with manual data entry.

Quick Facts	
Full-time employees	80
2022 Approximate Value of Leave Benefits	\$1.2 million
Total Separation Payments Paid During Audit Period	\$230,717

Employee Benefits

The Supervisor's office used a computerized payroll system to maintain leave records and to process payroll. The Town's departments each had different internal processes for approving the use of leave and maintaining leave records. The Town had five collective bargaining agreements (CBAs) and five employees had individual employment contracts. The CBAs and employment contracts stipulated the terms and benefits for Town employees, including provisions related to leave, separation payments and opt-out payments.

Paid leave time is an employee benefit generally granted to employees pursuant to CBAs, employment contracts, policies or board resolutions. When employees separate from town employment by retirement, termination, or resignation, they are to be paid the monetary value of certain unused leave time. Therefore, it is especially important to maintain accurate leave records and regularly reconcile leave balances.

What Are Accurate, Approved and Supported Leave Records?

Accurate leave records reflect each employee's accumulated leave balances and are supported by properly approved timesheets and leave requests. Additionally, leave time earned or awarded must be supported by CBAs, board-approved employment contracts, board-approved policies or resolutions. Additionally, leave time used must be deducted from leave balances in a timely manner to ensure leave balances remain current. The use of leave request forms should be required for all employees to document prior supervisory approval to use accrued leave credits and to support absences covered using leave credits.

The town supervisor or other appropriate official should maintain leave records and communicate leave balances to employees regularly. Communicating leave balances to employees helps ensure such balances are accurate and current. A town board is also responsible for establishing and monitoring compliance with written policies and procedures regarding leave time and maintaining leave records. These policies and procedures should clearly designate the individual responsible for maintaining leave records and the individuals responsible for recording leave usage, updating leave balances or verifying leave was recorded accurately. These policies should also require department heads, town officials or employees having direct supervision over specific departments or individual employees to periodically review and reconcile the department's leave records with the payroll system leave records to ensure leave balances are accurate and up to date.

The town board should also require periodic independent reviews of leave records and balances by the town supervisor or other appropriate official. As part of this review, officials should ensure payroll personnel properly calculate and deduct leave time used from employee leave balances and leave is both earned and carried over from year to year in accordance with the applicable agreement, resolution or policy.

Leave Records Were Not Accurate or Supported and Leave Request Forms Were Not Always Properly Approved

Leave records were not accurate or supported by department time and attendance records or properly approved leave request forms. The discrepancies were spread across various departments and leave records for employees at all levels, including department heads, were inaccurate. In addition, we determined that nine employees' leave request forms were not approved or were not approved by their supervisor.

We reviewed leave records for 27 employees¹ and determined that 373.5 of the 6,077 hours of leave time used by these employees was recorded incorrectly or not at all in the payroll system. This generally occurred because more than one Town official or employee, such as the former Supervisor, Personnel Clerk or the part-time payroll clerk, was updating leave records. As a result, the leave records in the payroll system were either not updated for leave time used or in some instances, leave time was deducted from leave balances in the payroll system multiple times by more than one individual. Officials did not establish written policies and procedures that designate who is responsible for recording leave usage, updating leave balances or verifying leave was recorded accurately, which may have prevented these discrepancies.

Additionally, the amount of leave time earned by these employees was not always awarded in accordance with the terms of the applicable employment agreement. For example, according to the applicable CBA, employees hired before a certain date earn an additional 0.25 hours of sick leave during months when no sick leave was taken by the employee. However, the payroll system improperly awarded 0.25 hours of sick leave to employee leave balances regardless of whether employees used sick leave or not.

Because neither the Supervisor, nor another appropriate Town official, performed periodic independent reviews of the leave records and balances, these discrepancies were not detected or corrected. The Personnel Clerk told us they were aware that the payroll system awarded leave incorrectly and that leave balances were inaccurate because department heads often identified errors when comparing their department's manual leave records to the leave records in the payroll system. The Personnel Clerk and Deputy Highway Superintendent explained that the payroll clerks would not always correct the payroll records because they could just use the department's manual leave records instead of the payroll system's leave records when calculating payments based on leave balances, such as separation payments. However, since the payroll system is the Town's official leave record, it should be accurate, and any errors should be corrected. In addition, employees have the ability to review leave balances when they log into the payroll system; therefore, if the leave records in the payroll system were accurate and up to date, employees could be asked to periodically review their leave balances and help ensure their leave records were accurate. In addition, the Town's reported compensated absences long-term liability should be based on the official leave record and, therefore, it must be accurate.

