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OSC audit finds financially-strapped Town of Harrison, Hudson County spent millions annually on excessive employee payouts

The Town of Harrison, which receives special state aid as a financially distressed municipality, could save millions of dollars annually by placing appropriate limits on payouts for unused leave time and by eliminating unnecessary bonuses, according to an audit released today by the Office of the State Comptroller.

OSC's audit found, for instance, that Harrison paid out more than \$3 million in longevity bonuses over a three-year period. The bonuses – which were in addition to annual raises and cost of living adjustments - began after only three years of service and ranged from 2 percent to 14 percent of an employee's base salary.

Along with eliminating such bonuses, Harrison could also realize substantial savings by placing limits on employee cash-outs of sick and vacation time, OSC found. A review of 12 Harrison employees who retired between 2009 and 2011 found those employees received approximately \$1.1 million in sick time cash-outs, ranging from \$55,000 to \$200,000 per employee. State employees are limited upon retirement to a \$15,000 payout for unused sick time. Had Harrison placed the same limit on those 12 employees, the Town would have saved more than \$900,000, OSC found.

Similarly, payouts for unused vacation time for those 12 employees totaled \$950,000 and were as large as \$170,000 for one individual. In some cases, retired firemen cashed out more than 275 unused vacation days. State employees are not permitted to carry over more than one year's worth of unused vacation days.

In total, Harrison must pay out more than \$4 million in unused sick and vacation time to 57 employees who retired between 2008 and 2011, OSC found. The Town will continue to pay off those costs in installments through 2015.

In addition, Harrison also provided health benefits coverage for surviving spouses of Town employees and their eligible dependents, a benefit unavailable to state workers. From 2009 through 2011, Harrison paid \$902,199 for those benefits.

The leave time payouts, longevity bonuses and health benefits paid to Harrison employees were all authorized under seven separate employee agreements that have since expired. New employee agreements are currently under negotiation.

Along with the generous compensation provided through the employee agreements, the Town also paid its employees bonuses and benefits that they were not required to pay – such as retirement payouts for unused personal leave time and additional health care reimbursements that employees were not entitled to under their contract.

At the time of OSC's audit, the Town's finances were subject to monitoring by the Department of Community Affairs' Division of Local Government Services, which described the Town as being in "serious fiscal distress." The Town received nearly \$20 million in taxpayer-funded state aid, much of which is formulated on financial need, over a five-year period between 2009 and 2013.

"When a municipality asks for more money from the state and its local taxpayers so it can pay its bills, it must also do whatever it can to place appropriate limits on personnel costs and spending," Acting State Comptroller Marc Larkins said. "This audit offers the Town of Harrison a sensible plan to save significant dollars for taxpayers."

Larkins said he was pleased that Harrison already has acted on an OSC recommendation to save millions of dollars by switching its health coverage to the State Health Benefits Plan. OSC's audit had found that Harrison could have saved approximately \$5.8 million between 2009 and 2012 had it participated in the state plan instead of using a private insurance carrier. During the course of OSC's audit, Harrison's Town Council passed a resolution which switched the Town's health insurance coverage to the state plan in August 2013.

Among other weaknesses in the Town's operating and fiscal practices, OSC found:

- The Town's contracts with the developers of a major redevelopment project failed to protect the municipality from revenue losses that were incurred because of construction delays. As a result, the Town had to refinance its debt service payments for the project and will pay an additional \$5.1 million in interest costs.

- From 2009 to 2011, Harrison paid \$21,488 in health care premiums for three deceased retirees. Officials said they contacted the insurance carrier and obtained the corresponding credit.

OSC's audit includes 13 recommendations to curb costs and improve the Town's fiscal and personnel practices going forward.

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Click [here](#) to view the complete report.

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