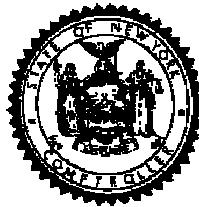


**A REPORT BY THE NEW YORK STATE
OFFICE OF THE STATE COMPTROLLER**

H. Carl McCall
STATE COMPTROLLER



**NEW YORK CITY DEPARTMENT OF
TRANSPORTATION
STREET ARTERIAL MAINTENANCE DIVISION**

SELECTED TIME AND ATTENDANCE PRACTICES

2000-N-7

**DIVISION OF MANAGEMENT AUDIT AND
STATE FINANCIAL SERVICES**



**H. Carl McCall
STATE COMPTROLLER**

Report 2000-N-7

Ms. Iris Weinshall
Commissioner
NYC Department of Transportation
40 Worth Street
New York, NY 10013

Dear Commissioner Weinshall:

The following is a report on our audit of selected time and attendance practices of the New York City Department of Transportation's Street Arterial Maintenance Division.

The audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law; and Article III of the General Municipal Law. Major contributors to this report are listed in Appendix A.

*Office of the State Comptroller
Division of Management Audit
and State Financial Services*

July 19, 2001

EXECUTIVE SUMMARY

NEW YORK CITY DEPARTMENT OF TRANSPORTATION STREET ARTERIAL MAINTENANCE DIVISION SELECTED TIME AND ATTENDANCE PRACTICES

SCOPE OF AUDIT

During fiscal year 1999, the Street Arterial Maintenance Division (SAM) of the New York City (City) Department of Transportation (DOT) incurred \$59.3 million in personal service costs -- \$3,725,000 for seasonal employees and \$5,809,415 for overtime. With approximately 980 employees, SAM is responsible for maintaining approximately 5,700 linear miles of City streets and arterial highways. SAM employees perform and supervise street-resurfacing and -repair work and operate an asphalt plant that provides materials used in these projects.

The types of activities performed by SAM employees require many of them to spend most of their work shifts in the field. As a result, DOT needs to establish strong internal controls and to engage in effective supervisory oversight over time and attendance practices.

Our audit addressed the following questions about selected time and attendance practices followed by DOT's Street Arterial Maintenance Division for the period of May 1, 1999 through June 30, 2000. Audit fieldwork continued through August 31, 2000.

- Are written procedures in place for time and attendance controls, and are the controls effective?
- Is the payroll supported adequately by time and attendance records that utilize appropriate documents for approving payroll additions, deletions, and other changes including the hiring of seasonal workers?
- Are overtime payments necessary and appropriate?

AUDIT OBSERVATIONS AND CONCLUSIONS

SAM needs to improve its time and attendance practices. Our review of SAM's records showed that employees and their supervisors did not always follow DOT's procedures. For example, just 37 percent of the 350 crew sheets reviewed had been signed by the employees listed on the sheet. We also found that just 59 percent of the days on the time cards had been punched in, defeating the purpose of the punch-in system; i.e., to minimize the risk of incorrect entries often characterized by a written process. Furthermore, lunch periods were not recorded for each day worked on the time cards. Without such records, it could not be determined whether the employee had taken a break for lunch or worked through the period and earned overtime. (See pp. 5-9)

In addition, we reviewed payroll distribution documentation and observed the distribution of paychecks and direct deposit stubs at the Harper Street facility in Queens. We found that just 78 percent of employees and 52 percent of the distributors signed the distribution sheets we examined. None of the four distribution sheets reviewed for Manhattan was signed by the distributor. As a result, controls that should provide assurances that the checks were given to the correct employee are being circumvented. (See pp. 15-18)

Written procedures provide an organization with assurance that every person involved within the organization understands the tasks that are to be accomplished and the acceptable methods for such tasks. We found that SAM has no written procedures for time and attendance controls and hiring seasonal employees. (See pp. 19 and 21)

Most of SAM's overtime expense is for daily operational overtime that is built into the time required to do the job. Overtime can also be incurred when a crew member works an extended day or an extra day to complete a job. This overtime is not built into the time for the job and is approved and authorized, as needed. We found that SAM does not require written authorization to document the overtime approved and worked. Without a document to record the authorization to work, there is less assurance that all of the reported overtime was properly approved. (See pp. 19-21)

COMMENTS OF DOT OFFICIALS

We provided a draft copy of this report to DOT and SAM officials for their review and comment. Their comments have been considered in preparing this final report and are included as Appendix B.

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INTRODUCTION

Background

The New York City (City) Department of Transportation's (DOT) Street and Arterial Maintenance Division (SAM) has approximately 980 full-time and 194 seasonal employees. Previously called the Highway Operations Bureau, SAM incurred \$59.3 million in personal service costs during fiscal year 1999 -- \$3,725,000 for seasonal employees and \$5,809,415 for overtime. SAM is responsible for maintaining approximately 5,700 linear miles of City streets and arterial highways, performing and supervising street-resurfacing and -repair work and operating an asphalt plant that provides some of the materials used in these projects.

The types of activities performed by SAM employees require many of them to spend most of their work shifts in the field, requiring close supervision or management oversight. According to street and highway maintenance reports for fiscal year 1999, the City resurfaced 714 lane miles; received 30,818 pothole complaints; and repaired 79,999 potholes Citywide.

