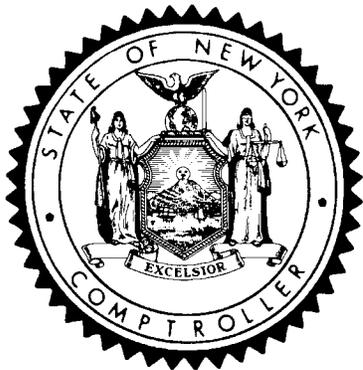


State of New York
Office of the State Comptroller
Division of Management Audit
and State Financial Services

**DEPARTMENT OF ENVIRONMENTAL
CONSERVATION
BELLEAYRE MOUNTAIN SKI
CENTER**

**SELECTED TIME AND ATTENDANCE
PRACTICES**

REPORT 2000-S-3



H. Carl McCall
Comptroller



State of New York Office of the State Comptroller

Division of Management Audit and State Financial Services

Report 2000-S-3

Mr. John P. Cahill
Commissioner
Department of Environmental Conservation
50 Wolf Road
Albany, NY 12233

Dear Mr. Cahill:

The following is our audit report concerning selected time and attendance practices at the Belleayre Mountain Ski Center.

This 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. Major contributors to this report are listed in Appendix A.

*Office of the State Comptroller
Division of Management Audit
and State Financial Services*

November 15, 2000

Executive Summary

Department of Environmental Conservation Belleayre Mountain Ski Center Selected Time and Attendance Practices

Scope of Audit

The Department of Environmental Conservation (Department) operates the Belleayre Mountain Ski Center (Belleayre) within the Catskill Park in the Town of Shandaken in Ulster County. The Department assumed this authority under Title 9, Sec. 9-0903 of the State Environmental Conservation Law. Belleayre has more than 14 miles of skiable terrain on 36 ski trails, nine ski lifts, and three day-use lodges. Ski lifts operate daily from 9:00 a.m. to 4:00 p.m. Snowmaking covers 92 percent of the total trail acreage. Annually, Belleayre provides recreation for about 75,000 skiers. Recent expansion at Belleayre including the addition of two new trails and lifts increased skier visits (and ticket sales) during the 1999-2000 ski season. Belleayre employs over 300 permanent and seasonal workers and had a personal service budget of about \$1.3 million.

Our audit addressed the following questions about selected time and attendance practices at Belleayre for the period April 1, 1999 through February 29, 2000:

- ! Does Belleayre have adequate time and attendance controls and effective mechanisms to ensure that its overtime payments are necessary and valid?
- ! Does Belleayre use its personnel resources effectively?

Audit Observations and Conclusions

We found that Department and Belleayre management could improve time and attendance and overtime controls at Belleayre. Based upon our audit tests and direct observation, we identified some internal control weaknesses relating to time and attendance procedures and staff deployment among the various departments at Belleayre. This includes the lack of proper segregation of duties among individuals who process the payroll, employees not following proper sign-in and sign-out procedures, the lack of adequate documentation to support overtime payments, and the failure to remove employees from the payroll in a timely manner. We identified opportunities where the use of technology could improve controls and the efficiency of processing payroll. Furthermore, we identified opportunities to improve employee scheduling and recruitment that could result in lower personal service and overtime costs.

Comments of Department and Belleayre Officials

We provided a draft copy of the matters presented in this report to Department officials for their review and comment. Their comments were considered in preparing this final report.

Department officials agree with most of our recommendations and indicated they have or will implement them. However, they do not believe that the extra work involved in operating a payroll advance account would exceed the benefits of such a process.

Contents

Introduction	Background	1
	Audit Scope, Objectives, and Methodology	1
	Comments of Department Officials to Audit	2

Internal Controls Could Be Improved	Better Separation of Duties Is Needed	5
	Better Supervision Is Needed Over Employee Time and Attendance	6
	Overtime Should Be Authorized in Advance and Documented	7
	Employees Should Be Promptly Removed from the Payroll	8
	Recommendations	8

Use of Technology to Improve the Payroll Process	Specialized Payroll Reports Could Help Managers Monitor Payroll Costs	11
	Automating the Timekeeping System Could Improve Controls and Efficiency	11
	Recommendations	12

Hiring and Staffing Processes Could Be Changed	Lag Payroll Causes Hiring Problems	13
	Lift Operations May Be Overstaffed During Mid-Week Periods	14
	Changing Snowmaking Shifts Could Improve Efficiency	15
	Recommendations	15

Appendix A	Major Contributors to This Report
-------------------	-----------------------------------

