



STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

May 16, 2002

Mr. Glenn S. Goord
Commissioner
NYS Department of Correctional Services
State Campus, Building 2
1220 Washington Avenue
Albany, N.Y. 12226-2050

Re: Lincoln Correctional Facility
Selected Payroll Practices
Report 2001-S-23

Dear Mr. Goord:

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, we have audited selected payroll practices at the Lincoln Correctional Facility. Our audit covered the period of January 1, 2000 through September 30, 2001.

A. Background

The Lincoln Correctional Facility (Facility) of the Department of Correctional Services (Department) is located in the Upper Manhattan section of New York City. The Facility provides for the transitional release of male inmates who are 16 years of age or older and nearing the end of their sentences. As of October 2001, it had a total population of 226 inmates -- 156 in work release programs, and 70 living in the community and reporting to the Facility twice a week. The Facility employs 129 staff who work in 4 major divisions: 34 in Support Services, 74 in Supervision of Inmates, 20 in Program Services, and 1 in Health Services. During the 2000-2001 fiscal year, the Facility spent approximately \$5.47 million in personal service costs, including \$69,000 in overtime. The majority of its payroll and overtime costs -- \$3.33 million -- were for Supervision of Inmates.

B. Audit Scope, Objective, and Methodology

We audited selected aspects of time and attendance management at the Facility for the period January 1, 2000 through September 30, 2001. The primary objective of our financial-related audit was to determine whether the Facility's authorization, documentation, and payment of regular payroll (time cards), overtime, sick leave, military leave, and workers' compensation

were appropriate. To accomplish this objective, we reviewed financial- and management-related records and interviewed Facility personnel.

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 Department operations that are included within our audit scope. Further, these standards require that we understand the Department's internal control structure and its compliance with those laws, rules and regulations that are relevant to the operation 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 recommendations.

We use a risk-based approach when selecting activities to be audited. This approach focuses our audit efforts on those activities we have 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 time is devoted to reviewing operations that may 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.

C. Internal Control and Compliance Summary

Internal controls are the integrated activities, plans, attitudes, policies and efforts of the people of an organization working together to provide reasonable assurances that the organization will fulfill its mission. They encompass a comprehensive system that helps an organization manage risk and enables its programs and administrative activities to operate efficiently and effectively. In our evaluation of the Department's internal controls over time and attendance procedures at the Facility we found several weaknesses, as detailed in the next section of this report.

D. Results of Audit

We found that Facility management needs to strengthen controls over time and attendance to address the following problems identified during our audit:

- Time cards are often submitted to the timekeeper unsigned by either the employee or the supervisor or both. It is then necessary for the cards to be returned to supervisors so that they can certify that charges such as sick and annual leave are accurate. In addition, time cards are not always submitted on a timely basis.
- Supervisors are forwarding employee time cards without initialing overtime annotations; these cards must be returned by the timekeeper for authorization.
- Counseling for sick leave abuse is not timely.

- Military leave calculations are sometimes inaccurate and employees do not always submit the required documentation.
- Workers' compensation calculations for leave benefits are sometimes inaccurate.
- Medical documentation for workers' compensation is sometimes missing.

1. Time Cards

According to Department Directive 2205, employees attest, at the end of each pay period, that all entries on their time cards are correct by signing the cards and submitting them to their supervisors. The supervisor should ensure that each time card is accurate and has been signed by the respective employee before signing it. Employees who do not submit a properly completed time card will be subject to progressive disciplinary steps.

We reviewed the 264 time cards for the successive pay periods that ended on July 11 and 25, 2001. We found that 62 (24 percent) of them had been submitted to the timekeeper without the signatures of either the employee or the supervisor or both. Eighteen of these cards remained unsigned as of September 30, 2001. A review of the payroll registers by Facility staff for these two pay periods, performed at our request, showed that the Facility had paid the employees without the required certification. Time and attendance officers told us that, to the best of their knowledge, no Facility employee had ever been disciplined for submitting an incomplete time card.

Department Directive 2205 states that a supervisor is responsible for the daily review of time cards, and should verify their accuracy and completeness by comparing the information entered on them with the data maintained on staffing charts. A supervisor's initial on a time card certifies that each entry is legitimate. We systematically selected a random sample of 50 time cards submitted by the 134 staff who were paid for the pay period that ended on July 25, 2001. We found that 20 (40 percent) of these cards contained 54 items that had not been initialed, as required, including handwritten arrival and departure times. These cards had been returned to the responsible supervisors.

Finally, Facility policy also states that completed time cards must be turned in to the timekeeper at the conclusion of the pay period and no later than the following Friday. We matched the names on the time cards submitted for the pay period that ended on September 19, 2001, with the names that had been entered in the timekeeping system for that same period. We found that the timekeeper had received just 87 (67 percent) of the required 130 time cards on September 27, 2001, six days after the Friday, September 21, 2001, cut-off.

