



Fairview Fire District

Payroll and Leave Accruals

2024M-96 | January 2025

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Report Highlights

Fairview Fire District

Audit Objective

Determine whether Fairview Fire District (District) officials ensured employees' payroll payments and leave accruals were accurate, monitored, properly approved and supported.

Key Findings

District officials did not ensure all employee payroll payments and leave accruals were accurate, monitored, properly approved and supported. This occurred because the Board of Fire Commissioners (Board) did not provide adequate oversight, segregate payroll duties or develop compensating controls or develop written policies and procedures for these duties. As a result, we determined that District officials made payroll calculation errors totaling \$8,936 and potentially:

- Overpaid 11 employees by a total of \$44,301 for leave accrual payments that were inaccurate and unsupported.
- Paid five employees \$55,407 in overtime payments that could have been avoided or reduced.

Key Recommendations

- Ensure employees are paid only for hours worked and leave time to which they are entitled.
- Review payroll errors identified in this report and, if appropriate, consult with the attorney for the District to possibly recover overpayments made to employees.
- Ensure that all leave requests are properly approved and supported and that employees take leave time only to which they are entitled.

District officials generally agreed with our recommendations and have initiated or indicated they planned to initiate corrective action. Appendix B includes our comment on an issue that was raised in the District's response letter.

Audit Period

January 1, 2022 – September 6, 2023

Background

The District provides fire protection and emergency medical services within the Town of Poughkeepsie and a portion of the Town of Hyde Park in Dutchess County.

The District is governed by the elected five-member Board, which is responsible for managing and controlling the District's financial operations. The Board-appointed District Chief (Chief) is responsible for assisting the Board with the District's day-to-day operations.

The Board-appointed District Secretary (Secretary) is responsible for handling all human resource functions, processing payroll and maintaining all nonunion employees' leave accruals. The Board-appointed "timekeeper" is responsible for managing all union employees' leave accruals.

Quick Facts	
2023 Adopted Budget	\$5.9 million
During Audit Period	
Total Payroll	\$5 million
Total Employees	36
Prior Secretary's Tenure	January 2016 through March 2024

Payroll and Employee Benefits

Payroll and employee fringe benefits represent a significant portion of the District's annual expenditures. Therefore, District officials must ensure employees are compensated according to Board authorizations or collective bargaining agreements (CBAs). During our audit period, the District had two CBAs (2020-22 and 2023-25), two individual employment contracts and various Board resolutions that detailed employees' salaries and fringe benefits. The CBAs, individual employment contracts and Board resolutions included provisions for eligible employees to earn and use leave time, including vacation, personal, bereavement and sick leave.

The District's payroll and benefits totaled \$4 million during the 2022 fiscal year, which was 84 percent of the District's expenditures for that fiscal year. Due to the size of the District's payroll and benefit costs, the Board and officials must ensure that payroll payments and leave accruals are monitored, accurate, properly approved and supported.

How Should the Board and Officials Provide Oversight of Payroll Functions?

A fire district (district) board of fire commissioners (board) should adopt policies and district officials should develop procedures for the payroll process. These policies and procedures should be shared with the individuals who process the District's payroll. Also, the board and officials must oversee the payroll process to help ensure salaries and leave accruals are accurate, properly documented and authorized.

Salary and fringe benefits provided to a public officer are typically fixed by a collective bargaining agreement, board resolution or local law and not pursuant to an individual contractual agreement. Also, the terms and conditions of the office generally should not be varied by an individual employment contract. However, if an individual employment agreement is in place, the terms and conditions of the agreement should be clearly documented and communicated to those who are responsible for processing the payroll.

An effective system of internal controls segregates employee duties so that one individual cannot control all phases of a transaction (e.g., authorization, recordkeeping, processing and custody). Duties should be segregated so that the work of one employee is routinely verified as part of another employee's regular duties.