SAM is headed by a Deputy Commissioner, who supervises five borough directors reporting directly to him. Each borough has its own SAM operation and budget, including overtime and seasonal employees, a director, a deputy director, a borough supervisor, district supervisors, crew supervisors, paving and milling crews, trucks and drivers, equipment, operators, and yards. The crew workers are full-time employees classified as Highway Repairers, but are paid as hourly employees. Their normal work schedule provides for a 40-hour work week. When any crew member does not work that schedule, his or her pay is calculated accordingly, on an hourly basis. Any unexpected overtime must receive supervisory approval. However, "operational overtime" is approved in advance, when SAM's budget is established at the beginning of the year, for those positions that require employees to perform special duties and work extra hours.

Audit Scope, Objectives and Methodology

We audited selected time and attendance practices at DOT's SAM for the period of May 1, 1999 through June 30, 2000.

The objectives of our financial-related audit were to determine whether DOT has established written procedures for time and attendance controls, whether such controls are effective, and whether the SAM payroll is supported adequately by time and attendance records, whether SAM's overtime payments are necessary and appropriate, whether SAM's hiring of seasonal workers has been documented, and whether documentation of that process is available.

We selected a judgmental sample of 75 SAM employees. During our audit survey phase, we selected 35 out of 366 full time employees and we added 40 employees during our fieldwork phase out of 484 including seasonal employees, from the five boroughs. The sample included each borough and it was based on the ratio of SAM workers in each of the boroughs to the total population. In addition, the sample was limited to those SAM positions directly dealing with street maintenance: GRE (gas roller engineer), MGO (motor grader operator), SHR (supervisor highway repairer), HR (highway repairer), and ACHR (assistant city highway repairer).

To accomplish these objectives, we gained an understanding of DOT's policies and procedures, reviewed applicable rules and regulations, interviewed DOT management and staff, and reviewed appropriate documentation. We also conducted field observations.

As is our practice, we notify agency officials at the outset of each audit that we will be requesting a representation letter in which agency management provides assurances, to the best of their knowledge, concerning the relevance, accuracy and competence of the evidence provided to the auditors during the course of the audit. The representation letter is intended to confirm oral representations made to the auditors and to reduce the likelihood of misunderstandings. In the representation letter, agency officials assert that, to the best of their knowledge, all relevant financial and programmatic records and related data have been provided to the auditors. Agency officials further affirm that either the agency has complied with all laws, rules, and regulations applicable to its operations that would have a significant effect on the operating practices being audited, or that any exceptions have been disclosed to the auditors.

However, officials at the Mayor's Office of Operations have informed us that, as a matter of policy, Mayoral agency officials will not provide representation letters in connection with our audits. As a result, we lack assurance from DOT and SAM officials that all relevant information was provided to us during

this audit. We consider this refusal to provide a representation letter to be a scope limitation on our audit. Therefore, readers of this report should consider the potential effect of this scope limitation on the findings and conclusions presented in this report.

We conducted our audit in accordance with generally accepted government auditing standards. Such standards require that we plan and perform our audit to adequately assess those operations of DOT's which are included in our audit scope. These standards also require that we understand DOT's internal control structure and its compliance with those laws, rules and regulations that are relevant to DOT's operations included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operating records; and applying such other auditing procedures as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments and decisions made by management. We believe that our audit provides a reasonable basis for our findings, conclusions and recommendations.

We use a risk-based approach when selecting activities to be audited. This approach focuses our audit efforts on those operations that have been identified through a preliminary survey as having the greatest probability for needing improvement. Consequently, by design, finite audit resources are used to identify where and how improvements can be made. Thus, little audit effort is devoted to reviewing operations that may already be relatively efficient or effective. As a result, our audit reports are prepared on an "exception basis." This report, therefore, highlights those areas needing improvement and does not address activities that may be functioning properly.

Internal Control and Compliance Summary

Our consideration of DOT's internal control structure was limited to time and attendance, written procedures, overtime, the hiring of seasonal employees, and functions including the distribution of paychecks. We identified weaknesses in time and attendance and paycheck distribution practices.

Comments of DOT Officials

We provided a draft copy of this report to DOT and SAM officials for their review and formal comments. During our audit we requested written responses to our preliminary findings, but it is the policy of Mayoral agencies not to provide such responses. However, we met with DOT and SAM officials to discuss our findings, and to the extent that our findings were addressed in these meetings, the comments were considered in the preparation of this report.

DOT and SAM officials agreed with most of our recommendations, but they claimed that it was incorrect to report that DOT did not have any written procedures for time and attendance controls.

While we agree that the “Standard Operating Procedures” referred to in DOT’s response contain some timekeeping procedures, they are not sufficient and, therefore, are not used by SAM management as procedures for time and attendance controls.

Within 90 days after final release of this report, we request the Commissioner of the New York City Department of Transportation to report to the State Comptroller, advising what steps were taken to implement the recommendations contained in this report, and where recommendations were not implemented, the reasons therefor.

SELECTED TIME AND ATTENDANCE PRACTICES

Crew Sheets

Work assignments for SAM employees are made on a daily basis. Each day, crew supervisors pick up “crew sheets” from the yard clerk that list the names of employees who have been assigned to their crews. On these sheets, the crew supervisor records the time the workers arrive at the work site, notes the lunch period taken, and writes down the time the worker leaves as well as any overtime he or she worked. They must be signed by the employee, the crew supervisor, and the district supervisor.