2. Overtime

Facility Policy 110 states that when an employee works overtime, the hours worked must be recorded on the employee's time card, which must be initialed by the supervisor. We examined a sample of 15 of 44 cards for the pay period that ended July 25, 2001, 11 selected systematically and 4 judgmentally based on the high number of overtime hours worked. We

found that 11 (73 percent) of the sampled cards had been forwarded to the timekeeper without the required supervisors' initials. We subsequently found evidence of management approval for 10 of the 11 cards; the eleventh had approval for only 1 of the 3 overtime entries made.

3. Sick Leave

Department Directive 2202 requires continuous monitoring of sick leave charges so that abusers can be identified and steps can be initiated to control such employees' usage. The Facility's guidelines for monitoring sick leave abuse are outlined in Section Nine of its *Employee Time and Attendance Hand Book*. They provide for: Informal Counseling, if sick leave absences exceed five occasions in a 9-month period for security staff or seven occasions in a 12-month period for civilian staff; Formal Counseling, when the absences exceed six occasions for security staff or eight for civilian staff; Final Warning, when they exceed seven occasions for security staff or nine for civilians; and a Notice of Discipline, when security staff incur more than eight sick leave occasions within a 9-month period and civilian staff charge more than 10 in a 12-month period. Any disciplinary step beyond Informal Counseling imposes certain restrictions on the individual, that includes providing acceptable medical documentation for all sick leave, and increased monitoring. Failure to improve attendance may lead to further disciplinary action. A time and attendance official told us the process must be handled progressively in prescribed steps, requiring an Informal Counseling session to be held first.

We reviewed sick leave usage for the period of January 2000 through August 2001. We started with the most-recent sick leave charge and traced the records back -- 9 months for security officers and 12 months for civilian employees. We found that the Facility is not counseling sick leave abusers in a timely manner; as a result, employees have received only Informal Counseling, not the next progressive action that carries sanctions. In addition, several employees had charged more than the number of sick leave absences that should have triggered a Notice of Discipline; but no action was taken. The time and attendance records of selected employees are summarized in the following table:

POSITION	TYPE OF COUNSELING	DATE GIVEN	NUMBER OF OCCASIONS	GUIDELINES RECOMMEND
C.O.	Informal	10/5/01	7	Formal
C.O.	Informal	8/7/01	7	Formal
C.O.	Informal	5/8/01	8	Final Warning
C.O.	Informal	9/26/01	8	Final Warning
C.O.	Informal	9/28/01	9	Notice of Discipline
Civilian	Formal	8/1/01	9	Final Warning
C.O.	Final Warning	5/6/01	10	Notice of Discipline
Civilian	Final Warning	12/08/00	12	Notice of Discipline
C.O.	Final Warning	9/3/01	16	Notice of Discipline
Sgt.	None	N/A	6	Informal

As indicated in the table, Informal Counseling was provided in five instances, but the guidelines recommend more severe action. One of the lieutenants responsible for time and attendance cited several reasons for this situation, including a lack of staff in the Personnel Office. According to the lieutenant, it could take as much as two months for him to receive the documentation he needs to make counseling decisions. By the time he learned the employee

required Informal Counseling, the amount of abuse had increased, warranting a higher disciplinary action that could not be taken because the prescribed steps must be handled progressively.

4. Military Leave

Department Directive 2212 states that Facility employees who are members of the National Guard and the Reserves are authorized to take 30 calendar days or 22 workdays of paid military leave, whichever provides the greater benefit to the employee. These employees also may be eligible for supplemental military leave.

During the scope of our audit, we were advised that three Facility employees had taken military leave in each calendar year. We reviewed their military time records and found that one employee had been charged for 36 calendar days instead of the allowable maximum of 30 calendar days. The additional six days had been charged inaccurately to military leave instead of remaining leave accruals. The timekeeper said the payroll system doesn't automatically calculate the number of military leave days taken; she has to do this by hand. After the Facility received our preliminary report, the employee's military leave balance was adjusted to 30 days; the remaining six days was charged to the employee's accruals.

Directive 2212 also states that employees should submit a military leave request four weeks before the beginning date of the period requested or the start of military duty. The only documentation required is a copy of the employee's Leave and Earning Statement (LES) to verify attendance at military drills or training. On October 31, 2000, this directive was revised to include a subsection providing that an alternative documentation of military leave may be accepted if the employee can clearly demonstrate that the LES cannot be obtained.