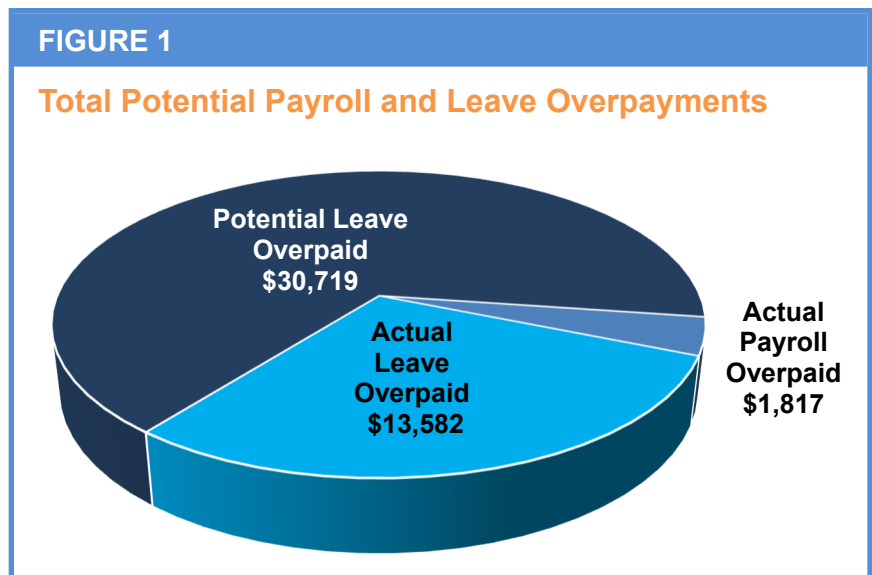
Separating duties and responsibilities reduces the risk of errors or irregularities from occurring and going undetected. For example, the same employee should not enter new employee information (e.g., names, addresses and social security numbers), pay rates and deductions into the computerized payroll system; process payrolls; and prepare and distribute paychecks. When it is not practical to segregate duties because of limited staff resources, a board should ensure that officials establish compensating controls, such as a supervisor periodically reviewing the work in question.

The Board and Officials Did Not Provide Adequate Oversight of the Payroll Functions

The Board and officials did not provide any oversight of the payroll functions, such as a review of payroll processed and periodic reconciliation of leave. Also, the Board did not adopt policies or develop procedures to provide guidance and establish clear job functions for employees who process payroll, maintain time and attendance records and perform human resource functions.

In addition, officials did not segregate payroll duties or implement compensating controls to help reduce the risk that payroll errors and irregularities could occur and remain undetected. As a result, the District may have overpaid or potentially overpaid payroll and leave accrual benefits totaling \$46,118 due to errors in payroll processing and inaccurate leave accrual balances, if leave accruals were used by employees (Figure 1).

Furthermore, because District officials did not maintain accurate leave accrual records, officials were at risk of overpaying employees if the employees were paid for the inaccurately calculated leave accrual balances. The errors and irregularities occurred because the Board did not segregate payroll duties, provide adequate oversight of the payroll process or those who performed payroll duties, or develop adequate policies. Also, the errors occurred because officials did not develop adequate procedures. The remainder of this report provides specific examples of the errors that we identified.



Terms of Employment – Employment terms and benefits for District employees are defined in CBAs (which covered three positions), two individual employment agreements and Board resolutions.

During our audit period, the District had two separate employment agreements with the former Chief and former Deputy Chief. Although they worked the same number of hours per day, they received different benefits. For example, the former Chief's agreement allowed 96 hours of holiday leave per year, but the former Deputy Chief's agreement allowed 144 hours of holiday leave. According to the former Deputy Chief (who is now the current Chief), this difference occurred because he helped drafted his own agreement and took pieces from the firefighters' CBA. He did not consider that his agreement included the equivalent of 18 days of holiday leave because he worked eight-hour shifts instead of the 12-hour shifts that the firefighters worked.

Also, changes to the terms of the 2023-25 CBA language were not always communicated to the former Secretary. For instance, amendments to various sections of the 2023-25 CBA were not discussed with the former Secretary, who processed the District's payroll. As a result, the former Secretary did not know how to interpret the amendments and might have been offering benefits to employees who were not entitled to them.

In addition, we determined that certain language within the 2023-25 CBA was ambiguous or unclear, which may have contributed to improper payroll calculations. For example, according to the 2023-25 CBA, an individual may receive additional base salary compensation for "experience in the fire service." However, the 2023-25 CBA does not explain what qualifies as "experience in the fire service." Without a clear definition of "experience of fire service," we could not determine whether the former Secretary correctly calculated the increased base salary compensation of employees according to the terms of the 2023-25 CBA.