Crew supervisors also enter on the crew sheets details about the crew’s productivity, noting any delays and the reasons for them. Workers must report to the yard or job site each day; they must notify the yard clerk in the morning if they do not expect to report to work that day. In addition, the crew supervisor must relay to the yard clerk the names of workers who do not show up at the job site. The yard clerk maintains a daily assignment sheet/field tracking report that lists all workers, the assigned work for the day, and the names of absent employees and the type of leave credits charged. Late arrivals or early departures are also recorded on this sheet as well as the reason and the number of leave credits to be charged. The yard clerk prepares a daily Absence Control Report.

Time Cards

Except for those individuals reporting directly to the job sites, all crew employees are required to punch a time card kept at the yards. Each day, depending on the borough, either the district supervisor, the crew supervisor, or the yard clerk transfers information recorded on the daily crew sheets to the crew worker’s time card. Every two weeks, the completed time card is signed by the employee and the crew supervisor. The supervisor or clerk who prepared the time cards checks them for completeness and accuracy; then they are copied, batched, sealed in an envelope, and sent to the DOT Payroll Office (Payroll) via an assigned messenger. Payroll employees review the time cards for errors and omissions. After they enter the data into PMS (the City’s computerized Payroll Management

System), Payroll employees audit this input, comparing the data with the information on the time cards. Crew sheets and copies of the time cards are stored indefinitely.

We sampled crew sheets and time cards for 75 employees (63 permanent and 12 seasonal) from the five New York City boroughs. For each employee we examined one payroll period between May 1, 1999 and January 31, 2000. Several aspects of the timekeeping process at SAM were examined, including the presence of signatures on time cards and crew sheets; the accuracy and agreement of payroll data; the lunchtime notations; and the signatures over the distribution of payroll checks. During our review, we felt it necessary to expand the areas covered in our audit survey.

We reviewed a total of 350 crew sheets for 40 sampled employees for one pay period chosen at random. We found that many employees, crew supervisors, and district supervisors were not signing off properly and thus attesting to the validity of the time cards and crew sheets as shown in the following table:

Signatures Present on Crew Sheets			
Borough	Employee	Crew Supervisor	District Supervisor
Queens	12 of 59	54 of 59	45 of 59
Manhattan	40 of 46	40 of 46	30 of 46
Bronx	43 of 93	68 of 93	44 of 93
Staten Island	0 of 82	50 of 82	0 of 82
Brooklyn	26 of 70	58 of 70	1 of 70
Total	121 of 350 = 35%	270 of 350 = 77%	120 of 350 = 34%

The above table shows the compliance rates in the boroughs varied greatly from no employee or district supervisor signatures for 82 crew sheets for Staten Island to almost 87 percent for the employees and crew supervisors from Manhattan.

We also found some situations in which it appeared that the employee signature had been written by someone else. On 3 of 40 Manhattan crew sheets, it appeared to us that the employee signatures had been written by the same person, even though each name was different. In a similar case, it appeared the same handwriting was used to sign all of the names of employees listed on the crew sheet for one day in Brooklyn and Queens.

Our review of time cards for 74 sampled employees for a total of 602 days (one employee's time card was not found) indicated a better rate of compliance with the requirements for signatures by employees (74 percent) and crew supervisors (99 percent).

Signatures Present on Time Cards					
Borough	Number of Employees Reviewed	Compliance Rate - Time Card	Compliance Rate - Employee Signature	Compliance Rate - Crew Supervisor Signature	Time Cards Punched (Days) *
Queens	15	15 of 15	11 of 15	15 of 15	72.5 of 122
Manhattan	14	14 of 14	12 of 14	13 of 14	85 of 111
Brooklyn	20	20 of 20	12 of 20	20 of 20	57 of 155
Bronx	13	13 of 13	12 of 13	13 of 13	73.5 of 109
Staten Island	12**	12 of 12	8 of 12	12 of 12	65.5 of 105
Totals	74	74 of 74 = 100%	55 of 74 = 74%	73 of 74 = 99%	353.5 of 602=59%

* Each day consists of an arrival and departure time.

** One time card selected in our sample of 75 employees could not be found for our review.

The lack of employee signatures on time cards was found to be more of a problem in Brooklyn, Queens, and Staten Island. All employees working in the yards are required to punch a time card; this process records the precise time employees arrive for work and leave the job. However, we found that just 59 percent of the employees whose cards we reviewed had punched in. Arrival and departure times were hand-written for the remaining 41 percent.

The failure to achieve total compliance with the signatures requirement could be attributed to several factors, including the lack of formal policy or procedures governing field crew operations. Without such formal guidelines, SAM management in each borough is able to operate differently, resulting in the disparity of compliance reflected in the tables.

Because required signatures on the crew sheets and time cards are missing, there is a lack of assurance that the times indicated are accurate. Without these signatures, neither the employee nor the supervisor is attesting that the number of hours reported as worked is correct. Over- or under-payments may be the result.

Lunchtime Recorded

The purpose of employee crew sheets and time cards is to record the times employees begin and end their workday

and the time they take off for a lunch break. Each employee's crew supervisor is responsible for certifying and signing his or her time card; then the cards are forwarded to Payroll. If the employee works through lunch, the abbreviation N/L is entered on the card for "No Lunch" and the worker is credited with half an hour of overtime. However, we found that some employees are not recording their lunch periods on their time cards. As a result, it was unclear whether these employees worked through their lunch period, thus earning overtime, or took their break.

