



Town of Hector

Employee Compensation

2024M-85 | December 2024

Contents

- Report Highlights 1**

- Employee Compensation 2**
 - How Should Town Officials Ensure Employee Compensation Is Authorized, Accurate and Supported? 2
 - The Board Did Not Approve All Employee Salaries and Pay Rates 3
 - Officials Did Not Ensure Leave Was Accrued and Used Appropriately 4
 - Separation Payments Were Unauthorized. 5
 - What Do We Recommend? 6

- Appendix A – Supervisors During Our Audit Period. 8**

- Appendix B – Response From Town Officials 9**

- Appendix C – Audit Methodology and Standards 11**

- Appendix D – Resources and Services. 13**

Report Highlights

Town of Hector

Audit Objective

Determine whether Town of Hector (Town) employee compensation was authorized, accurate and supported.

Key Findings

Town employee compensation was not always authorized, accurate and supported. Of the 53 employee records that we reviewed, we determined that Town officials:

- Paid 10 employees a total of \$150,155 that was not authorized by the Town Board (Board).
- Inaccurately accrued and/or recorded leave time totaling 1,830 hours valued at \$38,586 for 20 of 23 eligible employees.
- Paid one employee \$5,271 for a separation payment that was not approved by the Board.

Key Recommendations

- Annually establish and approve employee salaries or pay rates by position and/or employee name, and adopt resolutions for any employee salary or pay rate change that occurs during each year.
- Ensure that employees accrue and use leave time according to the employee handbook or highway contract.
- Adequately certify the Town's payroll by reviewing and comparing payroll reports to supporting source documentation.

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

Audit Period

January 1, 2022 – April 3, 2024

Background

The Town is located in Schuyler County (County). The Town provides services including street maintenance, water and general government support.

The Town is governed by the elected six-member Board, which includes five Board members and the Town Supervisor (Supervisor). The Board is responsible for overseeing the Town's operations and finances.

The Supervisor serves as the Town's chief executive and financial officer and is responsible for the Town's day-to-day operations. The Supervisor is assisted by an appointed bookkeeper/human resources administrator (bookkeeper) who prepares and processes the Town's payroll. The Town had multiple Supervisors during our audit period. Refer to Appendix A for further information.

Quick Facts

During 2022-23

Appropriations	\$10.6 million
Payroll Disbursements	\$2.3 million
Employees Compensated	53

Employee Compensation

How Should Town Officials Ensure Employee Compensation Is Authorized, Accurate and Supported?

Town officials should establish written policies and procedures, and effective internal controls, to ensure employees¹ are compensated accurately. The Town's employee handbook and the highway employees' contract (highway contract) establish the Town's terms of employment, which includes employment benefits and payment for unused leave upon leaving Town employment. This written documentation communicates the Board's intent to employees and to those who are responsible for administering and processing payroll.

Payroll should be supported by signed time records and Board-approved salaries and pay rates, including any changes in pay rates made during the fiscal year (calendar year). The Board approved employee salaries and pay rates through Board resolutions, budget appropriations, the employee handbook and the highway contract. Before the payroll is finalized, Town officials should review and independently certify² payroll registers or similar records to ensure payments are accurately calculated and based on actual work performed and reflect appropriate salaries and pay rates.

Leave accruals represent paid time off earned by employees for time worked. Town officials should ensure that leave accruals are correctly earned and used according to the employee handbook or highway contract. Both documents state that full-time employees earn a fixed number of days each year for vacation, sick and personal leave.

Employees should submit formal written leave requests to their direct supervisors, who should approve the leave requests and retain them with the corresponding timesheets. Vacation and personal leave are earned on each employee's anniversary date. Both the employee handbook and highway contract allow for 10 days (80 hours) of vacation leave to be carried forward at the end of the year. However, they do not allow the rollover of personal leave to following years. If employees have more than 80 hours of vacation leave, or any unused personal leave, on the anniversary of the dates at which they began Town employment (employee anniversary date), it should be forfeited. Sick leave of 8.25 hours is earned monthly, does not expire annually and may be accrued to 120 days (960 hours) for all employees.

Separation payments are compensation for accumulated unused leave paid to employees when they leave Town employment. These payments are defined by the employee handbook or highway contract. Town employees must maintain detailed, up-to-date leave accrual records, and officials must calculate separation payments according to contracts or policies. Also, officials should establish written procedures for reviewing and approving separation payments to ensure that the payments are accurate.

1 Employees include all individuals who receive wage compensation.

2 New York State Town Law, Section 120 requires all payrolls to be certified by the town officer, or a direct supervisor of the payroll processing employee, to provide assurance to town officials that services indicated on the payroll were performed.

The Board Did Not Approve All Employee Salaries and Pay Rates

Although the current Supervisor and the bookkeeper told us that officials discussed employee salaries and pay rates as part of the budget process, officials did not include a salary schedule in the budgets that clearly outlined employee salaries and pay rates.

