

Independent Accountant's Report on Applying Agreed-Upon Procedures

City of Dover
Dover, New Hampshire

We have performed the procedures enumerated below, which were agreed to by the City of Dover, solely to assist you with respect to the disbursements made from calendar year 2002 to June 30, 2007 for, the twelve City of Dover employees receiving compensation in excess of \$40,000 of unused sick and/or vacation time, and the current City Manager who received compensation of less than \$40,000 of unused sick and/or vacation time. The City of Dover is responsible for the related records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. Procedure:

We obtained and compared the dollar amounts and hours expended per the supporting schedules of unused sick and/or vacation time to the disbursements made from calendar year 2002 to June 30, 2007 for the twelve City of Dover employees receiving compensation in excess of \$40,000 of unused sick and/or vacation time, and the current City Manager who received compensation of less than \$40,000 of unused sick and/or vacation time.

The total disbursements made to each individual were as follows and were in agreement with the supporting schedules:

Pierre Lavoie	\$ 118,596
Jeffrey Harrington	162,012
Frank Santin	46,904
Perry Plummer	73,464
Roland Morin	40,080
Paul Beecher	81,693
William Fenniman	324,031
Steven Stancel	97,077
Michael Fenton	42,974
Gary Decolfmacker	70,684
Dana Mitchell	65,690
Michael Joyal, Jr.	55,929
Brian Estee	42,011
Total disbursements	<u>\$ 1,221,145</u>

Findings:

The document prepared by the accounting department to identify employees receiving in excess of \$40,000 for the above time period did not include all compensated absence payouts. We were told that some of the payouts had been recorded as regular payroll rather than as leave pay. As a result of our review of the supporting schedules and disbursement records we identified additional payouts to the current City Manager which resulted in his total payouts exceeding \$40,000. There were also additional payouts identified for certain other employees on this list. The listing on page 1 represents the total amount of payouts for these employees for the applicable time period based on the supporting schedules and disbursements records we reviewed.

Certain leave pay amounts from July 1, 2003 through June 30, 2006 were coded to different budgetary lines and thus were not included in the severance pay account detail previously provided to the City Councilors (general fund – severance pay account, account number 1000-41991-4160-0000-00-19).

The account coding for these transactions is a matter of budgetary practice. To ensure complete reporting of leave time payouts for the purpose of disclosure to the City Councilors, the current budgetary practice and accounting software capabilities should be reviewed to determine if they are working as intended and will enable complete reporting. We were informed that all leave pay currently being paid is being coded as compensated absences and going forward the accounting system should be able to properly identify them for future reporting to the City Councilors. However, it still may be beneficial to check the current reporting to ensure that it is complete and accurate.

2. Procedure:

We re-calculated the unused sick/vacation time for each of the thirteen employees, as noted in procedure number 1 above, by reviewing all source documents that can be made available to us by the City including personnel files, payroll records, City policy, employment regulations, union and individual contracts. Specifically we:

- a) Traced earned sick/vacation time to/from the applicable policy (City policy, employment regulations, union or individual contract as applicable) and to/from the supporting schedule.
- b) Traced usage of sick/vacation time to/from the source document and to/from the supporting schedule.

Findings:

Our recalculations noted no exceptions to the mathematical calculations. Our tracing revealed the following:

As the City implemented a new payroll system on January 1, 1999, information prior to that date is limited to reports in summary form. Also, we were told by City employees that the City's record retention policy is to retain records of hours worked for four years, which is in accordance with New Hampshire Labor Law requirements. As a result, since the thirteen employees in question have been employees of the City prior to December 31, 1998, complete source documents are not available. Therefore, we began our tracing with the carryforward figures from the prior payroll software system as of December 31, 1998 and examined all documents that were made available to us from that point forward.

In performing the tracing from December 31, 1998 forward, we were informed that because of limitations in the current payroll software, the system is not able to provide the detail transactions for leave time earned and is not able to provide the detail of the transaction source for manual adjustments made to the earned time history. For our procedures the supporting schedules we were provided were manually prepared and since they were not able to be produced directly from the payroll software, the supporting schedules did not agree in total to the figures contained in the payroll software. As a result, the detail we were provided to test was incomplete.

As a result of receiving incomplete records because of software limitations that would not allow for further testing, the variances noted below cannot be concluded either as an overpayment or an underpayment of benefits earned but we do want to report the potential discrepancies we did find.

The source documents available for our review included, employment contracts, leave request forms, personnel forms, weekly attendance summaries and leave of absence detail reports.

Pierre Lavoie – We identified two leave request forms that were not accounted for on the supporting schedule. The total potential leave time used and unaccounted for is 24 hours.

