

H. CARL McCALL  
STATE COMPTROLLER



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ALBANY, NEW YORK 12236

STATE OF NEW YORK  
OFFICE OF THE STATE  
COMPTROLLER

October 20, 1999

Mr. James McMahon  
Superintendent  
Division of State Police  
Harriman State Office Building Campus  
Building 22  
Albany, NY 12226

Re: Overtime Controls at the Division  
of State Police  
Report 98-S-48

Dear Mr. McMahon:

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 aspects of the management of overtime controls by the New York State Division of State Police (Division). Our audit covered the period April 1, 1996 through January 15, 1999.

**A. Background**

The Division was formed in 1917. Its mission is to preserve peace; enforce the law; protect life, liberty, and property; detect crime; and, apprehend criminals throughout New York State (State). One of the ten largest law enforcement agencies in the nation, it is made up of 11 geographically-located units known as troops. Within the troops' coverage areas are zones that are further divided into stations and sub-stations. For the 1998 fiscal year, the Division employed 3,979 sworn officers (known as troopers) and 770 civilian employees, an increase over the previous year of 34 officers and 73 civilians.

The Division's payroll expenditures, including overtime, increased from \$282 million in fiscal 1996-97 to \$295 million in fiscal 1997-98, which was almost 85 percent of its total expenditures of \$347.8 million for that year. The Division's actual overtime expenditures have increased substantially from \$20 million in fiscal 1996-97 to \$27.7 million in fiscal 1997-98, according to figures compiled by the Office of the State Comptroller. Many factors contributed

to the use of overtime in fiscal 1997-98, from routine occurrences such as tour coverage (\$5 million), vehicle and traffic court (\$2.8 million), and criminal arrests and investigations (\$3.3 million), to the unforeseen emergencies and disasters that occur each year. The major such emergency during fiscal 1997-98, accounting for the majority of that year's increase, was the Seneca Indian tax protest incident in western New York. Amounts identified by the accounting codes for the special Seneca Indian incident totaled \$6.6 million.

Another factor affecting overtime amounts is the guaranteed overtime program. By contract, the Division guarantees each trooper 12 hours of overtime per month. This program resulted in overtime costs of about \$13.8 million in fiscal 1997-98, and \$13 million in fiscal 1996-97.

## **B. Audit Scope, Objectives, and Methodology**

We audited selected aspects of the management of overtime expenditures, as well as the related time and attendance practices, at the Division for the period April 1, 1996 through January 15, 1999. The objectives of our performance audit were to determine whether the systems for controlling overtime were working, and to determine whether the overtime expenditures were reasonable and proper. To accomplish these objectives, we reviewed applicable laws, policies and procedures; interviewed personnel at both Division and Troop Headquarters; and, reviewed a sample of relevant records and data.

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 the Division that are included in our scope. Further, these standards require that we understand the Division's internal control structures 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 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 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, however, identifies an operation that is functioning very well and deserves recognition for its success. We, therefore, highlighted the positive aspects of the program and those areas needing improvement.

## **C. Results of Audit**

In general, we found that the Division's controls over overtime, which involve a system of multiple approvals, were sound. Each instance of overtime must be requested and approved in advance, except in an emergency, when the request and approval must be obtained as soon as practical after the situation is stabilized. After completing the approved overtime, the trooper returns to his or her station and signs out, and completes an overtime slip for submission and payment. When the supervisor in charge approves the overtime, he/she makes an entry on a supervisor log, indicating the date, the amount of overtime, and the name of the trooper whose overtime was approved. This log is a vital control. When an overtime slip comes in, the supervisor is required to compare the requested overtime amounts with entries in the log, to determine whether the overtime has been earned. If the overtime is proper, the supervisor signs the overtime slip and notes the approval of the slip on the log. The approved slip is sent to Troop Headquarters for a second approval, and then to record-keeping personnel for data entry in the Division's Management Information Network (MIN). After entry, the slip is forwarded to Division Headquarters and compared with the record on the MIN. If the information on the slip and the MIN records match, and are proper, payment is authorized and processed. If there is a problem, the slip is returned to the troop for correction. When the process is used as intended, the chance that discrepancies or unauthorized overtime will get through is minimal.

The remainder of this report addresses two areas in which the Division could potentially save costs by tightening control procedures for avoiding duplicate overtime payments and by negotiating a fair reimbursement for services rendered to the Jacob Javits Center.