Furthermore, the former Secretary added compensatory leave time to her accruals totaling 205.5 hours and added 39.5 hours to the former clerk's accruals. However, officials could not explain why the extra hours were added to the former Secretary's and clerk's leave accruals or provide any documentation to support that the employees were entitled to receive the additional accruals.

When District officials do not have current, comprehensive written payroll policies and procedures, do not adequately communicate changes to CBAs, and have inadequate Board oversight, the District has an increased risk that a misunderstanding could occur with respect to employee payroll and fringe benefits. In turn, employees who process the payroll may improperly interpret the benefits to which employees are entitled, which could cause the District to mistakenly pay employees for benefits that are not included in the terms of employee contracts or agreements.

Segregation of Duties – The Board and District officials did not implement effective controls to help ensure proper segregation of duties over the payroll function. The former and current Secretary performed all phases of the payroll function without any supervisory review or compensating controls. Their duties included processing the payroll and entering, modifying and deleting employees in the payroll software application.

The Board and officials did not review any of the payroll work performed, nor did the Board designate any official to review the work. Without adequate segregation of duties or compensating controls, the District has an increased risk that an employee could carry out and conceal errors or fraud in the normal course of their duties, which could remain undetected.

Furthermore, because the Board did not provide oversight or adequate segregation of duties, deficiencies in timekeeping and payroll processing and incorrect calculations of leave accruals went undetected. As a result, we identified that the District overpaid some employees and provided excess leave benefits to others.¹

¹ Refer to Payroll Errors section for further information.

How Should District Officials Help Ensure That Payroll Payments Are Accurate, Monitored, Properly Approved and Supported?

A well-designed payroll processing system requires policies and procedures to provide adequate guidance and oversight for employees who process payroll and maintain time and attendance records. These policies and procedures help ensure that payroll is processed consistently and accurately and hours worked are accurately reported. In addition, someone who is independent of the payroll process or an internal auditor should periodically review payroll change reports and trace unusual changes to authorization documents to ensure accuracy.

Both CBAs state that a firefighter or officer who works more than 212 hours in a 28-day period is entitled to be paid at the applicable overtime rate for all hours worked beyond 212 hours. The CBAs included three types of overtime, as follows:

- Overtime 1 is paid at the regular salary rate (included in and counted toward the 212 hours).
- Overtime 2 is paid at time and a half (not included in or counted toward the 212 hours).
- Overtime 3 is paid at half of the regular salary rate for hours worked beyond 212 hours for the 28-day period.

While overtime pay may be an expected cost of doing business, it must be carefully monitored and controlled. Overtime not only affects and increases a District's current payroll costs, but also it can increase an employee's future pension benefit. As a result, overtime payments increase the amount owed (annually to the State) by the District for its share of employees' retirement benefits. In addition, overtime should be incurred only when necessary. To ensure controls are effective, supervisors should regularly review available documentation and accounting records to confirm controls are effective and payroll and leave accrual information is accurate.

Employees should prepare detailed time reports and supervisors should review the payroll journals. Supervisors also should sign or initial employee time reports as evidence of their review and approval of hours worked.

Employees' Payroll Gross Payments Were Not Always Accurate

The Board and District officials did not provide oversight or develop any policies and procedures to provide adequate guidance for employees who process payroll. We reviewed 934 gross payroll checks totaling \$2.2 million.² We identified 184 gross payroll checks totaling \$519,077 that had some type of payroll error or errors, which included inaccurate pay rates and/or incorrect calculations of hours paid.

Payroll Errors – We recalculated the gross pay amounts of the 184 checks totaling \$519,077 that contained calculation errors and totaling \$8,936. The District overpaid seven employees a total of \$5,376 and underpaid four employees by \$3,560, as follows:

² Refer to Appendix B for further information on our sample selection.

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- For 10 employees, we identified inaccurate calculations of hours in 81 checks totaling \$236,286. In most of these instances, the inaccurate payments were caused by incorrect calculations of “overtime 3.” The inaccurate calculations occurred because the former Secretary did not calculate overtime eligibility based on actual hours worked. Instead, the former Secretary calculated each individual as having automatically worked 42 hours per week, regardless of whether that individual actually worked the full 42 hours.
 - For nine employees, we identified inaccurate pay rates in 110 checks totaling \$306,754. In most cases, a pay raise took effect in the middle of a pay period, but the former Secretary applied the raise to the entire pay period instead of applicable dates.