We examined time cards for the same 74 sampled employees totaling 601 days (one employee was excluded because he left the job site before the lunch break). Once again, we found 31 percent of the employees did not make an entry on their time cards. We examined crew sheets for 69 employees (we did not review six employees) totaling 477 days and found 91 percent of the crew sheets (for 432 of 477 days) indicated an entry under the lunch period column. Upon further review, of the entries made for lunch periods on the crew sheets for 40 of the 69 sampled employees (fieldwork) totaling 320 crew sheets, we found that No Lunch was indicated on 23 percent of the crew sheets (for 75 of 320 days). Broken down by borough, the lunchtime records were as follows:

Lunchtime Recorded			
Borough	Compliance Rate per Time Card (number of days)	Compliance Rate per Crew Sheet	No Lunch Indicated
Queens	122 of 122	101 of 101	15 of 58
Manhattan	20 of 111	81 of 89	20 of 44
Bronx	108 of 109	86 of 93	17 of 86
Staten Island	104 of 104	71 of 82	4 of 71
Brooklyn	62 of 155	93 of 112	19 of 61
Totals	416 of 601 = 69%	432 of 477 = 91%	75 of 320 = 23%

Compliance with procedures varied greatly among the boroughs. Although Queens, Staten Island and the Bronx reported full compliance, just 40 percent of the Brooklyn time cards, and 18 percent of the Manhattan cards, reported a lunch status.

When we examined the time sheets further for the total number of days for which the lunchtime had not been recorded -- 185 -- we noted the times the employees started and ended their workdays, then determined that lunch had not been taken for 29 days. We found that overtime payments totaling \$2,658 were made in 25 of the 29 days, for half-hour segments. We also found:

- Our review of the accuracy of event code charges in 65 of the 75 sampled time cards showed the event code entered by yard clerks on 31 percent (20) of the 65 time cards had been corrected by Payroll. (We did not review time cards for ten employees of our total sample, of which one was missing.)
- On 64 of 65 time cards that we reviewed, the data matched the data on the payroll register. The one employee whose entries did not match had been credited with overtime on his crew sheet and time card but, according to the payroll register, he was not paid for the overtime.

Our review of crew sheets and time cards also revealed problems in each borough. Most of these concerned differences in the number of overtime hours worked and the lack of entries regarding the beginning and the end of the workday. In 28 instances, 63.5 hours had been entered on the time cards, but a total of just 18 hours were noted on the crew sheets, resulting in a discrepancy of 45.5 hours that led to an overpayment of \$857. We also found the reverse situation, in which seven fewer hours had been entered on the time cards than were recorded on the corresponding crew sheets. This discrepancy resulted in a total underpayment of \$132.

We provided SAM officials with details of these findings, but have received no response from them.

Recommendations

1. Require SAM to become more diligent about accurate completion of all time cards and crew sheets, assuring management that lunchtime entries are made, that all time cards and crew sheets are only signed by the employees named on these documents and that these documents are approved by their supervisors. When applicable, seek to maximize the number of employees who punch in their arrival and departure times on time cards.

(In their response, DOT officials agreed with this recommendation.)

Recommendations (Cont'd)

2. Require SAM to investigate and correct irregularities cited throughout this report regarding the signing of employees' time sheets by persons other than the employees listed.

(DOT officials replied that SAM will reiterate the importance of having appropriate signatures on time records.)

3. Verify that all time charges are being made to appropriate event codes, and that the event codes on time cards (leave accruals, overtime pay, etc.) match information on the payroll register.

(DOT officials replied that they agreed and will verify the accuracy of the data. However, they said they cannot match all of the data on the time records.)

4. Address the discrepancies found between the hours worked as indicated on the crew sheets and time sheets.

(DOT officials agreed to review the discrepancies and requested we provide the information. The information was provided to DOT.)

Field Observations

DOT prepares a weekly milling and paving schedule that is posted on the Internet the Wednesday before the scheduled week. These schedules include work that milling and paving crews will perform Monday to Friday. Occasionally work is done on Saturday and Sunday. The schedule is placed on the Internet to inform the public where the crews are working. A borough supervisor or district manager is authorized to change the schedules, but they are not reflected on the Internet due to time constraints. If a scheduled job is postponed due to unforeseen circumstances such as the weather, crew members go to back-up jobs (usually another job on the schedule) or are assigned to pothole crews. Pothole crews are not sent out every day and are not scheduled until the morning of the job. A crew tracking report is prepared each day to indicate their location, as well as that of all other crews.

Any changes to the schedules are communicated to supervisors and the borough director by radio. The crew supervisor decides not to do a job and chooses the job that will be undertaken next. Under certain circumstances, the crew supervisor is joined by the district supervisor, borough supervisor, and borough director in making these decisions.

Crews are scheduled daily, and the same crew is usually assigned to a job until it is finished. Milling crews usually include 26 workers; paving crews normally utilize 34. When a crew is short, an additional worker is reassigned from the yard or another borough. Pothole crews require a minimum of three workers.

Between June 20 and 22, 2000, we conducted a crew observation in each borough. We sought to determine whether all employees were present and signing in and out. We obtained the crew sheets and spoke with the crew supervisor at each location.

