



STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

December 13, 2002

Mr. John A. Johnson
Commissioner
Office of Children and Family Services
52 Washington Street
Rensselaer, NY 12144-2796

Re: Selected Payroll Practices
Report 2001-S-63

Dear Mr. Johnson:

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 youth residential juvenile justice facilities operated by the Office of Children and Family Services (OCFS). Our audit covered the period January 1, 2000 through July 22, 2002.

A. Background

The Office of Children and Family Services (OCFS) serves New York's public by promoting the well being and safety of our children, families and communities. Among the agency's responsibilities is the administration of juvenile rehabilitative services for the custody and care of more than 2,000 youth remanded to the agency's custody and care by the family and criminal courts. OCFS rehabilitative services include counseling, education and training designed to promote the development of these youth and to foster their return to the community. OCFS provides these rehabilitative services at 48 residential juvenile justice facilities (facilities) and day-placement centers statewide. OCFS facilities vary in type: secure centers are surrounded by two fences to provide the highest level of security; limited secure centers are surrounded by a single fence; and non-secure centers, the least restrictive, are not fenced.

As of May 7, 2002, OCFS employed 3,078 facility and day-placement staff, including administrative and support personnel, Youth Division Aides (YDAs) and counselors. Of the \$151.7 million appropriated for OCFS youth facility program personal services in the 2002-03 Executive Budget, nearly \$124 million is allocated to facilities and day placement centers. OCFS' Home Office promulgates policies and procedures for employee time and attendance practices, overtime, and the use of military leave to all facilities and day placement centers. However, OCFS allows each facility to follow facility-specific practices to control employee time and attendance. For example, OCFS policies require supervisors to verify the accuracy of facility employees' time and attendance records, but do not specify the control procedure to use to do the verification. At the

facilities we visited during this audit, supervisors verified time and attendance by reviewing facility logbooks, which register the times employees begin and end their work shifts.

B. Audit Scope, Objectives and Methodology

We audited selected payroll practices at OCFS for the period January 1, 2000 through July 22, 2002. The objectives of our financial-related audit were to determine whether controls over payroll at OCFS facilities provide for accurate time and attendance records, properly authorized overtime and appropriately documented military leave. To accomplish these objectives, we reviewed applicable laws, regulations, policies and procedures. We also visited six facilities, including two secure facilities (Brookwood and Harlem Valley); one facility, Tryon Girls, that is primarily limited secure (one small portion of the facility is secure); and three limited secure facilities (Goshen, Tryon Boys and Lansing). In addition, we interviewed OCFS personnel at the Home Office and at the facilities we visited; examined time and attendance records and reports, including time and attendance records and logs maintained by facility attendance officers; and tested samples of payroll transactions.

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 OCFS and facility operations included in our audit scope. Further, these standards require that we understand OCFS' and the facilities' internal control structure and their compliance with those laws, rules and regulations that are relevant to the 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 used a risk-based approach when selecting activities to be audited. This approach focuses our audit efforts on 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 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

Our evaluation of the internal control structure at OCFS and the facilities identified several areas where OCFS could improve internal controls. These areas are related to documenting military leave and verifying staff time and attendance. As a result of making these improvements, OCFS could reduce the risk that facility staff may receive pay to which they are not entitled. These matters are presented in the relevant sections of this report.

D. Results of Audit

To have adequate assurance that its payroll is accurate and appropriate, OCFS and facility managers should maintain accurate time and attendance records, authorize overtime and verify documentation to support paid military leave. While our audit found that controls over these payroll practices were generally adequate at the facilities we visited, we believe OCFS could further enhance its assurance of payroll accuracy by defining the documentation needed to support military leave, by encouraging the implementation of consistent time and attendance review practices, and by improving communication between the Home Office and the facilities.

1. Military Leave

The OCFS Policy and Procedures Manual (Manual) requires that all employees be granted 30 days of paid military leave while serving on annual military duty or attending service school, as required by Reserve or National Guard enlistment. Employees are responsible for providing their facility supervisor with evidence of participation from the Commanding Officer to document attendance at military duty. Employees are also required to attach the documentation to their timesheets for verification by the Home Office payroll personnel. To determine whether facility staff comply with these Manual requirements, we reviewed the Home Office files for all 82 instances of military leave that occurred at four facilities during calendar year 2001. Our results showed that only 3 of the 82 instances of leave were adequately documented; 77 instances were supported by military orders that corresponded to service dates stated on employees' time and attendance records; and 2 instances (1 each at Brookwood and Tryon Boys) had no support at all. As a result, facility officials do not have adequate assurance that employees who were paid for military leave actually attended military duty.

