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November 7, 2025

BY U.S. MAIL AND ELECTRONIC MAIL

Mayor Judy Ward
Council President Carla Thomas
18 N. First Street
Pleasantville, New Jersey 08232

Re: Office of the State Comptroller: Findings Regarding Improper Payment of Accumulated Sick Leave to the City's Former Business Administrator and the City's Wasteful Severance Pay Policies

Dear Mayor Ward and Council President Thomas:

The Office of the State Comptroller (OSC) conducted an investigation of the procedures employed by the City of Pleasantville (the City) for verifying and approving payments for accumulated sick leave and severance pay to employees upon retirement.¹ OSC's investigation revealed that the City improperly paid its former Business Administrator (BA) a total of \$165,724. A little over half of that, \$83,987, was paid in accumulated sick leave when the BA was not entitled to it as a matter of law. The City must take steps to recover that money. The balance, \$81,737, was paid to the BA as severance. The City's policy regarding severance pay, while not illegal, is wasteful and should be eliminated. OSC's findings with regard to both issues are set out more fully below.²

In light of its findings, OSC is issuing this public letter to provide City residents with transparency on these matters. OSC has also required the City to submit a Corrective Action Plan (CAP), detailing plans to recoup monies improperly paid to the former BA for accumulated sick leave time. Finally, because the nature of the concerns set forth in this letter is not unique to the City, OSC also recommends the Legislature consider additional statutory and regulatory remedies

¹ To conduct this investigation, OSC obtained and examined certain of the City's policies and procedures, resolutions, ordinances, financial and employment records, and internal City memoranda. OSC also interviewed City elected officials, officers, and employees.

² Prior to publication, the former BA received a copy of OSC's findings and was given an opportunity to comment on any factual inaccuracies. Without providing specific details, she advised OSC that she did "not concur with certain aspects of its findings related to [her] retirement and the severance issued by the City."

aimed at protecting taxpayers across the state from costly severance and longevity policies, in the same way it did by capping sick leave payments.

Findings

1. The City Improperly Paid its Former Business Administrator \$83,986 for Accumulated Sick Leave that She Was Not Entitled to Under N.J.S.A. 11A:6-19.1.

Nearly two decades ago, in an effort to reduce property taxes, the Legislature enacted two laws that placed limits on payments for unused sick leave. One of those laws, relevant here, was enacted in 2007.³ The 2007 law, N.J.S.A. 11A:6-19.1, limits payments for unused sick leave to certain senior employees to the greater of \$15,000 or the amount accumulated on the effective date of the law and only upon retirement from a state or locally administered retirement system.

The former BA was hired in 1999 as a clerk. She changed jobs within the City a handful of times over her career there, until she was appointed as the BA in August 2011. Due to her appointment to this new senior role, she was clearly covered by the 2007 sick leave law. This meant that the amount of sick leave she was entitled to receive upon retirement was now subject to a cap. It also meant that she was now required to retire from a state or locally administered retirement system before she would be able to collect any sick leave payment.

In August 2024, she chose to leave her position with the City, but she did not actually retire from the state-administered pension system of which she remains a member. The City paid her \$83,986 for accumulated sick leave, even though she did not meet the statutory pre-condition to make the payment permissible. In other words, the City paid \$83,986 in public funds to the former BA that she was not entitled to as a matter of law.

Given her 25 years of service to the City in various roles, it is understandable that she might consider her decision to leave the City to fall under the category of “retirement” as a general concept. But since she did not officially retire from a state-administered pension system, and instead started a new job for the State and kept paying into that pension system, she was not entitled to the sick leave payment under the 2007 law. For this reason, regardless of whether she knew or should have known she was subject to the 2007 law, the payment was illegal, and must be repaid to the City.

OSC’s investigation also revealed there was a significant amount of confusion and misunderstanding among senior officials about whether the sick leave payment was appropriate. This lack of clarity appears to have been further compounded by incomplete legal guidance provided to the City. Relatedly, OSC found that the City did not have any written policy or procedure in place delineating which City employees and elected officials are responsible for reviewing and approving payments of accumulated sick leave, unused vacation time, and other forms of compensation to retiring employees. This lack of clarity in roles and apparent confusion about

³ The second sick leave law, enacted in 2010, similarly places restrictions on the timing and amount of payments to certain employees. The 2010 law, N.J.S.A. 11A:6-19.2, limits payments for unused sick leave for employees hired after May 21, 2010 to no more than \$15,000 and, similarly, only upon retirement from a state or locally administered retirement system.

the applicable laws contributed to insufficient oversight and, here, an improper payment of over \$80,000.⁴

To date, the City has not advised OSC of any action taken to recover the money improperly paid to the former BA. In light of its findings, OSC has required the City to submit a CAP to recoup the improperly paid funds, among other measures.