Total leave time earned and paid, in hours	2,342.79
Less potential leave time used and unaccounted for	(24.00)
Unaccounted variance between the supporting schedule and payroll software	<u>60.00</u>
Total recalculated leave time earned	<u><u>2,378.79</u></u>

Jeffrey Harrington – We did not identify any discrepancies.

Total leave time earned and paid, in hours	<u><u>2,219.80</u></u>
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Frank Santin - We identified one leave request form that included 8.25 hours that was not accounted for on the supporting schedule. We also identified a discrepancy in the calculation of leave time earned.

Total leave time earned and paid, in hours	1,515.00
Less potential leave time used and unaccounted for	(8.25)
Less leave time accrued in excess of contract amount	(4.54)
Unaccounted variance between the supporting schedule and payroll software	<u>48.63</u>
Total recalculated leave time earned	<u><u>1,550.84</u></u>

Perry Plummer – We did not identify any discrepancies.

Total leave time earned and paid, in hours	<u><u>1,673.58</u></u>
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Roland Morin – We identified a discrepancy in the calculation of leave time earned.

Total leave time earned and paid, in hours	1,333.57
Less leave time accrued in excess of contract amount	(0.95)
Unaccounted variance between the supporting schedule and payroll software	3.07
Total recalculated leave time earned	<u>1,335.69</u>

Paul Beecher

Total leave time earned and paid, in hours	1,715.35
Unaccounted variance between the supporting schedule and payroll software	(43.50)
Total recalculated leave time earned	<u>1,671.85</u>

William Fenniman – We identified one leave request form requesting 32 hours of leave, but only 24 hours were accounted for on the supporting schedule. Subsequently the 24 hours accounted for on the supporting schedule were re-credited and paid to this individual as he claimed the time was personal days rather than annual leave. We also noted errors in the amount of leave time accrued for 1999 and 2000. We also identified a discrepancy in the calculation of leave time earned.

Total leave time earned and paid, in hours	5,579.65
Add leave time earned but not accrued properly	6.20
Less potential leave time used and unaccounted for	(32.00)
Total recalculated leave time earned	<u>5,553.85</u>

Steven Stancel – We identified four leave request forms totaling 46 hours of leave that were not accounted for on the supporting schedule. Additionally, one leave request form in the amount of 14 hours was only noted on the schedule for 10 hours.

Total leave time earned and paid, in hours	1,951.86
Less potential leave time used and unaccounted for	(50.00)
Unaccounted variance between the supporting schedule and payroll software	(116.00)
Total recalculated leave time earned	<u>1,785.86</u>

Michael Fenton – We did not identify any discrepancies.

Total leave time earned and paid, in hours	<u>1,220.50</u>
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Gary Decolfmacker – We identified a discrepancy in the calculation of leave time earned.

Total leave time earned and paid, in hours	1,782.00
Less leave time accrued in excess of contract amount	(4.92)
Total recalculated leave time earned	<u>1,777.08</u>

Dana Mitchell – We did not identify any discrepancies.

Total leave time earned and paid, in hours	<u><u>1,779.25</u></u>
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Michael Joyal, Jr. – We did not identify any discrepancies.

Total leave time earned and paid, in hours	<u><u>1,065.59</u></u>
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Brian Estee – We identified a discrepancy in the calculation of leave time earned.

Total leave time earned and paid, in hours	1,087.81
Less leave time accrued in excess of contract amount	<u>(4.35)</u>
Total recalculated leave time earned	<u><u>1,083.46</u></u>

3. Procedure:

Based on the re-calculated unused sick/vacation time for each of the thirteen employees, as noted in procedure number 2 above, we re-calculated the dollar amount of the severance payout earned based on the applicable employment regulations, union and/or employment contract as applicable.

As a result of receiving incomplete records because of software limitations that would not allow for further testing, the variances noted below cannot be concluded either as an overpayment or an underpayment of benefits earned but we do want to report the potential discrepancies we did find.

Findings:

Pierre Lavoie:

Total amounts paid for leave time	\$ 118,596
Recalculated leave time earned based on recalculated leave time	<u>120,552</u>
Variance	<u><u>\$ 1,956</u></u>

Jeffrey Harrington:

Amount paid for leave time	\$ 162,012
Recalculated leave time earned based on recalculated leave time	<u>162,012</u>
Variance	<u><u>-</u></u>

Frank Santin:

Total amounts paid for leave time	\$ 46,904
Recalculated leave time earned based on recalculated leave time	48,014
Variance	<u>\$ 1,110</u>

Perry Plummer:

Amount paid for leave time	\$ 73,464
Recalculated leave time earned based on recalculated leave time	73,464
Variance	<u>-</u>

Roland Morin:

Amount paid for leave time	\$ 40,080
Recalculated leave time earned based on recalculated leave time	40,145
Variance	<u>\$ 65</u>

