
**Thomas P. DiNapoli
COMPTROLLER**



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**OFFICE OF THE
NEW YORK STATE COMPTROLLER**

**DIVISION OF STATE
GOVERNMENT ACCOUNTABILITY**

**OFFICE OF CHILDREN AND
FAMILY SERVICES**

**TRYON LIMITED SECURE
RESIDENTIAL CENTER -
SELECTED FACILITY
COSTS**

Report 2007-S-105

AUDIT OBJECTIVE

Our objective was to determine whether selected Tryon Limited Secure Residential Center payroll and non-personal service costs incurred during the audit period were appropriate and supported by the required documentation.

AUDIT RESULTS - SUMMARY

The NYS Office of Children and Family Services (OCFS) is responsible for improving the integration of services for New York's children, youth, families and vulnerable populations; and to promote their development and protect them from violence, abuse, neglect and abandonment. OCFS operates 31 residential facilities, two reception centers, six community residential homes and eight day-placement centers. Tryon Limited Secure Residential Center (Tryon) is one of these residential facilities. Its mission is to prevent delinquency through positive youth development and habilitation. During the fiscal year ended March 31, 2007, Tryon's payroll costs totaled \$10.2 million and its non-personal service costs approximated \$3.3 million.

We found that adequate controls are in place over Tryon's payroll and non-personal service procurement operations.

As with most state agencies and facilities, payroll is Tryon's most significant cost category. It is imperative that its payroll operations are properly controlled to ensure that staff is paid their appropriate salary rates and only for the hours actually worked. We performed a series of surprise employee floor checks to determine whether Tryon employees were at their assigned work locations, and if not at those locations, whether their absences were recorded, authorized and subsequently charged to their

respective leave accrual records. Specifically, we floor checked 79 Tryon employees scheduled to work between December 6, 2007 and December 18, 2007. We found 66 of the employees were working as scheduled. The remaining 13 employees were reported on leave. Our follow up audit work determined that these absences were properly recorded, authorized and charged to the employees' respective leave accruals.

We also selected a sample of overtime transactions to determine whether the overtime events were authorized and the claimed hours were actually worked. Our sample focused on Tryon's top ten overtime earners during the two week period ended April 4, 2007. During this period, the sampled employees claimed a total of 360 hours of overtime equating to \$9,983. Based on Tryon's overtime authorization forms, approved time and attendance records, and the controls in place over these documents, we conclude that the sampled overtime events were both authorized and worked.

In addition to its payroll costs, as illustrated above, Tryon also incurred millions of dollars in non-personal service costs, relating to 5,903 procurement transactions. We selected a sample of 46 transactions, totaling \$53,845, consisting of items such as equipment, repairs, and cleaning products, to assess their propriety and the adequacy of required supporting documents (e.g., purchase orders, vendor invoices, receiving reports, etc.). Our audit determined that all 46 sampled items appear to be appropriate for Tryon operations, and the required supporting documentation was available.

In response to our draft report, Tryon officials acknowledged our positive findings over their payroll operations. They also provided us with information regarding their non personal service procurement operations in response to

our tentative findings in this area. As a result of this additional information, we deleted these tentative findings from this final report.

This report, dated December 4, 2008, is available on our website at: <http://www.osc.state.ny.us>.

Add or update your mailing list address by contacting us at: (518) 474-3271 or Office of the State Comptroller
Division of State Government Accountability
110 State Street, 11th Floor
Albany, NY 12236

BACKGROUND

The NYS Office of Children and Family Services (OCFS) is responsible for improving the integration of services for New York's children, youth, families and vulnerable populations and to promote their development and protect them from violence, abuse neglect and abandonment. OCFS operates 31 residential facilities, two reception centers, six community residential homes and eight day-placement centers. Tryon Limited Secure Residential Center (Tryon), located in Johnstown NY, is one of these residential facilities. Its mission is to prevent delinquency through positive youth development and habilitation.

Tryon has a budgeted capacity to serve 180 youth. As of December 31, 2007, Tryon employed a staff of 221 employees including 139 Residential Counselors (Aides). The remaining staff consists of administrative, medical, education and maintenance personnel. During the fiscal year ended March 31, 2007, Tryon's payroll costs totaled \$10.2 million and its non-personal service costs approximated \$3.3 million.