OCFS officials advised us that they accept military orders as adequate documentation of an employee's military leave. Officials explained it is a burden to employees and their commanding officers to prepare another document in addition to the military orders. However, since military orders are issued well in advance of the military duty and are subject to change (e.g., the service date may be changed or the entire duty cancelled), they may not accurately reflect the actual number of days an employee performed military duties. Consequently, an employee whose military orders changed after providing his supervisor with a copy of the orders could claim service on military duty, and not charge accruals, without having attended military duty.

During the course of our audit, OCFS took steps to update its manual to clarify documentation requirements for paid military service. On July 22, 2002, OCFS issued a new policy designating what is acceptable proof of completion of a military assignment.

2. Time and Attendance Practices

Management should have policies in place that provide reasonable assurance that employees are paid for regular and overtime hours that are accurately recorded, adequately documented and authorized and actually worked. Our audit tests found relatively few time and attendance problems at the six facilities we visited. However, we did find an instance of undocumented overtime at Harlem Valley; at Tryon Boys, we found that a logbook was missing, and that a number of employees had not signed-in/out on unit logs, as required. To provide better assurance that employees work the hours for which they are paid, OCFS should emphasize the need

for facility supervisors to verify the accuracy of time and attendance records, and consider doing more frequent reviews of time and attendance practices.

a. Time and Attendance Records

When facility employees report for their work shifts, they are required to enter through a designated controlled area, where they turn in their car keys at the registration desk (a security measure to prevent theft of employees' keys and cars by facility youth) and pick up their facility keys. This process is reversed at the end of the work shift. A facility YDA registers employees' arrival and departure in a facility logbook. Since the names of all employees who worked at the facility during the pay period should appear in the facility's logbook, supervisors can use logbook entries to verify the accuracy of employees' time and attendance records.

To determine whether employee work time, as entered in the logbook, corresponded to employee work hours, as listed on employee time sheets, we sampled 125 facility employees, selected judgmentally from a total population of 1,217 employees. Our objective was to obtain employee samples at each facility that were representative of the range of the facility's work titles. Our sample included the following numbers of employees: 15 at Brookwood; 25 at Goshen; 20 at Harlem Valley; 20 at Lansing; 28 at Tryon Boys; and 17 at Tryon Girls. We examined two shifts for each of these 125 employees for a total of 250 shifts. For each of these 250 shifts, we compared employees' time and attendance records to the logbooks maintained at the facilities.

Our test found no exceptions at three facilities (Brookwood, Tryon Girls and Harlem Valley). However, we found seven instances (four at Goshen, two at Tryon Boys and one at Lansing) in which an employee was paid for working a shift when the facility logbook either did not show the employee had worked at all (no sign-in or out) or did not show how many hours the employee worked (no sign-out). As a result of these errors, OCFS could have paid employees a total of \$1,095 for hours they did not work. Effective supervisory review should have detected such discrepancies between logbooks and employee time and attendance records.

We believe the occurrence of sign-in/out errors may be due, in part, to congestion at the facility entry during shift changes. Tryon Boys officials told us they have since installed an electronic logbook system that should prevent such exceptions in the future. At Goshen, the YDA who managed the logbook also answered telephone calls to the facility. Goshen officials told us they now use an automated telephone answering system that reduces the number of calls the YDA must answer.

While at Tryon Boys, we also found that the logbook for the period May 13, 2001 through August 12, 2001, was missing. Logbooks serve not only as a record of employee work hours, but also as an incident log where staff write down the relevant details of incidents involving facility youth. It is important that facilities maintain logbooks to preserve these records. When we informed facility officials that the logbook was missing, they were unable to locate it. Thus, Tryon Boys does not have logbook documentation of any incident that may have occurred during the period the logbook covered. (In response to our draft report, OCFS indicated that the logbook was subsequently located.)

b. Overtime

OCFS and facility directors should have assurance that overtime hours OCFS pays for are authorized and actually worked. The Manual requires that supervisors sign an Additional Compensation Request (Overtime Request) to indicate prior authorization of overtime work. To verify that overtime is authorized and worked, facility supervisors should review Overtime Requests, as well as facility logbooks, in their review of employee time and attendance.