¹ See Appendix B for details of our sampling and testing methodology.

In addition, we examined 6,077 hours of leave used by the 27 employees we tested to determine whether leave request forms were approved by the employee's supervisor or other appropriate official; 308 hours (5 percent) did not have a leave request form approved by the employee's supervisor or other appropriate official. For example, the parks department head approved 57 hours of their own leave use because no one was designated as their supervisor in the payroll system. Similarly, the Personnel Clerk used 92 hours of leave without proper approval. The Personnel Clerk had their employees approve 80 hours of this leave and the Personnel Clerk self-approved the remaining 12 hours. In both instances, the payroll system lacked the employee's supervisor.

Had the Board developed and adopted written policies and procedures to guide the process for maintaining leave records, including recording leave usage, updating leave balances and verifying leave was recorded accurately, these errors and discrepancies could have been avoided and/or corrected in a timely manner.

The Board was aware of the need for policies and procedures and contracted with a consultant in 2020 to provide these to the Town along with other business office functions. However, the consultant did not meet this obligation and the Board took no further action to develop and adopt written policies and procedures.

Had the known payroll system deficiencies been corrected, periodic independent reviews of the leave records and balances been performed, and the Board developed and adopted written policies and procedures to guide the process for maintaining leave records, including recording leave usage, updating leave balances and verifying leave was recorded accurately, these errors and discrepancies could have been avoided and/or corrected in a timely manner.

What Are Accurate, Approved and Supported Separation Payments?

Accurate, approved and supported separation payments consist of compensation paid to employees when leaving employment for unused, accumulated leave according to a board-approved employment contract or a CBA. Additionally, these payments should be supported by complete, accurate and reliable leave records.

A town board is responsible for establishing and monitoring compliance with written policies and procedures which establish specific responsibilities for the preparation and disbursement of separation payments. This written documentation communicates the town board's intentions to employees and to the staff who are responsible for administering and processing separation payments. In addition, an appropriate official, such as the town supervisor, should regularly review and approve separation payments and all necessary supporting documentation to ensure that payments are made in accordance with written CBAs or individual employment contracts and that these calculations are supported by leave balances and calculated accurately.

Separation Payments Were Not Approved and Some Were Inaccurate or Unsupported

We reviewed all separation payments made during our audit period, which included 21 employees totaling \$230,717. Eleven of these payments were approved by an appropriate official; however, the remaining 10 payments totaling \$105,051 did not have any supporting documentation or evidence to indicate whether the payments were reviewed or approved by an appropriate official. When we compared the leave records and recalculated the separation payments, we identified four payments totaling \$11,282 that were inaccurate or lacked adequate support for the amount paid. Specifically:

- One employee received a payment of \$5,123 for unused sick leave; however, officials were unable to provide support, such as the employee's leave record, demonstrating that the number of hours paid was correct. The Deputy Supervisor and all three Board members told us sick leave was donated to this employee which accounted for the remaining balance. However, they were unable to provide documentation supporting the amount of donated and/or used leave, and the contract provided no guidance.
- One employee's leave accrual records reported 37.5 hours of unused sick leave at the time of retirement, but the employee's separation payment incorrectly included \$3,558 for 37.5 sick days, or 300 hours. The Personnel Clerk was unaware of this discrepancy until we questioned the overpayment. Furthermore, the employee was not eligible to receive payment per the CBA because their sick leave balance was below the 20 days threshold to receive a payment for unused sick leave.
- One employee was overpaid \$1,776 for unused sick leave. The employee had 1,510 hours of sick leave remaining and we calculated the payment should have been \$20,957; however, he was paid \$22,733. The employee's personnel file did not include supporting documentation for the calculation or amount paid, and because the payment was made before the Personnel Clerk was hired, she was unable to provide an explanation for the overpayment.
- One employee was paid \$825 for unused compensatory time, but there was no supporting documentation such as hours earned, hours used and remaining balances. The Personnel Clerk said that this payment was handled by the previous payroll clerk, and they were not able to locate additional support for it.

The Personnel Clerk informed us that separation payments were paid through payroll and all calculations were based on the CBAs; however, the former payroll clerks did not prepare a voucher or other supporting documentation for these payments. The Deputy Supervisor, all three Board members and the Personnel Clerk told us that with multiple turnovers in the payroll clerk position (full-time and part-time) over the past six years, and a recent vacancy in the Town Supervisor position, some of the calculation methods, recordkeeping practices and approval processes have been inconsistent. Although the Personnel Clerk has since established a process to calculate the separation payments and properly retain supporting documentation, without Board-adopted policies and procedures providing guidelines for calculations and requiring an appropriate official review and approve calculations, Town officials cannot provide assurance separation payments are accurate.