We found most of the employees, and were provided with an explanation for the few we were unable to locate in each borough. Queens had the most employees we did not see (12); we were told they were on loan to a Bronx site on the day of our observations. Some notable observations from our site visits include the following:

- **Manhattan** - We obtained the crew sheet after midnight and found that the employees performing pothole repair had not recorded the time they started their work. In addition, ten of the crew members were on yard support duty at DOT's Manhattan headquarters, and did not appear to be working for at least the two hours that we observed them.
- **Brooklyn** - Our review of the crew sheets indicated that all crew members had started work by 6:30 a.m. When we examined the crew sheet around noon, we found that 25 workers had been scheduled to work at the site. Most start and end times had already been entered on the sheets, and all of the end times that had already been filled in indicated that the workday would end at 3:30 p.m.
- **Staten Island** - A piece of equipment, the milling machine (a Roto-Mill pavement profiler), was parked on Nicholas Avenue with red cones around it, but no security to protect the equipment. This appeared to be a very

expensive piece of equipment that was left unsecured overnight, vulnerable to vandals. DOT officials stated that it is their practice to leave equipment if it is practical. We believe that this may not be a prudent practice because, if the machine were rendered unusable, in addition to the cost of the repairs or replacement, the crew would be idle until the equipment was replaced or repaired.

As a public service, DOT posts a weekly milling and paving schedule on the Internet. The information is useful to motorists, allowing them to plan their departure times and routes. However, we found the information disseminated is not always timely and accurate. For example, using the Internet information, we experienced difficulty locating the work sites and the crews assigned in each of the boroughs. Only after extensive searching were we able to locate the new work sites and the crews assigned.

Recommendations

5. Utilize non-SAM personnel to conduct periodic floor checks and verify that proper time and attendance practices are being followed at the yards and job sites.

(DOT officials claimed that DOT's Auditor General Office already performed these actions.

Auditors' Comment: Based on our finding regarding discrepancies in time records and field observations, there is a need for the Auditor General's Office to increase the amount of floor checks done and to verify the time and attendance practices of SAM employees.)

6. Take action to protect valuable equipment left at field locations.

(DOT officials replied that the storing of equipment at the work site is designed to maximize productivity and avoid costs of transportation. They also indicated that the number of incidences of vandalism does not warrant increased security. However, if this changes, they will take appropriate action.)

Recommendations (Cont'd)

7. Require SAM to improve the information about weekly milling and paving schedules by providing timely updates on the Internet indicating actual work sites.

(DOT officials replied that the amount of time required to generate and to update the information would prohibit the updating of the schedules on the Internet site.

Auditors' Comment: We agree. For many reasons, DOT may not be able to make "up to the minute" updates to the schedules on the Internet site. Nevertheless, we believe that DOT should improve the timeliness of the information on its Internet site to make it a more useful public service.)

DISTRIBUTION OF PAYROLL CHECKS

Payroll Distribution Documentation

Before entering employee time and attendance data into Payroll Management System (PMS), Payroll reviews the time cards it receives for completeness and irregularities. If an error is identified, the employee's supervisor is contacted and asked for a corrected copy of the time card, with the correction initialed. If a time card is missing, Payroll places a manual stop on the paycheck. After all the data is entered into PMS, Payroll audits the output, matching the PMS data with the data on the time cards.

Every other Thursday, messengers from each borough pick up the paychecks and a payroll distribution report in a sealed envelope. Although the borough supervisor is responsible for distributing paychecks, he usually delegates the responsibility.

Every employee, except those who have authorized direct deposit of their paychecks into their personal bank accounts, must sign the payroll distribution report upon receiving a paycheck. The payroll distribution report must be returned to Payroll by the following Monday. Payroll is not required to log in the return of these reports; nor is it expected to verify that all employees have signed for their checks. Undelivered paychecks must be returned to Payroll by the following Monday and to the City's Office of Payroll Administration after ten days. Undelivered direct deposit stubs are mailed to the employee's residence.

We examined payroll distribution documents for 66 sampled employees (we did not review time cards for nine employees of our total sample). The results of our review for required signatures showed the following:

Distribution of Payroll Checks			
Borough	Distribution Sheet Present	Employee Signature*	Distributor Signature**
Queens	15 of 15	8 of 12	0 of 6
Manhattan	10 of 10	6 of 7	0 of 4
Bronx	13 of 13	12 of 12	9 of 9
Staten Island	13 of 13	7 of 7	6 of 6
Brooklyn	10 of 15	7 of 13	1 of 6
Totals	61 of 66 = 92%	40 of 51 = 78%	16 of 31 = 52%

* Excludes employees authorizing direct deposit.

** Reviewed 31 distribution sheets indicating that employees received paychecks.

As shown in the above table, just 78 percent of the employees and 52 percent of the distributors signed the distribution sheets. Brooklyn and Queens were missing most of the signatures. None of the four distribution sheets we reviewed for Manhattan had a distributor signature. We found that Payroll does not review the distribution sheets for signatures; the sheets are merely filed away in a folder which defeats the purpose of obtaining the signatures as evidence that the paycheck was distributed to an employee.

We also noted that the signature of one employee in Staten Island appeared to be the same handwriting as that used for four other employee signatures, as well as the payroll distributor, on the distribution sheet.

Observation of Payroll Distribution Procedures

To examine pick-up procedures, the separation of checks at the borough level, payroll distribution procedures, and the disposition of undistributed checks we observed a DOT payroll distribution for SAM employees in Queens. We found some control weaknesses; for example, when checks were brought to work sites, they were not signed by employees. Instead, either the crew supervisor or a yard worker signed them.

During each pay period, on a Thursday, a messenger picks up four paycheck envelopes for Queens SAM from the Payroll Office in lower Manhattan. We accompanied the messenger as she delivered the paycheck envelopes directly to the Glendale Yard, where they were opened and the checks were sorted for distribution among employees at each of the Queens facilities (Borough Hall, Harper Street Yard, Sunnyside Yard, and Glendale Yard).

