



STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

January 11, 2007

Mr. Michael Sullivan, Chairman
And Members of the Board of Commissioners of the
Town of Hempstead Sanitary District Number Seven
90 Mott Street
Oceanside, NY 11572

Re: Retirement Reporting
Report 2006-S-14

Dear Mr. Sullivan and Members of the Board of Commissioners:

One of the Office of the State Comptroller's primary objectives is to identify areas where local governments and sanitary districts can improve operations and provide guidance and services that will assist local officials in making those improvements. Our goals are to develop and promote short-term and long-term strategies to enable and encourage local government and sanitary district officials to reduce costs, improve service delivery, and to account for and protect their entity's assets.

In accordance with these goals, we conducted audits of five Nassau County sanitary districts to determine whether sanitary district officials have established appropriate internal controls over the reporting of retirement service credits to the New York State and Local Employees' Retirement System (NYSLERS). We included the Town of Hempstead Sanitary District Number Seven (District) in our audits. Within the scope of this audit, we reviewed the District's efforts to ensure proper accounting for, and reporting of, employee salaries and service credits in accordance with criteria set forth by the NYSLERS. The audit period was January 1, 2003 through November 30, 2005.

This report contains our findings and recommendations specific to the District. We discussed the findings and recommendations with District officials and considered their comments in preparing this report. The District's response is attached to this report in Appendix A.

Summary of Findings

Our audit found that the District, in general, is reporting employee retirement service credits in accordance with NYSLERS guidelines. However, we did identify some improvements the District should

make in its procedures to be in full compliance the NYSLERS guidelines.

Background and Methodology

The District, located in Nassau County, was established by the Town of Hempstead on July 14, 1931, pursuant to chapter 516 of the Laws of 1928. Its general and legal operating authority is contained in the Nassau County Civil Divisions Act (L 1939, ch 273). The District is governed by a board of five Commissioners, each of whom is elected for a five-year term and is eligible to become a member of the NYSLERS. In 2005, the District had an average of about 66 employees, with a total payroll of \$3.7 million.

To accomplish our audit objectives, we reviewed the District's processes for recording and reporting employee data to the NYSLERS. We met with District officials and compared their reported practices with requirements included in the Employer Guide published by the NYSLERS. Our audit included tests of the monthly reports the District filed with the NYSLERS, as well as the supporting documents that evidenced the District's method of accounting for employee time in terms of retirement service credits. We also verified that all employees were either enrolled as a NYSLERS member or had appropriately opted not to join as authorized because of their individual employment circumstances.

We conducted our audit in accordance with generally accepted government auditing standards. Such standards require that we plan and conduct our audit to assess adequately those District operations within our audit scope. Further, those standards require that we understand the District's internal controls and its compliance with those laws, rules, and regulations that are relevant to its operations included in our scope. An audit includes examining, on a test basis, evidence that supports the transactions recorded in the accounting and operating records and applying such other auditing procedures, as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our findings, conclusions, and recommendations contained in this report.

Audit Results

According to the NYSLERS guidelines, employers are required to collect data on the salaries paid and days worked for all members of the retirement system during each month and report them to the NYSLERS. To test the District's compliance with reporting requirements, we judgmentally selected a total of 12 months (four months in each of the calendar years audited) that represented peak and non-peak garbage collection times throughout the 35-month audit period. For each of the years, we randomly selected ten employees for a total of 30 to be reviewed from a total population of 196 employees. We compared the work days reported on the monthly retirement reports the District had filed for each of these employees to the days they had reportedly worked, as indicated on their time cards and District attendance sheets.

We found that the District reported the proper amount of service credit for all of the employees in our sample. We also observed, however, that the District occasionally reports in advance of the reporting

period end date. In these instances, an employee who did not report to work and did not have sufficient leave credits to cover the day would be over-reported for that period. During the next reporting period, the District would then deduct the over-reported hours to correct the amount of retirement credits earned during the two periods.

This is not the proper procedure for adjusting service credits. As indicated in the NYSLERS Employer Guide, the applicable adjustment form should be used instead to make such adjustments. The results of our testing found 15 instances in which the District did not follow the proper procedure for adjusting retirement service credits. Officials agreed with us and indicated that they will follow the proper procedure in the future.

Unlike the regular District employees, elected officials do not usually have preset work hours, making it difficult to determine the number of days worked for retirement credit purposes. Therefore, the NYSLERS Employer Guide provides the following guidance for the governing board to determine days worked for such positions:

- Establish by board resolution the standard workday for the elected positions.
- Direct the elected officials to maintain a record of activities for a period of one month. This record must contain daily details of hours worked and duties performed that are directly related to the elected position. As part of this record, elected officials should also document the amount of time they actually spend performing official activities outside of normal business hours.
- Review the activities record submitted by the elected officials to determine the total number of hours per month a person in that elected position should work. If more than one elected official is serving in the same position, and all of their duties are similar, an average should be used to determine that number.
- To determine how many working days should be reported for an elected official, the total number of hours worked during the month should be divided by the number in the established, standard workday.

District officials indicated to us that all of the Commissioners serve on a part-time basis, and that a total of one day of retirement service credit is reported for each of them every month. However, the District could not document that it is reporting those officials' retirement service credits correctly. We determined that the District's board has not passed a resolution establishing a standard workday for its elected officials. Nor does the District have a record of typical activities that elected officials might be expected to engage in during a one-month period and the related work hours.

District officials indicated that they were unaware of the requirement to maintain a sample monthly schedule for each elected position. They agreed that, without the required documentation, there is no evidence supporting an elected official's claim of days worked or District reports of corresponding retirement service credits. District officials told us they would implement this requirement, thus complying with the NYSLERS guidelines.

Recommendations

1. *Follow the applicable NYSLERS procedures when making employee retirement service credit adjustments.*
2. *Follow NYSLERS guidance for determining retirement service credits for elected positions.*

The Board of Commissioners of Sanitary District Number Seven has the responsibility to initiate corrective action. Pursuant to Section 35 of the General Municipal Law, the Board should prepare a plan of action that addresses the recommendations in this report and forward the plan to our office within 90 days.

Major contributors to this report were John Buyce, Myron Goldmeer, Kevin Kissane, and Chris Morris.

We wish to thank the management and staff of Sanitary District Number Seven for the courtesies and cooperation extended to our auditors during this audit.

Very truly yours,

Frank J. Houston
Audit Director

APPENDIX A

Response From Town of Hempstead Sanitary District Number Seven Officials

The District officials' response to this audit can be found on the following page.

(516) 766-8700

Fax: (516) 766-2430

OCEANSIDE SANITATION DEPARTMENT

Sanitary District No. 7
Town of Hempstead



90 Mott Street
Oceanside, N.Y. 11572

March 13, 2006

Mr. Frank Houston, Audit Director
State Audit Bureau
123 William Street – 21st Floor
New York, New York 10038-2804

Re: Sanitary District No. 7
Oceanside, New York

Dear Mr. Houston:

This is in response to the preliminary findings of your audit of the District's reporting of employees' retirement service credits to the New York State and Local Employee Retirement System.

I want to inform you that the team, headed by Myron P. Goldmeier which included Christopher Morris and Kevin J. Kissane, were extremely professional and courteous in the manner in which they conducted the audit.

The findings of the preliminary have been reviewed and the District will institute the procedures that are required to comply with the recommendations of the report.

Very truly yours,

Michael Sullivan
Chairman of the Board of Commissioners