In addition, pursuant to the former Deputy Chief’s individual employment agreement, he was entitled to receive a separate check retroactively for hours worked before signing the contract. However, we determined that the former Secretary incorrectly calculated the number of hours worked for the retroactive payment and improperly added 40 hours. As a result, the former Deputy Chief was overpaid by \$2,499.

Because the District did not provide clear guidance and direction on how to process payroll, District officials made incorrect and unsupported payroll payments.

Payroll Change Reports – We also reviewed 15 payroll changes, such as changes in pay rates, made during our audit period because officials did not properly oversee or review payroll changes, such as reviewing payroll change reports. We identified minor discrepancies, which we discussed with officials.³

Inaccurate payroll changes can occur because the former Secretary processed all the payroll and performed all human resource functions without any oversight. As a result, officials cannot ensure that employees were paid only for pay rate increases to which they were entitled to receive.

District Officials Did Not Ensure That Overtime Was Accurate

We reviewed 373 payroll checks that contained overtime payments totaling \$383,546 that were paid to five employees who had the highest overtime charges.⁴ We identified that 96 checks contained payroll calculation errors totaling \$3,648, which included overpayments of \$2,027 and underpayments of \$1,671.

The inaccurate overtime payments were due to the former Secretary incorrectly calculating certain overtime due for “overtime 3” hours. While calculating overtime, the former Secretary used 168 hours for all employees based on 42 hours per week, as opposed to using the actual hours worked by the employees.

Because the former Secretary did not calculate overtime hours using employees’ actual hours worked, she unintentionally overcalculated the number of hours that employees worked beyond 212 hours. As a result, the District over- and underpaid employees for overtime hours that they did not work.

³ Ibid.

⁴ See supra, note 2.

District Officials Did Not Properly Monitor Overtime

During our review of overtime, we selected the five employees who had the highest overtime charges.⁵ We reviewed the employees' time records and their corresponding 373 payroll checks totaling \$383,546. We determined that District officials were not adequately monitoring overtime charges, such as reviewing the number of hours each employee had worked before being offered additional overtime hours. Had District officials monitored overtime more closely and, when possible, adjusted employee schedules,⁶ some of these overtime charges may have been avoided.

While overtime work during an emergency can be difficult to anticipate, allowing employees to charge overtime for nonemergency events (e.g., uncovered shifts, substitutions and scheduled trainings) may be prevented with better scheduling adjustments. For example, during 2022, the District had a vacant 10-hour shift from Monday through Friday. While it was not required by the CBA to fill this shift, the District would offer or mandate overtime to fill the shift. We determined that this practice routinely resulted in the District needing to pay employees for more than the 212-hour limit, which required paying overtime hours. As a result, we estimate that the District may have been able to save more than \$55,000 in overtime expenses.

The former Chief told us that the majority of the overtime was for emergency situations to cover vacant shifts. However, we determined that a majority of the overtime was to cover the 10-hour shift.

Because officials did not adequately monitor overtime to limit "overtime 3" payments, the District likely spent more for overtime charges than was necessary. In addition, paying for additional overtime can cause the District to owe (annually to the State) an increased amount for its share of employees' retirement benefits.

Employees' Time Records Were Not Always Approved

We reviewed 934 payroll checks totaling \$2.2 million paid to 12 employees during our audit period. We determined that the District did not have adequate supporting documentation to provide evidence that 31 checks totaling \$72,522 were paid with supervisory review and approval of the payroll journal.

The former Secretary could not locate the payroll journals that were supposedly reviewed and signed. Therefore, she sent us new ones generated from the payroll software. However, reviewing newly generated payroll journals did not allow us to determine whether the journals were reviewed and signed before payments were made.

Without supporting documentation showing review and approval of employee time sheets, officials cannot ensure that employee hours worked are accurate, which increases the risk that employees could be paid for time they did not work.

5 Refer to District Officials Did Not Ensure That Overtime Was Accurate for further information.

6 Such as scheduling employees who were not paid overtime to work the 10-hour shift.

How Should District Officials Help Ensure That Employees' Leave Accruals Are Accurate, Monitored, Properly Approved and Supported?