We reviewed pay rates and salaries for all 53 employees (Figure 1) who were paid during 2022 and/or 2023 to determine whether they were approved by the Board. We identified that the Board did not approve salaries for the Deputy Highway Superintendent and Supervisor’s confidential secretary and did not approve pay rate increases for eight other employees.

Figure 1: Total Employees Compensated and Eligible for Leave in 2022 and 2023

Employee Type	# of Employees	Eligible for Leave Accrual (Y/N)
Elected Officials (Salary)	11	N
Full-Time Employees (Salary)	10	Y
Full-Time Employees (Hourly)	14	Y
Part-Time Employees	8	N
Seasonal Employees	6	N
Stipend Employees	4	N
Total	53	

Most elected or appointed officials’ salaries, and some employees’ salaries, could be identified by specific appropriation codes in the budget. However, the Deputy Highway Superintendent’s salary could not be identified because it was included as part of the highway fund’s general repairs/motor equipment appropriation account. During our review of payroll records, we determined that the Deputy Highway Superintendent’s 2022 annual payroll disbursements totaled \$55,872 and his 2023 annual payroll disbursements totaled \$57,952, which are comparable to the Highway Superintendent’s salary.

When employees were appointed or hired, the Board established their initial salary or pay rate. The bookkeeper entered this information into the computerized financial system (computerized system), along with employees’ deductions and leave accruals. However, on March 21, 2023 when the Board established the position for the Supervisor’s confidential secretary, the Board did not appoint a person to this position or establish the pay rate for it. Instead, Supervisor C sent the bookkeeper an email indicating the name of the employee who would be filling the position and set an hourly pay rate of \$20 for this new employee. During 2023, the Supervisor’s confidential secretary was paid \$14,540.

Through highway department contract negotiations, the Board annually approved pay rate increases for highway employees of 50 cents in 2022 and 60 cents in 2023. However, the current Supervisor and Supervisor D also granted these pay rate increases to three employees (two laborers and a cleaner) who were not covered by the highway contract. In addition, without Board approval, the current Supervisor and Supervisors A and D unilaterally authorized pay rate increases for five employees: one highway employee and four employees whose employment terms were governed by the employee handbook. The bookkeeper told us that the Supervisors instructed her to make these changes in the

computerized system. When combined, these pay rate increases – which were not authorized by the Board – resulted in excess payments to the eight employees³ totaling \$21,791.

Because the Board did not adopt written policies, or implement adequate compensating controls, to provide sufficient oversight of the payroll process, 10 employees were paid \$150,155 that was not authorized by the Board.

Officials Did Not Ensure Leave Was Accrued and Used Appropriately

The bookkeeper maintained leave accruals in the computerized system. However, leave accruals were not always granted in accordance with the employee handbook and highway contract. Specifically, Supervisors A and D and the current supervisor inappropriately granted accrued leave for employees beyond amounts allowed in the employee handbook or highway contract. Also, on employees' anniversary dates, Supervisors C, D and the current supervisor allowed the carry-over of unused personal and vacation leave for employees instead of forfeiting it.

In addition, because employees' direct supervisors were not provided with employee leave balances before approving leave requests, the supervisors allowed employees to use leave that they did not have available. Furthermore, the Town does not use formal written leave requests. Instead, employees make requests verbally or by email, while highway employees write their time off on a communal calendar located in the highway garage. Although employees' biweekly pay stubs contained their leave accrual balances, the current Supervisor did not identify these errors and irregularities because he did not compare employee time sheets and leave requests to the leave accrual records when certifying the payroll.

We reviewed the leave records for 23 employees⁴ and found discrepancies⁵ with 766 hours of accrued leave valued at \$17,252 in the records for 20 employees, as follows:

- The current Supervisor and Supervisors C and D allowed 10 employees to carry over a total of 131 hours of unused personal leave, and three employees to carry over 90 hours of additional vacation leave instead of forfeiting it on the employees' anniversary dates. The employee handbook and highway contract allow employees to accrue vacation and personal leave on their employee anniversary date. However, the bookkeeper told us that the computerized system could accrue leave for all employees only on January 1st, which causes employees to receive leave time that they have not yet accrued. The bookkeeper also said that each supervisor and employee are responsible for ensuring that employees do not use these accrual amounts before the employees' anniversary dates.
- Direct supervisors allowed two employees to use 11 more hours of sick leave than they had available. The bookkeeper carried over a negative balance in both employees leave records from one payroll to the next, when each employee accrued enough leave to zero out their negative balance.

3 The employees included the two laborers, cleaner, one highway employee and four employees whose employment terms were governed by the employee handbook.