The messenger takes the paycheck envelopes for the borough offices and departs. The paychecks for the other yards (Harper Street and Sunnyside) are placed back in the envelopes and a representative of the yards, who also was involved in the sort process, takes these envelopes to the yards.

We remained at the Glendale Yard and observed the distribution procedures at 3 p.m. We noted that individuals signed for their paychecks on the Payroll Distribution Control Report without presenting identification. Individuals who had authorized direct deposit received a pay stub, but did not sign any report or present identification.

We were informed that the crew supervisors for employees who are working outside the yard at other locations routinely "sign out" for their crews' paychecks by entering their own signatures next to each crew member's name. Crew supervisors then take responsibility for bringing the paychecks to the work site and distributing them.

We observed that paychecks delivered to a work site for a crew had been "signed out" by a yard worker, who then delivered the checks to the site and handed them over to the supervisor for distribution to crew members. When distribution is handled in this manner, individual employees do not sign off, acknowledging the receipt of their checks. The same crew supervisors who approve employees' crew sheets and time cards should not be part of the check distribution process.

Any checks that remained undistributed after Friday were placed in the borough supervisor's top left desk drawer, to be returned to Payroll on the following Monday, along with the time cards for that pay period.

We also observed the distribution of paychecks and direct deposit stubs at the Harper Street facility in Queens. A total of 13 paychecks and 6 direct deposit advices were given to 19 employees at this facility. Paychecks and stubs for the remaining 14 employees were locked in a safe at the Harper Street location.

We also found that the distribution sheet does not always list the names of employees who are actually at the facilities. For example, at the Harper Street facility, the distribution sheet contained the names of just 22 of the 33 employees who were present. Therefore, the names of the remaining 11 employees must appear on distribution sheets prepared for other facilities.

The Harper Street sheet included the names of three additional employees who work at a different facility.

Such situations should be avoided. If an employee is physically located at a different facility on a permanent basis, his or her name should be transferred to the distribution sheet of that facility. If the location is temporary, proper notations must reflect that status on the distribution sheets, accounting for each employee's whereabouts.

Recommendations

8. Implement internal controls over the payroll distribution process. Such a process would include requiring each employee to sign off as he or she receives his or her paycheck, prohibiting crew supervisors who are responsible for approving employee time cards and crew sheets from participation in the check distribution process, and directing the Payroll Office to review all returned distribution sheets for proper approvals.

(DOT officials agreed with this recommendation.)

9. Prepare distribution sheets that list only the names of employees based at each facility. If an employee is relocated to a different facility, note the name of the facility next to the employee's name.

(DOT officials refused to change current procedures unless the staff relocation is permanent.

Auditors' Comment: We believe that controls over check distribution will improve only if DOT changes its current practices. When staff are assigned to a different location for more than two weeks, their new location should be noted next to their names.)

WRITTEN PROCEDURES

An essential part of an internal control structure over time and attendance, written procedures provide a formal internal process for assessing the risks associated with these functions. Management can measure the actual processes against the written procedures, and staff can reduce or eliminate errors or omissions by following detailed written procedures.

We sought to determine whether DOT had established written procedures regarding time and attendance controls and, if so, to determine whether they are effective. These procedures would provide controls for job scheduling, overtime, crew scheduling, timekeeping, payroll, and personnel. We determined that DOT does not have any written procedures for time and attendance controls.

In the absence of any written procedures, to confirm our understanding of the internal control procedures related to payroll, personnel, and timekeeping, we interviewed with various borough directors, representatives of the Payroll Office and Personnel Department, and prepared a list of the procedures currently followed by each group. We then asked them to confirm the list. They agreed that our description was essentially correct.

These steps forced us to spend more time than necessary in pursuing this audit area because only after we prepared the list of procedures could we assess performance and compliance with the unwritten process. The absence of written procedures also impact employees because they do not have any reference that they can use to guide them in their activities and to instruct new employees.

SAM Overtime

Most SAM overtime is pre-determined and included in the annual budget for each borough. The director of Citywide operations works with the borough directors to spread the overtime fairly among the boroughs; and to decide, based on anticipated productivity and/or time requirements, which jobs will require overtime. For instance, some employees have to report for work early to prepare the site before the full crew arrives; or work through lunch to inspect work, maintain or repair

equipment, etc. This type of overtime is referred to as operational and is approved for specific positions during the budget-approval process at the start of the year.

In addition to operational overtime, other overtime pay is paid to workers for whom 10-hour days (extended days) are scheduled so that a job can be completed more efficiently and timely. Employees must have advance approval from the borough supervisor and/or director for any unexpected overtime, and all overtime must be justified with specific reasons. The borough director is provided with daily manual reports of overtime. Once these reports are reviewed and the overtime has been approved, they are sent to SAM's Citywide coordinator of crews, the budget office, and SAM's Deputy Commissioner, for budget-monitoring purposes.

PMS produces several overtime reports that enable upper management to review and monitor overtime, including some that are distributed on a daily basis. It also provides management with biweekly, monthly, and quarterly reports that make it possible to monitor overtime within specific categories such as the names of individual employees, title codes, work units, payroll distribution codes, and budget codes.

From our sample of crew sheets and time cards of the 40 employees examined during our fieldwork, we selected the borough that reported the highest overtime for the 40 employees each month during the months of May 1999 to October 1999. In selecting our sample, we rejected duplicates, choosing instead the borough for the following month that had reported the highest overtime.