What Are Accurate, Approved and Supported Opt-Out Payments?

A town can offer employees the option to decline health insurance benefits in exchange for receiving a cash payment when an employee receives health insurance benefits from another source such as through a spouse or other family member. These payments are often provided pursuant to CBAs, employment contracts or board resolutions. The eligibility and documentation requirements should be clearly communicated to employees and those responsible for processing opt-out payments.

The Town's five separate CBAs include opt-out programs and specific cash payment amounts that are offered to the employees covered under such contracts. Each CBA specifies the dollar amount or percentage of the current plan's cost that employees are eligible to receive and whether documentation is required. Generally, employees must provide the Town proof of coverage and submit a signed waiver attesting to their desire to waive their option to receive health insurance coverage through the Town. The waiver and other proof of coverage should be retained by the payroll department to support all opt-out payments issued to employees or officials.

To help ensure opt-out payments are accurate, approved and supported, the town board should adopt policies and procedures for requesting, approving and paying opt-out payments in accordance with CBAs, employment contracts or board resolution. In addition, an appropriate official, such as the town supervisor, or when payments are issued to the town supervisor, the town board, should regularly review and approve payments made and all necessary supporting documentation to ensure that payments are accurate, and employees are eligible to receive payments.

Opt-Out Payments Were Not Always Accurate, Approved or Supported

We reviewed all 70 opt-out payments made to 18 employees and one elected official totaling \$105,740 during our audit period to determine whether they were accurate, approved and supported. For the 2020 fiscal year, all 22 opt-out payments made to employees were accurate, approved and supported. However, 38 of the 44 opt-out payments made in 2021, 2022 and 2023 were not properly supported by waivers as required by the CBAs or reviewed and approved by an appropriate official. Additionally, three employees received incorrect payment amounts and we could not determine whether one elected official was entitled to receive an opt-out payment.

Specifically, one employee was promoted to a full-time position four months into the billing cycle, and another was hired as a full-time employee one month into the billing cycle; therefore, these employees were only entitled to pro-rated or partial payments, but they were paid the full amount. As a result, these two employees were overpaid a total of \$1,951 in 2022. A third employee was paid using an incorrect rate, which caused underpayments totaling \$225 for 2021 and 2022.

The Personnel Clerk told us that due to the turnover in the payroll department and the lack of written procedures, they were unaware of the waiver requirements for opt-out payments until they received vouchers requesting the payments from other departments. The three incorrect payments may have been identified had an appropriate Town official been designated to review and approve opt-out payments for accuracy, support and eligibility.

Board members opt-out payments were also not paid or handled consistently. In 2015, a Board resolution was adopted authorizing opt-out payments for Board members stating, “in the event a Town Board member declines the health insurance, they shall receive annually \$1,500 per year while employed by the Town of Evans.” In February 2020, a Board resolution rescinded the opt-out payment option for Board members. In August 2020, the former Supervisor, who was also a Board member, received four opt-out payments for 2016 through 2019 totaling \$6,000 while receiving Town health insurance through a spouse’s coverage. During the same time period, another Board member also received Town health insurance through a spouse but did not receive opt-out payments. In addition, in 2016, two Board members were receiving Town health insurance through their spouse’s coverage, and at the time were determined ineligible for opt-out payments. Therefore, it is unclear why the former Supervisor was eligible for opt-out payments when these other Board members were deemed ineligible. Officials were unable to provide any documentation to support the eligibility for this payment, or why the resolution was not applied consistently for all Board members.

What Do We Recommend?

The Board should:

1. Develop, adopt and implement written policies and procedures that clearly designate the Town officials and employees who are responsible for:
 - Approving leave, including an alternative approver,
 - Recording leave usage,
 - Updating leave balances,
 - Verifying leave was recorded accurately in the payroll system, and
 - Reviewing and approving separation payments and opt-out payments.
2. Require department heads, Town officials or employees having direct supervision over specific departments or individual employees to periodically review and reconcile the payroll system leave records to ensure leave balances are accurate and up to date.
3. Require the Supervisor or other appropriate official to periodically review leave records and balances and ensure payroll personnel properly calculate and deduct leave time used from employee leave balances and that the payroll system adds leave time earned in accordance with the applicable agreement, resolution or policy.
4. Ensure the department heads, Town officials or employees having direct supervision over specific departments or individual employees review and approve employees’ leave requests and prohibit officials and employees from approving their own time sheets and leave usage. If department heads are using leave time, it must be approved by the Supervisor.
5. Consult with the Town Attorney to determine what action, if any, should be taken regarding inaccurate, improper or unsupported separation and/or opt-out payments.