Appendix B	Comments of Department Officials
-------------------	----------------------------------

Introduction

Background

The Department of Environmental Conservation (Department) operates the Belleayre Mountain Ski Center (Belleayre) within the Catskill Park in the Town of Shandaken in Ulster County. The Department assumed this authority under Title 9, Sec. 9-0903 of the State Environmental Conservation Law. Belleayre has more than 14 miles of skiable terrain on 36 ski trails, nine ski lifts, and three day-use lodges. Ski lifts operate daily from 9:00 a.m. to 4:00 p.m. Snowmaking covers 92 percent of the total trail acreage. Annually, Belleayre provides recreation for about 75,000 skiers. Belleayre employs over 300 permanent and seasonal workers and had a personal service budget of about \$1.3 million.

Belleayre has 12 operating units: the Motor Vehicle Department, Lift Maintenance, Building Maintenance, Ski Patrol, Ski School, Snowmaking, Lift Operations, the Rental Ski Shop, Administration, Ticket Vending, Security, and the Nursery. Supervisors from each of the units are responsible for hiring, scheduling, accounting for employee time and attendance, and authorizing overtime when necessary. Recent expansion at Belleayre including the addition of two new trails and lifts increased skier visits and ticket sales during the 1999-2000 ski season. Belleayre management stated the additional ski trails have contributed to a 37 percent increase in sales over previous ski seasons.

Belleayre's payroll checks are issued by the Office of the State Comptroller's (OSC) State payroll system and are sent through the Department's main office in Albany to Belleayre. The Department has delegated the main responsibilities for Belleayre's payroll to the administrative personnel working at the facility. These duties include entering employee appointment and work shift information onto the Department's payroll system, where payroll data is accumulated and stored until it is sent to the State payroll system for processing.

Audit Scope, Objectives, and Methodology

Our audit focused on internal controls over employee time and attendance at Belleayre for the period April 1, 1999 through February 29, 2000. This included determining whether time and attendance controls are effective, the payroll was adequately supported by time and attendance records, and overtime payments were necessary and appropriate. In addition, we evaluated staffing practices to identify opportunities for Belleayre to reduce overtime costs. We also assessed the potential for improving the efficiency of the payroll process.

Our field work was performed during the first two weeks of February 2000, which allowed us to observe ski center operations during Belleayre's peak ski period. To achieve our audit objectives, we performed four different audit

tests on randomly selected samples of employees. We reviewed the process of adding 50 employees and removing 50 employees from the payroll; we reviewed time and attendance records for selected pay periods for another 25 employees; and we verified that employees were present during their designated shifts performing their assigned tasks for a fourth sample of 50 employees. We also reviewed overtime transactions for selected pay periods to determine if the overtime was properly approved for the 25 employees with the most overtime. In addition, we met with operating unit supervisors to determine the time and attendance controls and factors that effect staffing.

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 which are included within our audit scope. Further, these standards require that we understand the Department's and Belleayre's internal control structure and their compliance with those laws, rules and regulations that are relevant to the operations which are 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 agency 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 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 in detail activities that may be functioning properly.

Comments of Department Officials to Audit

We provided a draft copy of the matters contained in this report to Department officials for their review and comment. Their comments have been considered in preparing this final report and are included as Appendix B.

Within 90 days after final release of this report, as required by Section 170 of the Executive Law, the Commissioner of the Department of Environmental Conservation 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.

Internal Controls Could Be Improved

OSC's February 1999 *Standards for Internal Control in New York State Government* details various types of control activities that accomplish different internal control objectives. Among the examples cited in the framework are separation of duties, proper documentation, and proper authorization. Separation of duties is the division of key tasks and responsibilities among the various employees and subunits of an organization. In cases where tasks cannot be effectively separated, management can substitute increased supervision as an alternative control activity that can help prevent or reduce the risks of error, waste occurring or going undetected. For example, employees performing special tasks for an organization (like working overtime or making purchases) should have authorization to do so. Proper documentation is also an important internal control: it helps managers control and analyze operations, and it provides evidence to support decisions.

We found that Belleayre could improve its controls over certain aspects of the payroll and time and attendance processes. Implementation of these controls would give Belleayre managers and the Department better assurance that employees are only paid for hours worked and could lead to lower overtime costs.