To determine whether facility overtime hours were pre-approved and worked by employees, we used computer-assisted auditing techniques to select, from a total population of 1,217 employees, a random sample of 30 employees (5 overtime earners at each of the 6 facilities we visited) who had worked at least one overtime shift during the period January 1, 2001 through November 21, 2001. We then randomly selected one timesheet for each of these employees and tested whether, in each instance, a signed Overtime Request documented approval for overtime work. We found that all overtime shifts were pre-approved, as required. In verifying overtime listed on time and attendance records to facility logs, we found one instance, at Harlem Valley, in which the employee was not signed out on the facility log to indicate the number of overtime hours he had worked. As a result, Harlem Valley may have paid this employee for more or fewer overtime hours than he actually worked.

3. Communication

OCFS promulgates and issues policies and procedures related to military leave, time and attendance and overtime to all the facilities. Changes in policy should be clearly communicated to facility managers so facilities can make any necessary adjustments to practices. However, we found an instance in which a policy change was not effectively communicated to facilities, with the result that the Home Office and the facilities had a different understanding about who had responsibility for setting the parameters of certain work practices. OCFS did not know the miscommunication had occurred because, in this instance, it did not verify that the facilities knew about or followed its guidelines.

OCFS procedures allow employees to participate in a mutual shift exchange program. Mutual shift exchange allows employee A to work a shift for employee B if employee B, in return, works a shift for employee A within two pay periods. Prior to August 20, 2001, OCFS had a global policy for mutual shift exchange that was developed by the Home Office. In response to union concerns, OCFS empowered the facilities to implement their own mutual shift exchange policies.

However, when we discussed this change at each of the six facilities, we discovered that facility managers were not aware that responsibility for the mutual shift exchange policy had been delegated to them. In fact, two facility managers showed us the communication they had received from the Home Office, which noted there had been a change in the program form, but did not state the policy had been revised. Our Office is currently reviewing the mutual shift exchange practices at the Goshen Limited Secure Center.

Recommendations

1. *Follow up on the discrepancies in time and attendance records identified in this report, and recover any related overpayment to the extent possible.*

2. *Periodically verify that facilities and their employees comply with OCFS military leave procedures.*
3. *Remind supervisors of the need to verify employees' time and attendance records.*
4. *Strengthen controls and accountability over facility logbooks to preserve documentation of employee time and attendance and incidents that occur at the facility.*
5. *Improve communication between the Home Office and the facilities, and improve monitoring of facilities' compliance with OCFS policies and procedures.*

We provided a draft copy of this report to OCFS and facility officials for their review and comment. Their comments have been considered in preparing this report, and are included as Appendix A. For the most part, OCFS agreed with our observations and recommendations, and indicated steps were either already taken or underway to implement our recommendations. We modified Recommendation 5 and the related text of the report, to reflect additional information provided in OCFS' response.

Within 90 days after the final release of this report, as required by Section 170 of the Executive Law, the Commissioner of the Office of Children and Family 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 Stanley Evans, Rick Sturm, Richard Gerard, Roseline David, Kelly Downes, Richard Podagrosi, Madeline Johnston and Nancy Varley.

We wish to thank the management and staff of OCFS and OCFS facilities for the courtesies and cooperation extended to our auditors during the audit.

Very truly yours,

William P. Challice
Audit Director

cc: Deirdre A. Taylor
Mary Ellen Flaxman



New York State
Office of
Children & Family
Services

George E. Pataki
Governor

John A. Johnson
Commissioner

November 19, 2002

William P. Challice, Audit Director
NYS Office of the State Comptroller
Division of Management Audit
123 William Street
21st Floor
New York, New York 10038

Re: OSC Audit #2001-S-63
Selected Payroll Practices

Dear Mr. Challice:

The Office of Children and Family Services (OCFS) has reviewed the above-cited audit report and offers the attached response for your consideration.