The Supervisor should:

6. Review and reconcile the payroll system leave records to ensure leave balances are accurate and up to date and ensure the payroll clerks properly record leave time used in the payroll system.
7. Review and approve all separation payments and opt-out payments to ensure employees are eligible to receive payment and that payments are supported and accurate.

The Personnel Clerk should:

8. Ensure leave requests are approved by department heads or appropriate officials in accordance with the adopted Town policy and record leave time used in the payroll system in an accurate and timely manner.
9. Obtain and retain sufficient support documentation for all separation and opt-out payments.

Appendix A: Response From Town Officials



TOWN OF EVANS

8787 Erie Road • Angola, NY 14006-9600
www.townofevans.org

RAY ASHTON SUPERVISOR
Telephone: (716) 549-5787

JEANNE M. MACKO
COUNCILWOMAN

LAURIE H. REITZ
COUNCILWOMAN

MICHAEL R. SCHRAFT
COUNCILMAN

JOHN D. WILSON
COUNCILMAN

September 16, 2024

Melissa A. Myers
Chief of Municipal Audits
Office of the New York State Comptroller
Buffalo Regional Office
295 Main Street, Suite 1032
Buffalo, NY 14203-2510

Re: Town of Evans NYS Comptroller's Office Preliminary Draft Findings

Dear Ms. Myers:

After reviewing the NYS Comptroller's Office Preliminary Draft Findings for the Town of Evans (Employee Benefits Report of Examination 2024m-53), the Evans Town Board agrees with your findings.

The Evans Town Board would like to thank the auditors for pointing out these findings to us. Please be advised, the Town is currently working on a corrective action plan and will forward the same to your office in the near future.

If you should have any questions, please feel free to contact me at (716) 217-3529 (office) or (716) 481-7038 (cell).

Sincerely,

Raymond Ashton
Supervisor

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. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed Town officials, employees and department heads and reviewed Board meeting minutes to gain an understanding of the Town's payroll and leave record processes and to determine whether there were any written payroll and leave policies and procedures. We also reviewed CBAs, individual employment contracts, employee personnel files and timesheets to identify employee pay rates, leave benefits, leave use, leave balances and to determine eligibility requirements for separation and opt-out payments.
- We identified 80 full-time employees who earned leave from January 1, 2022 through June 30, 2023. We used our professional judgment to select a sample of 27 full-time officials and employees. Our sample included employees from various CBAs and job titles. This sample included 22 employees who use the Town's timekeeping system, and five exempt employees who do not participate in the timekeeping system, but request approval to use leave. We reviewed these employees' leave records to determine whether leave used was accurate, supported and approved. In addition, we used our professional judgment to select one full-time highway department employee from our sample for a detailed review of timesheet modifications to determine the reliability of time and attendance records used to track leave use and compensatory time earned.
- We obtained read-only access for the Town's payroll system and compared each department head's manual leave records to the payroll system leave records. We also reviewed the payroll system's audit trail to examine timesheet modifications.
- We identified 30 employees who separated from Town employment between January 1, 2020 and June 30, 2023, and 21 received separation payments totaling \$230,717. We recalculated these payments using stipulations in each employee's CBA. We compared our calculation to the Town's calculation to determine whether separation payments were accurate. We also reviewed these employees' personnel files to examine supporting documentation including leave summary records and separation letters.
- We compared the employee names on the health insurance bills to payroll reports for the period January 1, 2020 and June 30, 2023 to examine whether employees were receiving health insurance as well as opt-out payments. We also examined whether health insurance opt-out waivers were filled out and signed for each employee who opted out based on criteria outlined in the CBA. We reviewed all 70 opt-out payments made to 18 employees and one elected official totaling \$105,740 during our audit period to determine whether they were accurate, approved and supported.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our

audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review in the Town Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/fiscal-monitoring

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/resources/planning-resources

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

www.osc.ny.gov/files/local-government/publications/pdf/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.ny.gov/local-government/required-reporting

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

www.osc.ny.gov/local-government/publications

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

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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

<https://www.osc.ny.gov/local-government>

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

BUFFALO REGIONAL OFFICE – Melissa A. Myers, Chief of Municipal Audits

295 Main Street, Suite 1032 • Buffalo, New York 14203-2510

Tel (716) 847-3647 • Fax (716) 847-3643 • Email: Muni-Bufferalo@osc.ny.gov

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