We requested documentation from each borough that would indicate whether overtime had been authorized for six of the 40 employees sampled during our fieldwork within the five boroughs during this time period. We found that operational overtime accounts for most of the overtime performed on a daily basis within an employee's regular duties. We confirmed that the operational overtime worked by all six employees whose records we reviewed was on the list of overtime authorized for each borough. This list provides for, specifically, the titles, the number of employees, the number of daily overtime hours, the cost for additional time worked, and the reasons for the overtime (usually reflected in job descriptions). The tasks performed involve setting up the work site and preparing the machinery before the work day begins; shutting off and storing the machinery at the end of the work day; or working during the

lunch break to perform maintenance on machinery or to conduct a survey of the work site.

The lack of written approval was for overtime to extend a day or for an extra day to complete the job. The borough's Administrative Supervisor of Highway Operations told us he believed that the approval of any extended-day overtime was given verbally by the borough supervisor to complete the job that day so the crew would not have to return to the same location on the following workday. However, such a practice provides no written document indicating that the borough supervisor has authorized extension of the work past the normal work time. SAM has established no written procedures that govern the use and approval process for overtime. Our review showed the following:

- Three employees worked a total of 45.5 hours of overtime. There was no written approval for 29.5 of these hours.
- Three employees worked 20 hours and had written approval for all of them.

Recommendation

10. Direct SAM officials to develop detailed written procedures for time and attendance controls that will cover the functions of job scheduling, overtime, crew scheduling, and timekeeping.

(DOT officials claimed that "Standard Operating Procedures" (SOP) already exist for timekeeping, assignments and work crew activity; and they will be reviewed and updated, if necessary.

Auditors' Comment: We believe that some elements of time and attendance controls are included in DOT's SOP; however, they cannot be called timekeeping procedures because they do not address all the functions listed. We note that SAM management agreed with our finding and signed our summary of their time and attendance practices because there were no written procedures when we did our audit.)

SEASONAL EMPLOYEES

SAM does not have written procedures governing the hiring of seasonal employees. To gain an understanding of DOT's current internal control procedures we interviewed Payroll Office and Personnel Department employees responsible for administering the hiring and timekeeping for seasonal employees. We summarized the procedures and asked Payroll and Personnel officials to review and sign off on the following:

"1. The hiring of seasonal employees uses the same process as for the hiring of full-time employees. DOT uses a seasonal package for hiring and rehiring these employees that is faster than hiring of full-time employees. DOT cannot hire full-time employees due to a hiring freeze.

"2. For vacancies the DOT hiring plan unit posts the vacant position to be filled. The operating areas conduct the interviews. Posting is first made to DOT offices. If there is a minimal response by DOT employees, a posting is made to other NYC agencies offices, after permission is given by Department of Citywide Administrative Services (DCAS). If there is still a minimal response by NYC employees, advertisements are placed in newspapers, both regular and *The Chief*, and NYC Internet sites after permission is given by DCAS.

"3. The division personnel coordinators send all the documentation for monetary action (performance reports, interviews, resumes) to the hiring plan unit. The hiring plan unit prepares and presents it to the personnel action committee.

"4. An approved plan action report (PAR) (used by all mayoral agencies) is submitted to NYC's Office of Management and Budget (OMB) and Vacancy Control Board (VCB) for approvals. The PAR includes the candidate's name, the position, the salary, and the funding source and the justification for the hire or promotion.

"5. The VCB reviews the candidate's history with the City, while OMB looks at the overall agency budget and headcount.

"6. An authorized response letter that approved the hiring is sent to DOT personnel office for processing. The candidate is contacted for his availability and starting date."

DOT Personnel Office agreed and signed off on these procedures.

Documentation

We reviewed the personnel records of 11 seasonal employees. There was one additional employee selected for review, but his records were transferred to another agency. These 12 seasonal employees were among our sample of 75 employees whose time cards and crew sheets we reviewed. We found that each of the 11 files revealed non-compliance with the hiring procedures because there was no documentation such as reports of interviews, Plan Action Reports, or letters to candidates, all of which DOT should have prepared. In contrast, we did find the data used to verify the candidate such as a driver's license and birth certificates, proof of residence (a utility bill) and the original application booklet completed by the applicant. Confirmation of Hire forms signifying the applicant's first hiring were also located in the personnel folder. We attempted to review the personnel records for one additional employee who had transferred to another City agency, but they had also been transferred to the new agency.

Confirmation of Start and End Dates

A contractual obligation specifies the period of employment for seasonal employees. Such workers are limited to SAM employment from the beginning of the second week of March to the end of the second week of December -- a maximum of nine months of work in a given year. Seasonal employees automatically mature into full-time employees (assistant city highway repairer) after five consecutive years of seasonal work. Personnel tracks the employment status of seasonal employees and knows when they have reached the five-year level. The maturations occur whether there are vacancies or not.

Our review of DOT's Record Change History (RCH), a computer report that indicates the appointment and termination date of

each year the employee worked, showed that the 12 sampled seasonal employees complied with the term of their contracts. The RCH report showed that these employees had started and ended their employment within the season's nine-month time frame.

To confirm the accuracy of the information in the RCH report, we wanted to examine the 12 employees' 1999 time cards from their first and last pay periods and compare the information on the 24 time cards with what had been entered in the payroll records. We obtained eight of the cards and were able to confirm that those employees' start or end dates matched the ones found in the payroll records. However, we did not receive the remaining 16 time cards and could not confirm the start or end dates for eight employees. After numerous attempts to obtain the 16 cards, we were finally told they were not available because the DOT's Advocate Office was holding them. As of the completion date of our field work the time cards were not made available to us.

