

Thomas P. DiNapoli
COMPTROLLER



110 STATE STREET
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

June 9, 2011

Mr. Joseph Rabito
First Deputy Commissioner
NYS Office of General Services
Corning Tower - 41st floor
Empire State Plaza
Albany, New York 12242

Re: Report 2011-F-5

Dear Mr. Rabito:

According 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 followed up on the actions taken by officials of the Office of General Services to implement the recommendations contained in our audit report, *Controls Over Overtime Costs* (Report 2007-S-125).

Background, Scope and Objective

The Office of General Services (OGS) was established in 1960 and is tasked primarily with providing core support services for the operations of New York State Government. OGS currently employs about 1,600 staff, who work in four business units. Real Property Management and Development (RPMD) is the largest of these units, managing 41 State-owned buildings with 17.7 million square feet of space, as well as 615 State leases totaling another 14.1 million square feet of space. RPMD handles all of the Statewide property management activities for OGS, and services the real estate needs for other State agencies as well. The RPMD business unit is responsible for ensuring that State-owned and leased buildings operate in compliance with applicable laws and lease requirements. RPMD preserves and protects these assets through regular and preventive maintenance, along with an extensive capital planning and renovations program. In some instances, OGS also provides parking services at the properties it is responsible for managing. The Parking Services Unit is responsible for operating, staffing, and monitoring about 16 parking lots and garages across the State.

OGS, in carrying out its mission to provide support services for the operations of New York State government, incurred overtime costs of about \$3.3 million and \$3.5 million for the 2006 and 2007 fiscal years, respectively. Over 90 percent of these costs were incurred by the RPMD and Parking Services units.

Our initial audit report, issued on August 14, 2008, examined whether OGS had established adequate controls over overtime to ensure that employees are paid only for hours

actually worked, and whether all overtime is necessary and assigned effectively. Our review of these programs found OGS had adequate controls in place to ensure that employees were paid only for hours they actually worked and that overtime was assigned in accordance with union guidelines. However, we also found that OGS needed to improve its procedures for documenting the major assumptions upon which its overtime budgets are based for individual rehabilitation and improvement projects. In turn, OGS also needed to communicate these budgeting decisions for individual projects more effectively to all levels of management to facilitate approval and oversight. The objective of our follow-up was to assess the extent of implementation as of May 3, 2011, of the two recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

We found that OGS officials have made some progress in correcting the problems we identified. Both of the recommendations have been partially implemented.

Follow-up Observations

Recommendation 1

Establish procedures to routinely document the basis for the overtime portion of project budgets and any subsequent changes thereto.

Status - Partially Implemented

Agency Action - In April 2011, OGS officials established procedures requiring project initiators to justify the need for overtime work, describe the basis for the number of hours estimated, and show the calculation of the number of hours per salary grade to perform the overtime work. The officials have also established similar requirements for overtime estimates on change orders and fund reallocation requests. Officials indicated that starting in May 2011, project initiators will be required to follow these procedures on all new projects.

Recommendation 2

Ensure that the major factors and assumptions underlying overtime estimates are communicated clearly to management as part of the project approval and monitoring processes.

Status - Partially Implemented

Agency Action - As noted in Recommendation 1, OGS officials recently established procedures to routinely document the basis for the overtime portion of project budgets and change orders. Starting in May 2011, major factors and assumptions underlying overtime estimates will have to be documented and included on the OGS project tracking system. OGS managers who access the tracking system can use this information to help them to make project approval decisions and guide them in monitoring project progress.

Major contributors to this report were Karen Bogucki and Donald Collins.

We would appreciate your response to this report within 30 days, indicating any actions planned to address the unresolved issues discussed in this report. We also thank the management and staff of the Office of General Services for the courtesies and cooperation extended to our auditors during this process.

Very truly yours,

Brian Reilly
Audit Manager

cc. Mr. Robert Curtin, Office of General Services
Mr. Thomas Lukacs, Division of the Budget