Better Separation of Duties Is Needed

Supervisors from each of Belleayre's twelve operating units are responsible for hiring, scheduling, accounting for employee time and attendance, and authorizing overtime when necessary. One employee in Belleayre's Administration unit is responsible for initiating employee pay checks by data entering information the Department's payroll system for hours worked each pay period and recording newly hired employees onto this system. No one validates the employee work hour information before sending the information to the State payroll system. Also, Belleayre staff only check that newly hired employees have legitimate titles and reasonable pay rates before authorizing that these individuals be added to the State payroll system. There is no verification as to whether new employees are in fact bona fide persons who met the appropriate hiring criteria.

Belleayre's Administration unit has only a few employees to deal with day-to-day business operations. The additional business from adding two new ski trails in 1999 had resulted in additional work for an already small administrative staff. Separation of duties among staff is done with a focus on getting the job done rather than with implementing ideal internal controls.

One person is responsible for key functions of the payroll process and there are no compensating checks or balances (such as independent tests of the payroll data to actual supporting time records). Therefore, there is a

potential for payroll errors to go undetected which then lead to inaccurate accounting data. Errors could also go undetected if operating unit supervisors improperly report employee work hours to the Administration unit for input to the Department's payroll system since no independent checks are done to verify the accuracy of this information. We found one instance of an undetected data entry error that had allowed an employee to be overpaid for three hours not worked.

Better Supervision Is Needed Over Employee Time and Attendance

The New York State Accounting System User Procedure Manual requires State agencies to maintain complete and accurate records of employees' attendance and leave accruals. Belleayre uses attendance sheets where employees enter their arrival and departure times with their signature each day they work. Operating unit supervisors are responsible for ensuring employees properly sign in and out. Supervisors prepare bi-weekly summary logs from the information in the attendance sheets which show hours worked for all employees in their operating unit. These summary logs are forwarded to Belleayre's Administration unit for data input of employee hours worked to the Department's payroll system.

According to OSC's Payroll Procedures Manual for State agencies, a good control when sign-in sheets are used to record employee attendance is for the employees to sign in and out chronologically and that employee names not be pre-listed. Another good control is to maintain the attendance sheets in a conspicuous location where the supervisor can readily observe everyone coming and going. However, we observed that such controls were not always used and, consequently, supervisors at those locations could not always adequately account for employees' time worked.

During our audit of 50 Belleayre employees to determine whether they were present and performing their assigned tasks during their scheduled shifts, we found two employees who signed in and out at the same time and one employee who had not signed in at all. In addition, our subsequent observation of the Lift Operations unit's employee sign in and out process revealed several employees who had both signed in and out at the same time.

While we later determined that these individuals had worked the hours indicated on the attendance sheets, the responsible supervisors had not followed up (nor had they even observed that these employees had not properly signed in and out) to ensure that these employees had worked the hours reported on their attendance sheet. Belleayre managers told us that some Lift Operations unit employees (i.e., "lift eight employees") are allowed to sign in and out at the same time because of their remote location. However, none of the employees referred to above were lift eight employees. Given the remote locations where many Belleayre employees work on

the ski slopes, there is a risk they could be paid for hours not worked without adequate supervision of their time and attendance.

Overtime Should Be Authorized in Advance and Documented

Good organizational controls for overtime helps to ensure that overtime is properly authorized, recorded and paid according to applicable laws and regulations. To accomplish this, management should establish formal mechanisms to pre-approve employee overtime to better ensure that overtime worked could not be performed by employees on regular work shifts. Another purpose for pre-approving overtime is to control payroll costs. Belleayre supervisors do not document prior approval of overtime. Operating unit supervisors told us they verbally authorize employees to work overtime on an as-needed basis. Belleayre management believes this approach provides flexibility to deal with quickly changing conditions inherent with the ski industry. The need to have a system which allows for quick verbal approval of overtime does not preclude Belleayre supervisors from documenting the reasons for the overtime promptly upon return to the work site. This would at least provide a record that the overtime was needed and reasonable based on the conditions at the time it was authorized.

During the period September 2, 1999 through February 2, 2000, 127 of the 320 employees at Belleayre worked a total of 4,757 overtime hours. We reviewed records for the 25 employees who earned the most overtime during this period to determine if adequate documentation had been maintained to support the overtime and whether it appeared reasonable. Several individuals in our overtime sample incurred more than 60 overtime hours in one week. In addition, 13 employees earned more than 100 overtime hours during the 22-week period, including one Lift Maintenance employee who earned 251 hours. With no documentation to support the overtime, we could not determine if the overtime was properly authorized and necessary. Department officials stated overtime decisions are often made based on quickly changing weather conditions, mechanical breakdowns and other factors; overtime in the past year was higher than normal because of an unforeseen increase in business without additional staffing. However, since new trails and lifts were added at Belleayre, much of the additional business should have been expected.