Leave accruals represent paid time off earned by employees. District officials should periodically verify the accuracy of leave records, including leave time earned and used. Officials should maintain sufficient records to ensure employees properly accrue and use leave time to which they are entitled.

District officials should develop written procedures to ensure that:

- Leave accruals are earned and carried over from year to year according to District policies and CBAs.
- Leave time used is properly deducted from leave accrual balances.
- Payments made to employees for unused accruals when they leave District employment are based on accurate leave accrual records.

The District should have a process to document advance leave requests, approvals to use accrued leave time and absences covered using leave accruals. Documentation of leave requests and approvals provide an audit trail for employees' use of accrued leave credits and help officials prepare accurate gross payroll amounts for individual employees.

Leave Accrual Records Were Not Always Accurate, Approved and Supported

The Board-appointed "timekeeper" is responsible for maintaining leave accrual and usage records for all firefighters. During our audit period, the District stopped using a payroll software system – which officials told us was not working correctly – and began requiring employees to record their own leave accruals manually. However, the District did not have any procedures in place to help ensure employees accrued the correct amount of leave and rolled over earned, but unused, leave accruals, according to the terms of the CBAs, contracts or Board resolutions.

We examined 698 leave accrual transactions and 590 leave charges for 12 employees that occurred during our audit period. We identified inaccurate accrued leave and leave charges that were not approved and supported, which caused the District to overpay employees by \$13,582. Also, the District was at risk of overpaying employees by an additional \$30,719 if employees used the inaccurately calculated unused leave accruals, as follows:

- All 12 employees had a total of 1,841 hours of leave time (e.g., sick, vacation, bereavement and personal leave) that might not have been properly accrued throughout the year, according to CBAs and Board resolutions. For example, according to a Board resolution, the former Secretary earned a certain amount of personal time off (PTO) each year. A Board member told us that the PTO earned by the former Secretary accounted for holiday days. However, we found that the former Secretary was accruing holiday time in addition to earning PTO. When we asked officials about this arrangement, they did not provide us with any written documentation to show that the former Secretary was entitled to earn holiday leave in addition to the PTO discussed in the Board resolution.

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- Ten employees had an incorrect total of 1,026 hours because their leave time was not properly deducted from their leave accruals. For example, according to the firefighter's CBAs, full-time firefighters who work on a holiday may elect to receive hourly compensation (up to a maximum of 144 hours in one calendar year) or compensatory time off. However, we determined that seven firefighters were paid for accumulated holiday leave time but either the leave time was not deducted from their holiday leave accrual balances, or it was inaccurately deducted from their holiday leave accrual balances.
 - Eight employees had a total of 910 hours of leave time deducted from their leave accruals. However, officials did not provide us with any support for these leave time charges, such as a time-off request.
 - Five employees had an incorrect total of 537 hours because their leave time exceeded the maximum accrual leave limits in the CBAs. For example, according to the CBAs, full-time firefighters earn 12 paid holidays (144 hours) per year. However, these employees were not permitted to accrue more than 144 holiday hours at any time. In these instances, we found that the employees exceeded the 144-hour limit on their individual leave balances.
 - Three employees had an incorrect total of 332 hours because their leave time was not properly approved. Also, officials could not provide us with any written documentation indicating that the employees received approval before using leave time.
 - Two employees had an incorrect total of 352 hours because the leave time that they used was more than the amount indicated on their accrued leave balances.

Officials did not provide any oversight of the former Secretary's recordkeeping. Without procedures, a functioning control system to approve leave time and adequate oversight, employees were paid or potentially could have been paid for leave time to which they were not entitled.

What Do We Recommend?

The Board should:

1. Adopt policies to provide guidance and establish clear job functions for employees who process payroll, maintain time and attendance and leave accrual records.
2. Ensure officials develop procedures to provide guidance for employees who process payroll, maintain time and attendance and leave accrual records and provide oversight for the work performed by these employees.
3. Segregate payroll duties among various employees or provide adequate oversight of the payroll duties performed by the individual who processes the payroll.
4. Review payroll errors identified in this report and, if appropriate, consult with the attorney for the District regarding the possibility of recovering overpayments made to employees.
5. Require someone who is independent of the payroll process to periodically review payroll change reports.