For calendar year 2000, we found that LESs were missing for one employee for military leave taken on December 2 and 3, 2000. We found no alternative documentation to substantiate the employee's attendance for those two days. Thus, the Facility had no assurance this employee was on military duty for the days in question. In calendar year 2001, for the pay period ended September 19, 2001, the Facility paid three employees for 53 days of military leave. However, we found that the Facility had paid these employees without obtaining 3 of 18 LESs or alternative documents required to verify their participation in military leave.

5. Workers' Compensation

Department Directive 2208A states that an employee with a job-related injury may be granted leave benefits with full pay for as much as six months, or a cumulative total of 182.5 calendar days, without charge to his or her leave credits. An employee who is absent from duty beyond the six-month period of workers' compensation leave is required to exhaust other leave credits to cover the period of absence. After those credits are exhausted, the employee may request sick leave at half-pay for as much as one year. The employee may be terminated when absence from duty exceeds one cumulative year after the injury occurred.

We reviewed 3 of 11 uniformed employee reported workers' compensation cases for the pay periods covering January 1, 2000 through September 19, 2001. In one of the cases we reviewed, we found that an employee who was injured on November 20, 1999, had exhausted the allowable 182.5 days of workers' compensation leave by June 24, 2001. However, the Facility had continued to allow the employee to charge workers' compensation leave through July 30, 2001 instead of requiring her to charge ordinary leave accruals. As with military leave, the system does not provide the number of days charged; it must be done manually. The employee was on leave without pay from July 31, 2001 to September 11, 2001. After receiving our preliminary report, the Facility requested Central Office to adjust the employee's time record to show that workers' compensation ended June 24, 2001, charge accruals until exhausted and then place her on leave without pay until September 11, 2001.

In another case, although the employee was entitled to 182.5 days of workers' compensation leave before charging accruals, the Facility charged accruals after just 131.5 days of workers' compensation leave. The Facility should have continued charging workers' compensation leave for an additional 51 days (182.5 – 131.5). After receiving our preliminary report, the Facility told us they adjusted the employee's time record to show workers' compensation leave charged to the 182.5-day limit.

In general, we found that the three case folders we reviewed contained the documentation required to substantiate the accident/injury. However, we did not find any medical documentation for one employee for the entire month of December 2000. We made several inquiries about the missing documents during our audit. The time and attendance lieutenant said the Facility notified the employee, but as of February 12, 2002, the medical documentation still has not been submitted.

In addition, Directive 2208A contains the due process procedures that must be followed pursuant to Section 5.9 of the *Civil Service Rules for Classified Service*. An injured employee must be provided, no later than the 21st workday after the workers' compensation leave was granted, with written notice of the leave's terms and conditions. For the three workers' compensation cases, we found that the case folders did not contain the initial written notice of the terms and conditions sent to the employees. Facility personnel explained that they did not make copies of the letters.

Recommendations

1. *Remind supervisors to verify that all required signatures are on employee time cards before they are submitted to the timekeeper.*
2. *Remind supervisors to review time cards daily to verify that attendance data are complete and accurate, and to initial the time cards to document their review.*
3. *Verify that employees are submitting time cards at the end of each pay period, as required; and discipline employees who do not comply with this requirement.*

4. *Remind supervisors to initial entries of overtime before submitting time cards to the timekeeper.*
5. *Monitor sick leave charges in a timely manner so that counseling and discipline may be provided when appropriate.*
6. *Enforce the requirement that employees charging military leave submit verification of participation in military duty (LES).*
7. *Enforce the requirement that medical documentation be submitted and pursue those documents that are not, and that written notice of the terms and conditions for workers' compensation leave be retained in the employee's case folder.*
8. *Continue to pursue the medical documentation from the employee who did not submit it for the month of December 2000; if not received, adjust their leave accruals, as appropriate.*
9. *Re-instruct appropriate staff in Workers' Compensation Board procedures.*
10. *Work with the Department's Central Office, to enhance their central computerized payroll system to count the number of military leave days and workers' compensation leave days taken.*

A draft copy of this report was provided to officials of the Facility and the Department of Correctional Services for their review and comment. Their comments have been considered in preparing this report, and are included as Appendix A. Facility and Department officials agreed with our recommendations and indicated that corrective actions either have been or will be taken.

Within 90 days after the final release of this report, as required by Section 170 of the Executive law, the Commissioner of the Department of Correctional Services shall report to the Governor, the State Comptroller and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons therefor.

Major contributors to this report were Abe Markowitz, Ronald Skantze, Barry Mordowitz, Anthony Carlo, Zenaida Bhuiyan, and Marticia Madory.

We wish to thank the management and staff of the Department of Correctional Services and Lincoln Correctional Facility for the courtesies and cooperation extended to our auditors during this audit.

Very truly yours,

William P. Challice
Audit Director

cc: Deirdre Taylor, DOB
Joseph Williams, Superintendent