Recommendations

11. Work with SAM officials to develop detailed written procedures for the hiring of seasonal employees.

(DOT officials agreed to review the process and write procedures as necessary.)

12. Direct the Personnel Office to retain in the personnel folders of all seasonal employees all of the documentation and approvals required for their hiring and rehiring.

(In their response, DOT officials did not agree to maintain all of the forms in the personnel folders.

Auditors' Comment: We believe that all documentation required by DOT's hiring process should be kept in the seasonal employee's folder to justify for an independent reviewer DOT's decision to hire the applicant.)

MAJOR CONTRIBUTORS TO THIS REPORT

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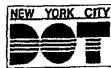
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Iris Weinshall, Commissioner

May 25, 2001

Ms. Carmen Maldonado
Audit Director
Office of the State Comptroller
Division of Management Audit & Financial Services
123 William Street – 21st Floor
New York, NY 10038

Re: 2000-N-7

Dear Ms. Maldonado,

This is in response to your draft report "New York City Department of Transportation Street and Arterial Maintenance Division, Selected Time and Attendance Practices."

In the Scope and Background sections of the draft report it states that the Street and Arterial Maintenance Division (SAM) is responsible for monitoring street-cutting activities by utility workers, private contractors and employees of other City agencies. While the department has these responsibilities, it is not within SAM. Additionally, in the section of the report entitled Written Procedures it states that DOT does not have any written procedures for time and attendance controls. This is incorrect. DOT has several formal written policies and procedures dealing specifically with such topics as timecard submissions, use of time clocks, lateness, lunch periods, alternative work schedules, etc. SAM also has written standard operating procedures that include reporting requirements, shift scheduling, breaks and responsibilities of crews and supervisors. Copies of these procedures are available for review.

The following are the recommendations included in the draft report and our comments:

1. "Require SAM to become more diligent about accurate completion of all time cards and crew sheets, assuring management that lunchtime entries are made, that all time cards and crew sheets are only signed by the employees named on these documents and that these documents are approved by their supervisors. When applicable, seek to maximize the number of employees who punch in their arrival and departure times on time cards."

We agree.

2. "Require SAM to investigate and correct irregularities cited throughout this report regarding the signing of employees' time sheets by persons other than the employees listed."

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Got a transportation problem/question/complaint? Dial 212 or 718
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*225-5368

SAM will reiterate the importance of having the appropriate signatures on time records.

3. "Verify all time charges are being made to appropriate event codes, and at the event codes on time cards (leave accruals, overtime pay, etc.) match information on the payroll register."

We agree that time charges should be made to appropriate event codes and will verify the accuracy of data. However, it is unrealistic to match all data recorded on time cards with the payroll register.

4. "Address the discrepancies found between the hours worked as indicated on the crew sheets and time sheets."

We agree and will review the reported discrepancies. Please provide this Office with the applicable data.

5. "Utilize non-SAM personnel to conduct periodic floor checks and verify that proper time and attendance practices are being followed at the yards and job sites."

The Office of the Auditor General already routinely checks attendance of the field crews and periodically reviews timekeeping.

6. "Take action to protect valuable equipment left at field locations."

There are a number of factors to consider when storing equipment. In general, in the construction industry, equipment is stored on site without extraordinary precautions. Leaving the equipment at the work location is designed to maximize productivity and avoid the inherent costs of transportation. Additionally, the number of incidents of vandalism or theft does not warrant increasing security. If this changes, appropriate actions will be taken.

7. "Require SAM to improve the information about weekly milling and paving schedules by providing timely updates on the internet indicating actual work sites."

The milling and paving schedules are posted on the Internet with a notation that updates are available by contacting DOT by phone. The lead-time required to generate and update the data prohibits up to the minute data.

8. "Implement internal controls over the payroll distribution process. Such a process would include requiring each employee to sign off as he or she receives his or her paycheck, prohibiting crew supervisors who are responsible for approving employee time cards and crew sheets from participation in the check distribution process, and directing the Payroll Office to review all returned distribution sheets for proper approvals."

We agree.

Ms. Carmen Maldonado
May 25, 2001
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9. "Prepare distribution sheets that list only the names of employees based at each facility. If an employee is relocated to a different facility, note the name of the facility next to the employee's name."

Distribution sheets are modified only when there are permanent reassignments. This procedure is not expected to change.

10. "Direct SAM officials to develop detailed written procedures for time and attendance controls that will cover the functions of job scheduling, overtime, crew scheduling, and timekeeping."

SAM already has written Standard Operating Procedures that include timekeeping, assignments and crew activity. The SOP's, which were last revised in January 1999, will be reviewed and updated, as appropriate.

11. "Work with SAM officials to develop detailed written procedures for the hiring of seasonal employees."

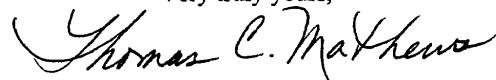
This process will be reviewed and written procedures will be prepared as necessary.

12. "Direct the Personnel Office to retain in the personnel folders of all seasonal employees all of the documentation and approvals required for their hiring and rehiring."

The Personnel Office maintains copies of the VCB approvals and PMS input forms. Copies of interview notes and Planned Action Reports will not be maintained in the personnel folders of the seasonal employees.

If you have any questions concerning this response, I can be reached at (212) 788-8162.

Very truly yours,



Thomas C. Mathews
Auditor General

cc: Commissioner Iris Weinshall
F/D/C Anthony Fasulo
D/C Leon Heyward
E. Reilly, MOO