2. The City's Severance Pay Policy for Retiring or Resigning Employees, Including its Business Administrator, Should be Eliminated.

During this investigation, OSC also found that the City's "severance pay" policy that applies to employees who are retiring or separating from employment with the City is wasteful and should be eliminated. Under the City's policy, certain senior staff members including the BA and Department Heads are entitled to payments at the time of their "retirement or death." This is referred to by the City as severance pay. The City's BA is entitled to an astonishing payment equal to six months of base salary when they retire or otherwise leave City employment after only five consecutive years of service.⁵

There is no state law in New Jersey that requires severance to be paid to employees who are retiring from or otherwise voluntarily leaving public service. For that reason alone, the City's policy should be eliminated. In fact, the Legislature has required employers to provide severance pay in situations of mass layoffs or workforce reductions.⁶ But it has not extended mandatory severance to instances of resignation or retirement. Similarly, our Courts have found that severance is "in essence a form of compensation designed to address the impact of an early termination of the employment relationship."⁷ It is not extra compensation to be paid to senior employees at the time of retirement.

OSC and the State Commission of Investigation (SCI) have both previously reported on the problems with local government employee compensation policies like the one followed by the City.⁸ Additional forms of employee compensation, like that provided for under the City's

⁴ Several members of City Council stated that Council now follows a new process in which the Council Finance Committee reviews the documentation supporting these payments, but this new process is not yet memorialized in writing.

⁵ *City of Pleasantville Personnel Policy and Procedure Manual (Manual)*, Section 12.2 "Severance Pay Upon Retirement, Separation or Death" (Dec. 19, 2023).

⁶ See, e.g., N.J.S.A. 34:21-1. Notably, the law does not limit or modify any collective bargaining agreement provision that requires "severance or other benefits terms which are more favorable to employees than those required by this act." N.J.S.A. 34:21-4.

⁷ See *Carelli v. Borough of Caldwell*, 474 N.J. Super. 49 (2022); see also N.J.S.A. 40A:9-138 (placing a cap on the amount of severance to be paid upon termination of a municipal administrator).

⁸ STATE OF N.J. OFFICE OF THE STATE COMPTROLLER, INVESTIGATIVE REPORT: AN INVESTIGATION INTO THE FISCAL OPERATIONS OF THE BOROUGH OF PALISADES PARK (Mar. 2021), <https://www.nj.gov/comptroller/reports/2021/approved/20210302.shtml>; STATE OF N.J. OFFICE OF THE STATE COMPTROLLER, A REVIEW OF SICK AND VACATION LEAVE POLICIES IN NEW JERSEY MUNICIPALITIES (July 2022), https://www.nj.gov/comptroller/news/docs/sick_leave_report.pdf; STATE OF N.J. COMMISSION OF

severance pay policy, place unnecessary burdens on the taxpayers who already bear significant costs. Indeed, in 2023, the City authorized a special emergency appropriation of more than \$2 million “for the purpose of funding the payment of contractually required severance liabilities resulting from the retirement of existing City employees.”⁹ Considering these costly optional severance payments against this factual backdrop underscores the multitude of ways they are both fiscally unsound and entirely wasteful.

These kinds of policies can also be abused and used as a way to sidestep the statutory caps placed on other forms of employee compensation, like sick leave payments, as discussed above, or vacation leave accruals.¹⁰ While sick leave payments are now capped, under the current policy, an employee who serves the City for only five years before voluntarily resigning would surprisingly receive a large payment of severance pay per City policy. Worse still, the Manual does not include a definition of retirement, and the Director of Personnel for the City reported to OSC that the City interprets the policy as covering employees who are simply separating from employment, even by resignation.

While not technically illegal, the City’s severance policy essentially amounts to little more than large bonuses to be paid to employees who voluntarily leave their jobs. Also, with respect to the BA role in particular, the policy is counterproductive on its face, essentially incentivizing turnover of experienced employees. In this case, the City’s severance policy saddled taxpayers with an entirely unnecessary burden of \$81,737. In short, this City’s severance policy—which is not required by law—is unnecessary, wasteful, and ripe for fraud and abuse. For these reasons, OSC recommends below that it—and others like it—be completely terminated.