Paul Beecher:

Amount paid for leave time	\$ 81,693
Recalculated leave time earned based on recalculated leave time	78,652
Variance	<u>\$ (3,041)</u>

William Fenniman:

Amount paid for leave time	\$ 324,031
Recalculated leave time earned based on recalculated leave time	322,665
Variance	<u>\$ (1,366)</u>

Steven Stancel:

Amount paid for leave time	\$ 97,077
Recalculated leave time earned based on recalculated leave time	88,517
Variance	<u>\$ (8,560)</u>

Michael Fenton:

Amount paid for leave time	\$ 42,974
Recalculated leave time earned based on recalculated leave time	42,974
Variance	<u>-</u>

Gary Decolfmacker:

Amount paid for leave time and recalculated leave time	\$ 70,684
Recalculated leave time earned based on recalculated leave time	70,516
Variance	<u>\$ (168)</u>

Dana Mitchell:

Amount paid for leave time	\$ 65,690
Recalculated leave time earned based on recalculated leave time	65,690
Variance	<u>-</u>

Michael Joyal, Jr.:

Amount paid for leave time	\$ 55,929
Recalculated leave time earned based on recalculated leave time	55,929
Variance	<u>-</u>

Brian Estee:

Amount paid for leave time and recalculated leave time	\$ 42,011
Recalculated leave time earned based on recalculated leave time	41,816
Variance	<u>\$ (195)</u>

Total of all variances	<u>\$ (10,199)</u>
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As previously mentioned because of software limitations the total variance cannot be concluded as either an overpayment or underpayment of benefits earned.

In addition to our agreed-upon procedures, as a consulting engagement, we performed general inquiries concerning the methods by which sick and vacation accruals are calculated, requested and approved for use, and deducted with the intention of providing you with recommendations to strengthen the internal control in this area. Following are our recommendations:

The program currently being used does not provide an adequate trail of the details of all transactions affecting employee leave time. The program is able to generate a historical report of the detail for all leave time used; however, it is unable to generate historical detail for leave time earned or for any manual adjustments that may have been made to leave time. As a result not all transactions can be traced to source documents or reported in detail so that transactions can be identified.

The City should consider working with the current software vendor to determine if the software does in fact have the capability to produce a report with complete accounting for all leave time transactions. If it is determined that the current software will not meet the reporting needs, the City should consider the purchase of a new payroll software system. A system that will be more automated will provide better accounting for all transactions affecting employee leave time. The software should include an electronic time-card system so that all City employees, both salaried and hourly employees, are individually enabled to directly enter their weekly time. The potential benefits over the current system are:

- ◆ Eliminates the need to keep manual summaries of weekly time and potentially eliminates the need for administrative personnel to manually enter the information.
- ◆ Should improve efficiency and accuracy of leave information
- ◆ Reduction of the use of paper as all transactions will be electronically entered and approval of individual employees weekly time can also be done electronically.
- ◆ Should provide a better trail of time entry as all information will be accessible electronically.

We noted duplication of effort at the police department as the administrative personnel enters leave time information into a separate system which was in use by the City previously and then re-enters it into the current system. The use of just one system should be adequate to account for leave time.

Other findings:

- ◆ The entry date for leave use transactions did not always match the date or week of leave time taken as per the leave request form. The dates should match to improve the trail of transactions to the applicable source document, the leave request form or other relevant document.
- ◆ Leave request forms were not consistently approved by the applicable department head. In instances where it was a department head completing the leave request form there was not a corresponding approval by another appropriate member of management. All leave request forms should be approved by an appropriate member of management, other than the person initiating the request.
- ◆ Leave request forms, attendance records or other records of leave time used were not present in all cases to support entries for leave time used. Adequate supporting documentation, if required by City or Department policy, should exist to support all entries, and exist within the requirements of applicable record retention laws. An electronic time card system could improve the availability of documentation in this area.
- ◆ Although not specifically stated in all individual's employment contracts or other agreements, for department heads, past practice has been to accrue all annual leave time at the beginning of the fiscal year rather than on a weekly or monthly basis throughout the year of service. This method of accounting for leave time earned should be reviewed to determine if it is in compliance with existing City policy or contracts.
- ◆ We inquired of certain City employees whether or not the thirteen individuals may have taken annual leave time that was not properly recorded as being used. Their response was that, to the best of their knowledge, all leave time taken has been recorded properly as being used.

Other current practices which are being followed which should continue include:

- ◆ Supervisory approval of weekly time records including leave activity.
- ◆ Periodic submission of unused leave time reports to employees for their review and approval.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion, on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management and the City Council and is not intended to be and should not be used by anyone other than those specified parties.

Markonell Page & Co LLC

South Portland Maine
July 27, 2007