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

5 Some had multiple discrepancies.

-
- The current Supervisor and Supervisor D gave two employees a total of 54 hours of sick leave that they were not allowed to have, according to the employee handbook or highway contract. Supervisor D granted 21 hours of sick leave to a current employee through a “sick bank,” which consisted of donated sick leave from other employees. However, the Board did not authorize a sick bank, and the bookkeeper could not provide us with any documentation to support the source of the donated hours. For the other employee who was given 33 hours of sick leave, the bookkeeper told us that the current Supervisor awarded the accruals as a fulfillment of a promise made during the employee’s hiring process. The employee was a desired candidate for a Town position because the employee had previously worked in a similar capacity for another municipality. But, upon taking the new job with the Town, the employee would forfeit 33 hours of sick leave with their previous employer. Also, the current Supervisor did not receive Board authorization to grant the 33 hours of sick leave to the new employee.
 - When hiring two new employees, Supervisor A authorized additional vacation leave for them without first obtaining Board approval. As a result, these employees earned 112 more hours of vacation leave than was allowed.
 - The bookkeeper incorrectly accrued 368 hours of sick, vacation and personal leave time for 10 employees.

In addition, the bookkeeper did not accurately record leave usage in the computerized system for 12 employees. Specifically, we identified that:

- Employees recorded 95 hours of vacation leave, 218 hours of sick leave and 11 hours of personal leave on their manual timesheets, but the bookkeeper did not enter these accrued hours into the computerized system.
- The bookkeeper recorded 418 hours of vacation leave, 204 hours of sick leave and 118 hours of personal leave in the computerized system, but employees did not record these accrued hours on their manual timesheets.

The total dollar value of the 1,064 hours of leave recording errors was \$21,334.

The bookkeeper told us that these errors occurred because of her inadequate notes, typos and the computerized system’s limitations. Also, because the current Supervisor did not adequately certify the payroll, he did not identify these leave accrual errors before the payroll was processed.

When accruals are not properly recorded, the Town has an increased risk that it might not accurately compensate employees when the employees use accrued leave time or when the Town pays out accrued leave to employees who are leaving Town employment.

Separation Payments Were Unauthorized

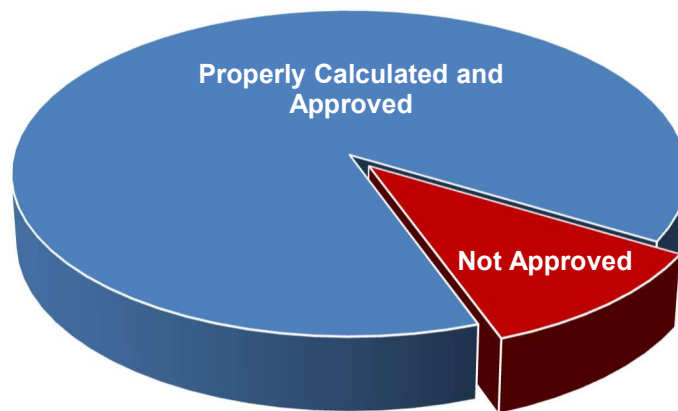
We reviewed four separation payments totaling \$48,063 that were paid to three former employees during our audit period. We determined that the bookkeeper correctly calculated the payments using Board-approved pay rates. However, one separation payment totaling \$5,271 was made to a former

employee without formal approval by the Board (Figure 2). This separation payment was for unused vacation leave. The employee worked under the provision of the employee handbook, which did not include or describe payments for accrued vacation leave upon leaving Town employment. The current Supervisor and the Town Clerk told us that the Board discussed this separation payment but did not formally approve it with a Board resolution.

Because the Board and current Supervisor did not provide adequate oversight, an employee was paid for unused leave that was not in accordance with Town policy.

FIGURE 2

Separation Payments



What Do We Recommend?

The Board should:

1. Annually establish and approve employee salaries or pay rates by position and/or employee name and adopt resolutions for any employee salary or pay rate change that occurs during each year.
2. Develop and adopt written policies and procedures to provide guidance for processing payroll and separation payments and maintaining leave records, including the use of formal written leave requests.
3. Review all separation payment calculations to ensure they are accurate and approve all separation payments that are not included or described in the employee handbook and highway contract.
4. Consult with the Town Attorney to determine the potential to recoup overpayments identified in this report.

The bookkeeper should:

5. Accurately record accrued leave and usage in the computerized system.
6. Provide current leave balance reports to direct supervisors each pay period.
7. Review and correct the payroll and leave discrepancies identified in this report.

The Supervisor should:

8. Adequately certify the Town's payroll by reviewing and comparing payroll reports to supporting source documentation.

The direct supervisors should:

9. Ensure employees have sufficient leave balances before approving leave requests.

Town officials should:

10. Ensure that employees accrue and use leave time according to the employee handbook or highway contract.
11. Periodically review leave accrual records to identify any errors and immediately reconcile any differences found.
12. Work with the software provider to address computerized system issues affecting the leave accrual process.