Corrective Action Plan & Recommendations

In light of its findings and to ensure that compliance efforts and fiscal controls are improved, OSC has directed the City to submit a Corrective Action Plan to OSC. In view of OSC’s findings, the plan should address the following elements:

1. The City’s plan to recoup monies improperly paid to its former BA for unused sick leave time that she was not entitled to as a matter of law. The City should also consider auditing its financial records to determine if other payments have been improperly paid in violation of the 2007 and 2010 sick leave laws. This information should be used to recoup improperly paid public funds where possible and to ensure appropriate adjustments are made to policies and procedures to prevent future improper expenditures.
2. The City’s proposed or adopted revisions to its Manual and policies, including:

INVESTIGATION, THE BEAT GOES ON AND ON: WASTE AND ABUSE IN LOCAL PUBLIC EMPLOYEE COMPENSATION AND BENEFITS (Feb. 2020), <https://www.nj.gov/sci/pdf/THE%20BEAT%20GOES%20ON%20AND%20ON.pdf>.

⁹ In interviews, OSC learned the appropriation was necessitated by the retirement of several firefighters.

¹⁰ N.J.S.A. 11A:6-3, N.J.S.A. 40A:9-10.3, N.J.S.A. 18A:30-9.

- a. Eliminating severance pay for retiring, separating, and resigning employees, and any similarly wasteful policies, such as longevity pay, that provide for pay outside of situations required by law or contractual agreement;
 - b. Defining “retirement” in a manner consistent with the law, ensuring that all employees understand the conditions under which accumulated sick leave payments may be lawfully disbursed, upon retirement from a state or locally administered pension system; and
 - c. Requiring formal verification of retirement from a state or locally administered pension system before payments of sick leave are made to employees.
3. The City should provide training for all relevant personnel to ensure a thorough understanding of the statutory requirements and internal policies regarding retirement and payment eligibility.
4. Internal Controls: The City should establish written procedures that clearly define the roles and responsibilities of all employees and elected officials involved in the review and approval of sick leave and other forms of employee compensation. These procedures should set out which employees are responsible for verifying an employee’s retirement status before any payments are issued.
5. External Controls: The City should undertake an updated legal review of its current policies and ordinances, as well as any employment contracts that implicate sick leave, severance, and longevity pay. This comprehensive review should consider the City’s compliance with current controlling law and whether unnecessary financial obligations have been imposed on the City and whether steps can be taken immediately to mitigate them. When re-negotiating union and other employment contracts, the City should proactively reject terms that expose taxpayers to future high-cost financial burdens that necessitate extraordinary measures to cover them, such as the over \$2 million special emergency appropriation the City authorized in 2023.

By creating this CAP and implementing these recommendations, the City can strengthen its financial controls, ensure statutory compliance, and safeguard taxpayer funds against future misuse.

Separately, OSC also more broadly recommends that the Legislature consider additional statutory and regulatory remedies aimed at protecting taxpayers across the state from costly severance and longevity policies, in the same way it did by capping sick leave payments. Despite multiple public reports exposing the pitfalls and dangers of these kinds of wasteful practices, policies like the one held by the City persist. To that end, the Legislature should consider adding

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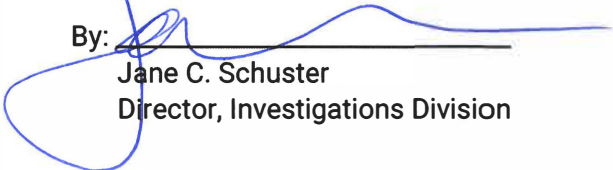
an explicit requirement that municipalities must recoup from former employees improperly received payments for any reason, regardless of good faith.¹¹

OSC issues this letter publicly with the goal of advancing public transparency, accountability, and a reduction in waste. OSC notes that the City Council has informed OSC that it does not dispute OSC's findings, has expressed the desire to implement needed changes, and is actively working on a CAP that includes recouping the above-described money improperly paid out for accumulated sick leave.

Thank you for your time and attention to this matter.

Respectfully,

KEVIN D. WALSH
ACTING STATE COMPTROLLER

By: 

Jane C. Schuster
Director, Investigations Division

¹¹ An example of an explicit statutory requirement about recouping benefits that were improperly paid out in the unemployment context is discussed in Sullivan v. Bd. of Rev., Dep't of Labor, 471 N.J. Super. 147, 155 (App. Div. 2022).