AUDIT FINDINGS

Facility Payroll Expenses

As with most state agencies and facilities, payroll is Tryon's most significant cost category. It is imperative that its payroll operations are properly controlled to ensure that staff is paid their appropriate salary rates and only for the hours actually worked.

To help ensure the integrity of facility payroll costs, Tryon officials require each of their employees to complete a time and attendance record (time sheet) every 28 days to document their actual hours worked. The time sheets, after supervisory approval, are the basis for employee payroll checks including overtime and leave charges. Before signing off, supervisors are responsible for ensuring that submitted time sheets are complete and accurate. Once approved, the time sheets are submitted to the Business Office for processing.

We performed a series of surprise employee floor checks to determine whether Tryon employees could be found at their assigned work locations, and if not at those locations, whether their absences were recorded, authorized and subsequently charged to their respective leave accrual records. We floor checked 79 Tryon employees scheduled to work between December 6, 2007 and December 18, 2007. We found 66 of the employees were at their assigned work locations. The remaining 13 employees were reported as being on leave. Our follow up audit work determined that these absences were properly recorded, authorized and charged to the employees' respective leave accruals.

Being a secure facility, it is necessary for Tryon to maintain the minimum staffing levels needed to provide both services and security to its residents. As such, staff absences or special facility events warrant employees to work overtime. Tryon maintains both voluntary and mandatory overtime rosters to ensure that each shift is covered adequately and that overtime is doled out fairly and equitably.

Tryon overtime costs totaled \$2.0 million during the audit period. We selected a sample of overtime transactions to determine whether they were authorized and the claimed hours were actually worked. Our sample focused on Tryon's top ten overtime earners during the two week period ended April 4, 2007. During this period, the sampled employees claimed a total of 360 hours of overtime equating to \$9,983. Based on Tryon's overtime authorization forms, approved time and attendance records, and the controls in place over these documents, we conclude that the sampled overtime transactions were proper.

Non-Personal Service Expenses

In addition to its payroll costs, as illustrated above, Tryon also incurred millions of dollars in non-personal service costs relating to 5,903 procurement transactions. As a State agency, Tryon is required to follow specific State procurement laws and procedures. These laws and procedures are designed to help ensure that limited financial resources are used effectively and efficiently, restricting goods and services to only those that are ordinary and necessary and obtained at a fair price.

Tryon must initiate each purchase with a purchase request describing and justifying the desired procurement. Once approved, the purchase request generates a purchase order

that is mailed to the vendor. While purchases under \$500 are approved by Tryon's Institution Steward, purchases over \$500 must be approved by OCFS' central office. Purchase orders contain a shipping address to Tryon and a bill to the address of the Purchase Order Payable System (POPS) unit. The vendor sends the bill (invoice) directly to POPS. In some cases, where the vendor has an ongoing relationship with the facility, a confirming purchase order may be set up. In those cases, a phone call may initiate the order and a purchase order is created upon receipt of the goods.

We selected a sample of 46 transactions, costing \$53,845 consisting of items such as equipment, repairs, and cleaning products, to assess their propriety and the adequacy of required supporting documents (e.g., purchase orders, vendor invoices, receiving reports, etc.). Our audit determined that all 46 sampled items appear to be appropriate for Tryon operations. We also found that the required supporting documentation was available for our sampled items.

AUDIT SCOPE AND METHODOLOGY

We conducted our audit in accordance with generally accepted government auditing standards. We audited selected payroll and non-personal service costs at OCFS' Tryon Facility. Our audit covered the period April 1, 2005 through December 18, 2007.

To accomplish our objective, we interviewed relevant OCFS and Tryon officials, and reviewed applicable laws, rules, regulations, and policies and procedures relating to Tryon's payroll and non-personal service procurement operations. We also reviewed Tryon employee time and attendance-related documents, payroll records, and available procurement support documentation. In

addition, we performed floor checks of selected Tryon staff.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions and public authorities, some of who have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these functions do not affect our ability to conduct independent audits of program performance.

AUTHORITY

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.

REPORTING REQUIREMENTS

A draft copy of this report was provided to OCFS and Tryon officials for their review and comment. Their comments were considered in preparing this final report and are included in their entirety as Appendix A. State Comptroller's comments to the auditee response are included in Appendix B.

CONTRIBUTORS TO THE REPORT

Major contributors to this report include Frank Patone, Ed Durocher, Jessie Wright, Lauren Bizzarro, Andrew Davis, Sage Hopmeier, and Sue Gold.