By having a formal mechanism for granting prior approval of overtime and a system to accumulate this information in a summary format, management can better account for the overall reasons why overtime occurs at the ski center and whether overtime expenditures are necessary or avoidable. In addition, this would allow management a better basis for projecting anticipated overtime costs when developing future budgets.

Employees Should Be Promptly Removed from the Payroll

One way to ensure that employees are not paid after their last work day is to promptly remove them from the payroll. During our audit period, Belleayre did not use formal authorization documents for removing employees from the payroll. Instead, the person responsible for processing the payroll relied upon the operating unit supervisors to verbally notify her whenever someone no longer worked at Belleayre.

This is not a good practice given the large number of seasonal employees at Belleayre. We found 18 of our 25 sampled deletions were not removed from the payroll until between one and four months after their last work day. Even though we verified that none of these employees received a pay check for time worked after their last day, there is a risk that someone could enter a payment authorization onto the State payroll system during the time it took to remove these individuals from the payroll and the system would not have prevented a check from being prepared. Department and Belleayre management told us subsequent to our fieldwork that they developed a document for Belleayre operating unit supervisors to use to indicate an employee's last day of work. Using this form should help to ensure employees are not paid after their last work day.

Recommendations

1. Evaluate staffing and responsibilities in Belleayre's Administration unit to provide for separation of payroll duties or otherwise implement appropriate compensating controls.
2. Provide for independent verification of the Belleayre payroll. This includes, but is not limited to, periodic reviews of payroll transactions to verify State payroll system data to source ski center time and attendance records.
3. Remind Belleayre operating unit supervisors of the proper employee sign-in and sign-out procedures, and the need to properly monitor that each employee signs his or her own name and time in and out as they start and leave work, not simultaneously.

Recommendations (Cont'd)

4. Improve documentation for overtime authorization and the reasons therefor.

Auditors' Comment: The above recommendation was revised to reflect the Department's response to the draft report.

5. Take the necessary steps to ensure Belleayre operating unit supervisors properly follow Belleayre's new procedures for documenting an employee's last day of work.

(In response to the draft report, Department officials indicated there is a possibility that seasonal employees whose employment was terminated could later be needed and keeping them on the payroll is better than having to go through the cumbersome processes of terminating and rehiring them.)

Auditors' Comments: To minimize the risk that a payment could be made in error, all individuals should be removed from the payroll. In addition, we noted there were many ski school instructors in our sample who last worked in January 1999, but were not removed from the payroll until May 1999, well after the ski slopes had closed.

Use of Technology to Improve the Payroll Process

Agency management is responsible for promoting orderly, economical, efficient and effective operations consistent with the organization's mission. Agency management is also responsible for developing and maintaining reliable financial and management data, and to accurately present that data in timely and useful reports. Such data can be used for monitoring and decision-making purposes.

By exploring different ways to use existing and new technologies, we found opportunities for Belleayre to establish better reporting systems and more efficient payroll processes that may free up staff time for other tasks.

Specialized Payroll Reports Could Help Managers Monitor Payroll Costs

During our audit, Belleayre had no reporting mechanism which would allow management to effectively analyze payroll cost trends. Administrative staff at Belleayre told us that they do not receive any reports from either the Department's payroll system or the State payroll system which have the information for them to effectively analyze the payroll, such as reports showing each employee's overtime separately and in which operating unit each employee worked. Belleayre administrative staff also told us that neither the Department's nor the State's payroll system provide reports by employee in a format which would allow them to validate the payroll data they enter into the Department's payroll system and then downloaded to the State payroll system.

Subsequent to our field work, a Department manager told us that the Department's payroll system can generate special reports upon demand. However, Belleayre payroll staff were not aware of this capability. Special reports would help Belleayre management to monitor specific aspects of payroll costs and overtime, such as the rate overtime is incurred (the percent of total payroll) and the operating units, titles and individuals incurring the most overtime and leave.

Automating the Timekeeping System Could Improve Controls and Efficiency

Belleayre's payroll process requires staff to input payroll data to the Department's payroll system. The other State-run ski centers (i.e., The Olympic Regional Development Authority's ski centers at Whiteface and Gore Mountains) use an automated timekeeping system where payroll data are directly entered as employees sign in and out. Neither Belleayre nor Department management has evaluated alternative methods to present timekeeping processes at Belleayre. According to the vendor's representative of the automated timekeeping system used by the Olympic Regional Development Authority, such as system (including five swipe clocks along with required software and hardware) could be installed at Belleayre for

between \$22,000 to \$32,000; annual maintenance costs for the system would be about \$4,000.