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6. Adopt written policies and procedures for overtime controls, including approvals needed for overtime when written preapproval cannot be reasonably obtained and scheduling to cover employees who are absent from work.
 7. Establish procedures to require officials to annually review leave accruals and verify that the amount credited to each employee is accurate.

District officials should:

8. Clearly communicate the content of CBAs and Board resolutions to employees who process the payroll and track leave accruals.
9. Ensure employees are paid only for hours worked, including overtime, and accrue accurate leave time. Also, officials should ensure that supervisors review time sheets to ensure that the payroll is accurate and adequately supported.
10. Develop procedures to help ensure that all pay rates are accurately entered into the payroll software and require an individual who is independent of the payroll process to periodically verify that pay rates are accurate.
11. Ensure employees are paid at Board-approved rates and are paid only for hours worked including overtime.
12. Review all payroll changes for accuracy and adequate support.
13. Properly monitor overtime.
14. Review the accuracy of accrual leave records and ensure that employees receive the proper amount of leave time.
15. Ensure that all leave requests are properly approved and supported and that employees take leave time only to which they are entitled.

Appendix A: Response From District Officials



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January 8, 2025

Chief of Municipal Audits
NYS Office of State Comptroller
Newburgh Regional Office
33 Airport Center Drive, Suite 102
New Windsor, NY 12553

To Whom It May Concern:

We have reviewed the findings and recommendations outlined in the recent Payroll and Leave Accruals Report of Examination conducted by your office. We appreciate the thoroughness of the audit, and the insights provided.

The Fairview Fire District acknowledges the areas identified for improvement in our payroll and leave accrual processes. During the audit period, the District was transitioning between accrued time audit procedures, and as a result, documented record-keeping was not properly retained for verification purposes. We agree on the importance of ensuring that all payroll payments and leave accruals are accurate, monitored, properly approved, and supported. We are committed to implementing the recommended changes to enhance our internal controls and oversight mechanisms, including proper record-keeping.

During and around the audit period, the Fairview Fire District experienced several staff transitions that added to the complexity of the findings outlined in the report. Key personnel changes included the tenure of the prior District Secretary, who served from January 2016 through March 2024, the appointment of a new District Chief and departure of the former District Clerk. These transitions, coupled with the implementation of leave accrual procedures, created challenges in maintaining consistent record-keeping and oversight. The departure of experienced staff and the onboarding of new employees necessitated a period of adjustment, during which some

procedural oversights occurred. These changes, while ultimately aimed at improving the District's operations, temporarily impacted the accuracy and monitoring of payroll and leave accruals, contributing to the discrepancies noted in the audit.

See
Note 1
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However, we would like to emphasize that the District has always operated with fiscal responsibility and integrity. The discrepancies noted in the report were not due to any intentional misconduct or negligence but rather stemmed from a lack of proper documentation, past practices that, while followed, were never formally implemented, and the need for more robust policies and procedures.

The Fairview Fire District has always prioritized the total costs associated with safely operating the District in its decision-making processes, including the utilization of overtime. It is important to note that overtime payments under the current collective bargaining agreement are calculated in accordance with the guidelines of the Fair Labor Standards Act (FLSA) for firefighters, which results in significant savings for the taxpayers of the District. Through multiple collective bargaining negotiations, the District has consistently maintained overtime at a straight pay rate as permitted under FLSA, unless an employee works more than 212 hours in a twenty-eight-day cycle. These calculations are performed by combining all hours worked, subtracting the hours of accrued leave taken, and comparing them to the established cycle date.

Furthermore, overtime is offered on a monthly rotating basis. This rotation changes at the start of each month and remains consistent throughout the month. For example, Employee A, who is at the top of the rotation in January, moves to the bottom of the list below Employee Z at the beginning of February. This system ensures the equal distribution of overtime opportunities over the course of the rotation cycle. It is important to note that there is no requirement to work overtime unless mandated by the collective bargaining agreement. Employees can easily decline an overtime offer if they are unavailable to work.