APPENDIX A - AUDITEE RESPONSE



October 24, 2008

**New York State
Office of
Children & Family
Services**

www.ocfs.state.ny.us

Mr. Frank Patone
Audit Director
Office of the State Comptroller
Division of State Government Accountability
123 Williams Street – 21st Floor
New York, NY 10038

Dear Mr. Patone:

David A. Paterson
Governor

Gladys Carrión, Esq.
Commissioner

Capital View Office Park
52 Washington Street
Rensselaer, NY 12144

This is the Office of Children and Family Services' (OCFS) response to audit 2007-S-105, Selected Facility Costs incurred by the Tryon Limited Secure Residential Center conducted by the Office of the State Comptroller (OSC). In summary, the report contends that the controls in place over Tryon's payroll operations are adequate, but some improvements are needed in Tryon's non-personal service procurement operations. As payroll is the most significant cost category addressed in the audit, OCFS is pleased that those operations are viewed as properly controlled in the report. There are a few points of clarification OCFS would like to offer in response to some statements contained in the report. The OSC statement at issue will be in quotations followed by the clarification OCFS would like to provide.

On page 4 of the report, OSC states, "Procured goods are shipped directly to Tryon along with an accompanying receiving report to be completed by Tryon personnel." Vendors do not send receiving reports; they are system generated and accessed through Procurement Manager Plus (PMP).

*
Comment
1

The next statement of concern is, "The vendor invoice is sent to OCFS central office for payment *once it is determined that the procurement was proper, authorized and received.*" Purchase orders contain a shipping address to Tryon and a bill to the address of the Purchase Order Payable System (POPS) unit. The vendor sends the bill directly to POPS. In some cases, a confirming purchase order may be set up. For example, a dairy or bakery that has an ongoing relationship with a facility may accept a phone order and may provide an invoice along with the delivered dairy products or bakery items. The facility would then create a purchase order in the amount of the invoice. The facility would submit the invoice, along with the purchase order number, to POPS.

*
Comment
1



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*See State Comptroller's Comments, page 9

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Next, "However, six of these transactions, totaling \$2,985, **did not have the required receiving report documentation prior to each being paid** as follows:" No invoice for a purchase order is ever paid without a receiving report being entered into PMP, which transmits the information into POPS. Without this information being entered, the system cannot 'match' the invoice and receiving report, and the invoice cannot be assigned to an auditor.

*
Comment
2

Continuing on, "For four of the sampled procurements totaling \$2,673, the receiving reports **were not signed** to evidence their receipt and propriety." Receiving reports are entered into PMP; no paper copy is required.

Lastly, "For two of the sampled procurements, scouring pads and floor wax remover totaling \$312, **no receiving reports were available.**" Again, this is because they are entered into PMP.

OCFS appreciates the opportunity to address the two recommendations made in this report regarding non-personal services. The recommendations and OCFS's responses follow:

OSC Recommendation 1—Ensure that receiving reports, as well as all other required documentation, are maintained to support the integrity of Tryon's procurement practices. Do not pay vendor invoices where all required information is not available.

*
Comment
2

OCFS Response: OCFS has developed additional controls to verify that vendor invoices are not paid unless all required information and documentation has been provided, as referenced in the clarification provided above.

OSC Recommendation 2—Inquire into the circumstances regarding the missing receiving reports noted in this report and strengthen related controls, as appropriate.

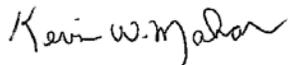
OCFS Response: OCFS has taken steps to improve the coding and processing of purchasing transactions. These actions involve additional review of coding decisions and support documentation associated with purchasing transactions to improve compliance with purchasing procedures and guidelines. Many of these improvements are provided in the clarification provided above.

*See State Comptroller's Comments, page 9

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Feel free to contact Ralph Timber of my office at (518) 473-0796 or via e-mail at Ralph.Timber@ocfs.state.ny.us with any questions or comments you may have.

Sincerely,



Kevin W. Mahar
Director
Audit and Quality Control

cc: E. M. Reilly
S. Costello
K. Lopiccio

APPENDIX B - STATE COMPTROLLER'S COMMENTS ON AUDITEE RESPONSE

1. Page 4 of the report was revised to reflect this clarification.
2. Based on the additional information presented in OCFS' response, we deleted the tentative non personal service procurement-related findings previously presented on page 4 of our draft report. We have also deleted the corresponding recommendations.