With this system, each employee has a unique computer-generated swipe card. Employees swipe the card at the appropriate clock location when they start and end their work days and whenever they take breaks. The system maintains employee work hour information in an on-line database that can be downloaded directly to any system that generates employee pay checks. An automated timekeeping system would improve employee sign-in and sign-out controls, reduce the potential for data entry errors, and facilitate the preparation of customized payroll reports. Additionally, the software can consider State union contract requirements to automatically calculate leave accrual balances according to State rules.

Recommendations

6. Instruct Belleayre Administration unit personnel how to generate more useful payroll reports from the Department's payroll system.
7. Explore the feasibility and benefits of automating Belleayre's employee timekeeping process.

Hiring and Staffing Processes Could Be Changed

Belleayre's staffing and the annual budget appropriation have generally remained constant over the past few ski seasons. With the addition of two new trails, Belleayre's 1999-2000 budget appropriation was increased by more than \$200,000 to meet the increased staffing needs in anticipation of the additional volume of ski activity. Hiring difficulties have caused Belleayre to maintain the same level of staff this season as previous years even though ski activity increased. Instead, Belleayre has had a 49 percent increase in overtime during the 1999-2000 ski season. We identified ways for Belleayre to improve its ability to hire qualified staff, and to adjust staffing at some operating units to save money and improve operating efficiencies.

Lag Payroll Causes Hiring Problems

Belleayre's ski season starts the weekend after Thanksgiving and goes through the first Sunday in April. All seasonal and permanent Ski Center employees have their pay withheld for up to five weeks as part of the State's lag payroll system; at the end of employment, the employee continues to receive a check to make up for the initial lag. The five-week payroll lag means that employees who start work around Thanksgiving do not get their first pay check until after Christmas. It was the consensus of Belleayre's operating unit supervisors that the lag payroll system created significant difficulties in hiring qualified applicants. There are also a number of nearby privately-owned ski centers in the vicinity of Belleayre which compete for these employees, but do not have lag payrolls.

The State's Ski Safety Law establishes minimum staffing at ski centers to ensure skier safety. Belleayre officials aim to not only ensure skier safety, but to maximize customer satisfaction with their ski experience at Belleayre. Additionally, some of Belleayre's operating units, like Lift Operations and Trail Maintenance, have specific staffing requirements for operating equipment. Some of Belleayre's operating unit supervisors told us that they do not have enough staff for adequate coverage due to difficulties hiring qualified staff and they need to schedule overtime to offset low staff levels. Lift Operations, Snowmaking, and Trail Maintenance account for over half of the total overtime hours incurred at Belleayre during the 1999-2000 ski season. Supervisors from both Snowmaking and Trail Maintenance told us their units are at least one staff person short from being able to maintain normal work schedules and they need to supplement this shortage with overtime.

State agencies can apply for approval of the Office of the State Comptroller to establish Special Advance Account for salary advances. These imprest accounts have a maximum amount and disbursements need to follow standards to ensure that checks are drawn properly and that adequate

documentation is maintained. We initially suggested the Department seek authorization to establish a special salary advance account to pay Belleayre's seasonal employees salary advances pending receipt of their pay checks. After meeting with OSC officials, it was proposed that the Department seek a change in legislation to exclude seasonal employees from the State's lag payroll. However, this was deemed to be too time-consuming and would not provide a solution prior to the beginning of the next ski season. Department officials advised us they have formed a workgroup, chaired by OSC, to investigate and explore possible solutions.

Lift Operations May Be Overstaffed During Mid-Week Periods

Belleayre's Lift Operations unit has 36 employees who are responsible for ensuring ski lifts are operational, loading/unloading passengers from ski lifts, maintaining orderly passenger traffic conditions, discontinuing lift operations when deemed necessary, enforcing safety rules, advising and assisting passengers, and checking whether passengers have proper lift tickets. State Regulations require, at a minimum, an operator at each ski lift who is in charge of the aerial lift and one attendant at each loading/unloading platform. The ski lift operator is responsible for all other employees at the lift and for keeping ski lift logs. Lift attendants load the chairs and check tickets at the bottom of each lift.