The audit report noted that during 2022, the District had a vacant 10-hour shift from Monday to Friday that was "not required" by the collective bargaining agreement (CBA) to be filled. While this statement may be technically correct, it does not fully capture the context of the situation. Collective bargaining is a two-way process. During the development of the 2023-2025 collective bargaining agreement, a needs assessment was conducted based on emergency response data, which indicated that the District needed to increase staffing to manage the rising call volumes. These call volumes continue to increase at the time of this writing. As a result of this needs assessment, a deadline was set for increasing staffing by December 31, 2025. To mitigate the immediate impact on the tax base, the District implemented a straight day position during peak call volume times, utilizing overtime calculated at straight pay until the employee reaches the statutory requirement of having worked more than 212 hours in a 28-day period.

The statement that the District may have been able to save more than \$55,000 in overtime expenses, while accurate if taken at face value, does not consider the broader fiscal strategy. The District saved taxpayers money by not immediately hiring additional staff, which would have incurred additional costs such as medical and fringe benefits, retirement contributions, and other

benefits outlined in the collective bargaining agreement. This strategic use of overtime allowed the District to manage increasing call volumes effectively while maintaining fiscal responsibility. We have already begun taking steps to address these issues, including:

1. **Policy Development and Implementation:** We are in the process of developing comprehensive written policies and procedures for payroll processing and leave accrual management. These policies will provide clear guidance to all employees involved in these functions.
2. **Segregation of Duties:** We recognize the importance of segregating payroll duties to prevent errors and irregularities. We are working on restructuring our payroll processing workflow to ensure that no single individual has control over all aspects of payroll transactions.
3. **Enhanced Oversight:** The Board of Fire Commissioners will increase its oversight of payroll functions. This includes regular reviews of payroll reports, leave accrual records, and the implementation of compensating controls where necessary.
4. **Training and Communication:** We will ensure that all employees involved in payroll and leave accrual processes receive adequate training on the new policies and procedures. Additionally, we will improve communication regarding changes to collective bargaining agreements and Board resolutions to prevent misunderstandings.
5. **Consultation with Legal Counsel:** We will consult with our legal counsel to review the payroll errors identified in the report and determine the appropriate course of action regarding any potential recovery of overpayments.

The Fairview Fire District remains dedicated to maintaining the highest standards of financial management and accountability. We believe that the corrective actions we are undertaking will address the concerns raised in the audit and further strengthen our fiscal operations.

Thank you for your attention to this matter. We look forward to continuing our work together to ensure the financial health and operational efficiency of the Fairview Fire District.

Respectfully Submitted,

Arthur Grace, Chairman
Board of Fire Commissioners

Appendix B: OSC Comment on the District's Response

Note 1

The discrepancies noted in this report were identified during our scope period of January 1, 2022 through September 6, 2023, when the former District Secretary and Chief were the key personnel at the District.

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 reviewed the Board's meeting minutes, District policies and CBAs.
- We interviewed District officials to gain an understanding of the processes and procedures over payroll processing and the causes for discrepancies identified.
- From the payroll check register report, we reviewed a list of all paid employees to determine whether all employees included in the payroll matched the employee master file.
- We reviewed all employee direct deposit bank accounts to determine whether there were duplicates and investigated any differences.
- We used our professional judgment to review 12 of 36 total employees who were paid during each pay period from January 1, 2022 through September 6, 2023. We determined the accuracy of pay rates, hours worked and gross pay and whether the payroll was properly approved and adequately supported. We also determined whether leave time for these employees (during the same period) was properly accrued, deducted from leave accrual balances when used, approved and supported and whether the leave time exceeded accruals balances throughout the year or exceeded accrual limits.
- We used our professional judgment to review 15 payroll changes from payroll change reports, generated by the District's payroll software, for January 2022, July 2022, February 2023 and August 2023 to determine whether changes were accurate, properly authorized and properly supported. We chose to review the 15 payroll changes to select any new hires and salary increases for employees whose payroll records were not reviewed during our payroll testing. We also selected to review the payroll change reports from these four months to include the first month of 2022 and three other random months: one from 2022 and two from 2023.
- We reviewed total overtime payments made to all employees during our audit period to determine which employees had the highest overtime charges. We used our professional judgment to select the five highest paid employees of the 36 employees. These employees were not included in any other payroll and leave testing samples. We then reviewed all overtime charges to determine whether they were accurate and calculated the amount that the District would have saved if the Board and officials adequately monitored the District's overtime schedules and 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. Pursuant to Section 181-b of New York State Town Law, a written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and forwarded to our office within 90 days. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. 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.

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

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

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