Capital View Office Park

52 Washington Street
Rensselaer, NY 12144-2796

Sincerely,

Dave Weller, Director
Program and Management Audit

Cc: M. Rosenblat
M. Flaxman
R. Sturm
file



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**RESPONSE TO OSC DRAFT AUDIT #2001-S-63
"SELECTED PAYROLL PRACTICES"**

The Office of Children and Family Services (OCFS) has reviewed the above-cited draft audit report and offers the following response:

GENERAL COMMENTS:

Page 5 Paragraph 3 (last sentence): "OCFS did not know the miscommunication had occurred because it does not verify that facilities know about or follow guidelines." - This statement makes an incorrect generalization about OCFS communication and management systems. OCFS has several systematic methods of monitoring facilities' compliance with agency policies and procedures. These are elaborated in the OCFS response to Recommendation #5 on page 3 of this document.

Page 4 (last paragraph): The audit report refers to a missing logbook at the Tryon Boys limited secure facility. According to Assistant Facility Director Sheridan, facility staff have looked into the matter and determined that the logbook in question was not actually missing. It was, in fact, being used by a Senior YDC who was conducting an investigation involving entries in that logbook, and the logbook was subsequently returned. OCFS policy PPM 3247.09 which governs the use and storage of facility logbooks does not require that staff sign the logbooks out or otherwise keep track of them prior to completion. Thus, there was no violation of existing OCFS policy or procedure in this particular instance. However, as a result of this audit the facility has added a procedural requirement that anyone taking a logbook from the designated storage area must sign a separate log so that the whereabouts of logbooks can be tracked at all times.

RESPONSE TO RECOMMENDATIONS

OCFS is in agreement with the audit statement of results; i.e. that controls over payroll practices were generally adequate but that further enhancements could be made. All recommendations have been, or will be, addressed.

One step in this direction took place on October 18, 2002 at a meeting of facility directors and assistant directors. At this meeting, the Director of Personnel and staff addressed the issue of payroll practices. Current policies, procedures, bulletins, resource guides, and relevant forms were distributed and discussed.

Recommendation #1:

Follow up on the discrepancies in time and attendance records identified in this report, and recover any related overpayment to the extent possible.

OCFS Response:

Time and attendance discrepancies will be followed up, and overpayment will be recovered to the extent possible.

Recommendation #2:

Periodically verify that facilities and their employees comply with OCFS military leave procedures.

OCFS Response:

As reported in the audit: "During the course of our audit, OCFS took steps to update its manual to clarify documentation requirements for paid military service. On July 22, 2002, OCFS issued a new policy designating what is acceptable proof of completion of a military assignment." Periodically, OCFS will continue to verify compliance with these clarified military leave documentation requirements.

Recommendation #3:

Remind supervisors of the need to verify employees' time and attendance records.

OCFS Response:

Supervisors have been informed of the need to verify employees' time and attendance records. Improved systems are being introduced to facilitate this process.

Recommendation #4:

Strengthen control and accountability over facility logbooks to preserve documentation of employee time and attendance and incidents that occur at the facility.

OCFS Response:

One logbook was reported missing during the audit but was actually in use for a facility investigation and has since been returned (see General Comments). However, improved logbook controls have been introduced to prevent this from happening again.

Recommendation #5:

Improve communication between Central Office and facilities, and monitor facilities' compliance with OCFS policies and procedures.

OCFS Response:

This recommendation calls on OCFS to “monitor facilities’ compliance with OCFS policies and procedures.” This statement implies that OCFS does not monitor compliance with policies and procedures. A more appropriate statement would be “...and *improve* monitoring of facilities’ compliance with OCFS policies and procedures”.

OCFS has several systematic methods of monitoring facilities’ compliance with agency policies and procedures. Among these methods is the Facility Self-Assessment (FSA) process. OCFS uses the Facility Self-Assessment process to monitor the compliance of each facility with policies and procedures annually. Agency administrators review assessment instruments annually in order to provide up-to-date standards against which to monitor.

All of the agency’s residential facilities are accredited by the American Correctional Association (ACA). Each facility undergoes a re-accreditation once every three years. Annual accreditation reviews are conducted by the agency’s accreditation manager to oversee facility compliance with ACA standards. The ACA standards contain a section on Fiscal Management, including payroll.

Finally, Facility Coordinators are responsible for Home Office oversight of facility operations. This responsibility includes on-site monitoring of facilities’ compliance with agency policies and procedures, as well as reviewing Facility Self-Assessment results.

All policies are communicated electronically to all staff and are accessible in Microsoft Outlook/Exchange. OCFS will take steps to continue to improve both communication between Home Office and facilities, and monitoring of facilities’ compliance with agency policies.