### **1. Overtime Payments**

The system of controls in place at the Division is designed to eliminate any chance of erroneous, unearned, or improper payments, and it functions properly most of the time. However, we found that controls over overtime payments were not always effective. We used a computer-assisted auditing tool known as ACL (Audit Command Language) to analyze a download of more than 386,000 overtime entries from the MIN for the period January 1, 1997 through June 1998. Our analysis indicated that 615 employees appeared to receive a total of 927 duplicate payments (records indicated that troopers were paid twice for the same period) during the 18-month period we reviewed. The total of these apparent duplicate payments amounted to about \$74,000. Subsequent analysis found that these payments were a combination of actual duplicate payments and clerical errors.

We examined the supporting records of 40 officers; the top 10 from each of 4 troops with the highest number of apparent duplicate payments, representing 125 of the 927 instances. Comparing this MIN data with records at Division Headquarters and at the 4 Troop Headquarters, we found that 69 out of the 125 sampled were, in fact, duplicate overtime payments. The remaining 56 instances were not duplicate payments. Data contained in the MIN reflected possible duplicate payments for these 56 instances, however, we found that these entries

were actually clerical errors. A typical error involved entering an improper date for the overtime incurred, which would overlap another overtime charge giving the appearance that a duplicate payment occurred. For the 69 actual duplicate payments, we found those reviewing supervisors had improperly authorized duplicate overtime submissions either because they had not checked their supervisor logs for evidence that the requests had already been submitted, or because they had not noted the receipt of the original submission in the log. The 69 duplicate overtime payments ranged from \$15 to \$540 and totaled \$7,351. One trooper collected \$1,454 in unearned duplicate payments.

Duplicate overtime payments could be identified immediately with a computer automated payment edit, but the Division's computer system does not have the capability to adequately accomplish this edit check. Lacking an effective automated capability, the Division needs to focus efforts to ensure that its supervisory overtime review and approval process is conducted thoroughly and accurately. We did not find any evidence of an intentional falsification of records. We believe the duplicate payments found in our sample are attributed to errors by troopers and clerical staff. The Division has been provided with the detailed results of our sample and should seek reimbursement for the 69 instances of actual duplicate payments. Further, the Division should investigate the remaining 802 potential duplicate overtime submissions to determine how many more actual duplicate payments may have been made.

## **2. Jacob K. Javits Convention Center Security Services**

The Jacob K. Javits Convention Center (Center) in New York City (City) is operated by the New York Convention Center Operating Corporation (Corporation). The Corporation was established in 1979 with the hope that it would develop the Center into an economic and social benefit to both the City and the State. During May 1995, the Office of the State Comptroller (OSC) issued three audits of the Corporation citing numerous deficiencies regarding the management activities and controls at the Center. Also, as stated in the Center's formal security proposal to the Division, an Independent Review Board (Board), appointed by the Southern District of the U.S. Federal Court, investigated charges that alleged mob-connected union officials were involved with Center operations. The cumulative effect of all the Center's problems was that, after turning a profit of \$1.4 million in fiscal year 1991-92, Center management reported a loss of \$1.6 million in the 1994-95 fiscal year. In response to the conditions identified in prior OSC audits and Board investigations, Governor Pataki decided to take steps to turn Center operations around. In 1995, with the objectives of removing the criminal element and restoring the Center's image with the business community, the Governor replaced the Center's leadership and assigned the State Police to patrol the Center. Shortly after, the criminal element that had been strangling the Center by preying on vendors, had been removed, and the Center's image restored.

According to the Law, the Corporation can use the Division's staff, so long as its uses are legal and it compensates the Division for its costs. It states that the Corporation has the power, ". . . with the consent of the State, to use the agents, employees and facilities of the State,

paying its agreed proportion of the compensation or cost,” and “to enter into agreements with . . . the state . . . for any lawful purposes necessary to effectuate the purposes of this title . . . .” As a self-sufficient entity, the Center, under the management of the Corporation, should be paying the expenses it incurs from the income it receives. However, we found that this is not the case. The Division is absorbing approximately 35 percent of the costs of the troopers assigned to the Center.

Staffing of troopers at the Center began on June 29, 1995, with 25 troopers covering security for 24 hours a day, 7 days a week. The Center initially agreed to pay for all the regular, overtime and fringe benefit costs of this detail. However, from August through December 1995, the Corporation requested staffing changes that progressively reduced Division manpower to 17 by January 1996. As a further cost-cutting measure, the Center made additional staff reductions effective in January 1996, stating it would pay for just 12 of the 17 staff assigned and stopped paying for fringe benefits for all troopers. The 17-member detail assigned to the Center at that time comprised the minimum staffing level needed to do the job effectively, according to research by the Division. Because the Division realized they could not do the job adequately with only 12 troopers, Division officials agreed to reduce the force from 17 to 15 and cover the cost of the three additional troopers. In April 1998, Center management requested and was willing to pay for a total of 14 troopers. Our analysis shows that the Division has been absorbing an average of about 35 percent of the cost of the troopers assigned to the Center. The most current data available indicates that the Division has absorbed more than \$1.5 million in additional costs from January 1996 through June 1998 for security services provided to the Center.