Appendix A: Supervisors During Our Audit Period

- Supervisor A served from January 1, 2022 through his death on February 23, 2022.
- Supervisor B (current Supervisor) was appointed by the Board to finish Supervisor A's term ending December 31, 2022.
- Supervisor C started his elected term on January 1, 2023 and served until he resigned on June 13, 2023.
- Supervisor D was appointed by the Board to finish Supervisor C's term ending December 31, 2023.
- Supervisor E (current Supervisor) started his elected term on January 1, 2024. He also previously served as Supervisor B.

Appendix B: Response From Town Officials

**TOWN OF HECTOR
5097 STATE ROUTE 227
BURDETT, NY 14818
607-546-5286
Fax 607-546-5200
TDD 711**

October 28, 2024

Division of Local Government and School Accountability
Office of State Comptroller
Rochester Region

Attn: [REDACTED], Office Manager

The town of Hector has reviewed the findings of the Employee Compensation report and generally agree with most findings by your office. After fully reviewing the audit findings, the town board has concluded that this audit has clearly demonstrated that many of the town's long dated practices and minimal policies and procedures in handling employee compensation and benefit time accrual and payout are inefficient and, in some instances, incorrect.

The Town of Hector has already taken the following actions to mitigate future issues:

- New policies and procedures are being drafted with the assistance of legal professionals specializing in policy development and implementation.
- All department heads and staff will be educated on the policy and requirements for adherence to each policy and be required to follow them all with the town supervisor's final approval.
- All implementation and modifications of pay and benefits for any and all new hire or existing employees are proceeding only after town board review and proper resolutions are made for approval.
- New reporting and reconciliation procedures are being implemented to track benefit time accuracy outside of the standard payroll software shortfalls with no exceptions allowed outside of policy. Any actual clerical errors noted will be rectified within the year (2025).
- The Town Supervisor now reviews all supporting documentation regarding employee hiring status, rate and or benefit changes that effect any payroll.

A full and detailed description of all updates and changes will be included in the towns action plan which will be forthcoming.

Town of Hector/Water District #1 is an Equal Opportunity Provider and Employer. Complaints of discrimination should be sent to: USDA Director, Office of Civil Rights, Washington, DC 20250-9410

Although these audit findings were not without issues regarding dated practices and lack of policy and adherence to other existing policies, the town board would like to note that the time period of the audit was a difficult one for most town staff and elected officials. With the sudden death of the long running town supervisor in early 2022 and with three other town supervisors subsequently in that two-year audit timeframe, this was a tumultuous time period for all involved. Regardless of those difficulties, the current town supervisor, town board and staff are committed to correcting the issues in a timely and efficient manner with the assistance of outside professionals to do so.

Thank you for your time and consideration.

Sincerely, _____

Justin Boyette 
Town Supervisor
Town of Hector

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. 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 officials and employees and reviewed the employee handbook, highway contract and the Board's meeting minutes to gain an understanding of the Town's payroll processes and obtain information about employee compensation.
- We used our professional judgment to select three months (25 percent of all months in our audit period) in both 2022 and 2023, for a total of six months. This sample selection ensured that all employees would be tested at least once. We recalculated each employee's compensation based on timesheets, the employee handbook, highway contract, Town budgets and Board resolutions and compared the recalculated compensation to amounts paid during the six months selected.
- We reviewed computerized leave records of employees who were eligible to accrue leave time, according to the employee handbook or highway contract, and compared the employees' used leave time with the compensated absence reports for 2022 and 2023 and employee handbook and highway contract terms to determine whether the employees' leave accruals were properly used and accrued. One highway employee in our sample population was hired during the last month of our testing period. Although the employee was included in our salary/pay rate testing, the employee had not accrued or used sick, vacation or personal time. Therefore, we could not add this employee's leave time to our testing sample.
- We reviewed the timesheets for employees who were eligible to accrue leave time, according to the employee handbook or highway contract, to determine whether their leave time was accurately recorded on both the timesheets and in the computerized system.
- We reviewed separation payments made during our audit period and recalculated them, according to the employee handbook or highway contract, to determine whether the payments were proper. We also reviewed the Board's meeting minutes to determine whether the Board approved the payments.

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 D: 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

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

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

ROCHESTER REGIONAL OFFICE – Stephanie Howes, Chief of Municipal Audits

The Powers Building • 16 West Main Street – Suite 522 • Rochester, New York 14614-1608

Tel (585) 454-2460 • Fax (585) 454-3545 • Email: Muni-Rochester@osc.ny.gov

Serving: Cayuga, Livingston, Monroe, Ontario, Schuyler, Seneca, Steuben, Wayne, Yates counties

[osc.ny.gov](https://www.osc.ny.gov)