The Division also picks up any costs for extra staffing at special events throughout the year. The exact number of such events, or their full cost, is unknown because they are not always tracked by the Division. In one instance, we were able to identify an example of this extra coverage because a special code had been created to track the costs associated with it. We found that the Division had paid the entire cost of extra security (\$85,432) for the NBA Jam held during the 1998 NBA All-Star Weekend. In fact, these special events required the assistance of additional staff assigned from surrounding troops, not only for covering activities at the Center but also for providing security for Center guests traveling to the Center.

Corporation officials said they were satisfied that vendors had started to return to the various shows at the Center after the Division accomplished its objective of removing the criminal element, thus making it possible for the Center to become profitable again. The Division’s success has improved the Center’s image in the eyes of the business community, as well. Vendors now return on an annual basis, and the Center is booked through the year 2001. Financial solvency has also returned to the facility, which reported a net profit of \$3.6 million for fiscal year 1997-98. According to Corporation officials, the facility’s turnaround was due, in large part, to the Division’s troopers. Since the Center is intended to be self-sufficient and has benefitted directly in terms of increased revenues, the Division should consider seeking reimbursement for all of the staff it has assigned there. Moreover, the Division should keep better

records that show clearly the number of staff assigned to special events at the Center, making it possible for the Division to seek all the reimbursement it is due.

### **Recommendations**

1. *Focus efforts to ensure that the supervisory overtime review and approval process is conducted thoroughly and accurately.*
2. *Investigate remaining possible duplicate payments and seek reimbursement for duplicate payments.*
3. *Discuss the reimbursement issue with Center management, securing an agreement that outlines the full amounts of security coverage the Center will pay for.*

A draft copy of this report was provided to Division officials for their review and comment. Their comments have been considered in preparing this report, and are included as Appendix A. Division officials generally agreed with our recommendations and indicated that they either have been or are in the process of being implemented.

Within 90 days after release of this report, as required by Section 170 of the Executive Law, the Superintendent of the Division of State Police 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 Frank Russo, Brian Lotz, Todd Seeberger, Maureen Costello, Brian Krawiecki, Amy Pertgen, James Hayden and Laurie Kmiec.

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

Very truly yours,

William P. Challice  
Audit Director

cc: Charles Conaway, DOB  
Gerald T. McQueen - Jacob K. Javits Convention Center  
Deputy Superintendent Hanford Thomas



JAMES W. McMATION  
SUPERINTENDENT

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OFFICE STATE COMPTROLLER  
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H. CARL MCCALL  
NEW YORK STATE COMPTROLLER

September 24, 1999

Honorable H. Carl McCall  
Comptroller  
Office of the State Comptroller  
A. E. Smith State Office Building  
Albany, New York 12236

Dear Mr. McCall:

Reference is made to the correspondence of Mr. William Challice, Audit Director, regarding draft audit report (98-S-48) entitled "Overtime Controls at the Division of State Police."

Enclosed please find a copy of the New York State Police response to the Office of the State Controller which covers the areas of concern for the Division. Should you have any questions or need additional information, please do not hesitate to contact me.

I would like to thank you for the manner in which this audit was conducted. The Audit staff was truly professional and in no way intrusive to the day-to-day operation of the Division of State Police.

Sincerely,

James W. McMahon  
Superintendent

Attachments



40% Pre-Consumer Content, 10% Post-Consumer Content

**OVERTIME CONTROLS  
DIVISION OF STATE POLICE  
OFFICE OF THE STATE COMPTROLLER  
AUDIT REPORT 98-S-48**

**Overtime Payments:**

**Recommendation 1:** Focus efforts to ensure that the supervisory overtime review and approval process is conducted thoroughly and accurately.

**Response:** The responsibility for thoroughness and accuracy in the processing of overtime payments has been reinforced with supervisors. In addition, an internal project to update the overtime codes and provide better management tools has been completed and approved for implementation during the third quarter of 1999.

**Recommendation 2:** Investigate remaining possible duplicate payments and seek reimbursement for duplicate payments.

**Response:** Summary data sheets provided by the State Comptroller are being reviewed. Upon validation, duplicated payments will be handled consistent with the provision of Article 14 of the State Finance Law.

**Jacob Javits Center Security Services:**

**Recommendation 3:** Discuss the reimbursement issue with Center management securing an agreement that outlines the full amounts of security coverage the Center will pay for.

**Response:** The Division has met with Center management, who has agreed to underwrite the actual salary costs of the Detail. This reimbursement will be reflected in the payment for our current invoice for the last quarterly billing. All overtime payments will be billed to the Center.