Belleayre's management has decided to staff the bottom of each ski lift with three to four employees, as well as one employee each at the top and mid-stations. This staffing pattern, which is the same for mid-week periods as it is for weekends, is above the minimum requirements of the State Regulations. There are also substantially fewer skiers at Belleayre during the mid-week periods as compared with the weekends: 54 percent of Belleayre's ski activity occurs during weekends. As a result, Lift Operations staff during the mid-week periods may be underutilized. We concluded that the low number of skiers which we observed during mid-week periods may not always warrant the same number lift operators as may be advisable during the weekends.

Belleayre management stated that at least three people are needed at the bottom of each ski lift for safety and operational reasons and to ensure adequate staffing exists during employee breaks. We found that the two other State-run ski centers (Whiteface and Gore Mountains) use less staff on ski lift operations during weekdays, with each ski center usually having no more than two staff at the bottom of the lift. Management at these Adirondack Park ski centers believe this level of staffing adequately meets safety and operating requirements during weekdays. Reducing Lift Operations staff to three persons on each ski lift during weekdays could save Belleayre between \$12,240 and \$24,480 in salary cost alone or it could allow the ski center to transfer these people to other departments where there may be staffing shortages or overtime.

Changing Snowmaking Shifts Could Improve Efficiency

Belleayre's Snowmaking unit supervisor told us his unit would operate efficiently with 27 to 28 people, in order to staff three shifts and allow pass days for each employee. If the conditions are such that snow cannot be made, the schedule is changed and staff are moved to Lift Operations. The Snowmaking unit had only 23 employees in February 2000, 20 of whom worked full-time. The unit supervisor told us the same thing we heard from several other operating unit supervisors: he had trouble hiring qualified people. In addition to the problems associated with hiring seasonal work, a low pay scale, and a pay check lag, there is no shift differential for people working the overnight shift and snowmaking employees must be at least 18 years old.

Belleayre's Snowmaking unit has three 8-hour shifts: 10:00 p.m - 6:00 a.m., 6:00 a.m - 2:00 p.m. and 2:00 p.m. - 10:00 p.m. Most snowmaking takes place on the 10:00 p.m - 6:00 a.m. shift when the weather is more conducive to snowmaking and there the ski center is closed to the public.

We compared this staffing practice with that of the Whiteface Mountain Ski Center, who also has difficulty hiring enough qualified snowmaking employees. Whiteface has two 12-hour snowmaking shifts rather than three 8-hour shifts, allowing them to make as much snow with fewer employees. Whiteface Mountain's General Manager told us that studies have concluded that, although it cost about the same to staff two 12-hour shifts as it does to staff three 8-hour shifts, the 12-hour shifts has several advantages, such as better communication resulting from having one shift change rather than two; increased employee moral resulting from higher pay as overtime opportunities increase; and an enhanced ability to retain qualified staff from one season to the next.

Recommendations

8. Continue working to develop solutions to the problems that make it difficult to pay seasonal employees in a timely manner. In addition, keep abreast of changes to the State's payroll system which may make the use of a Special Advance Account a viable solution in the future.

Recommendations (Cont'd)

(Subsequent to our field work, Department officials investigated what it would take to use salary advances as a solution to the lag payroll problem. They dismissed the idea of setting up such a salary advance account because of the additional work involved. However, they stated that the audit prompted them to participate in a newly-formed work group that will investigate and explore possible solutions to the hiring problem.)

Auditors' Comments: The above recommendation was revised to reflect the Department's response to the draft report. The intent of our recommendation was to develop a solution to what we considered a major problem Belleayre had hiring and retaining a sufficient number of ski center staff to enable it to successfully compete with other Catskill Mountain ski centers. The salary advance account was the only option immediately available. While we acknowledge this process would likely require a large administrative effort for the Department, the cost of this effort might be justified by the increased ability to hire and retain a sufficient number of qualified staff in the competitive Catskill Mountain ski business, which should also reduce overtime costs at Belleayre. However, the work group in which the Department is participating will hopefully produce positive long-range results, although the solutions will unlikely be available for the staffing problem in the 2000-01 season.

9. Re-evaluate Lift Operations staffing levels at Belleayre.

(Department officials disagree and state that their current lift operations staffing levels are needed for safety and other reasons.)

Auditors' Comments: Belleayre's lift operations staffing is greater than Whiteface Mountain's. While the additional staffing may be more appropriate on weekends, lowering the number of staff at the positions should be considered during weekdays when there are comparatively much fewer skiers at Belleayre.

Recommendations (Cont'd)

10. Evaluate and document a comparison of whether Belleayre should keep its three 8-hour work shifts or implement two 12-hour work shifts for snowmaking.

(Department officials stated that they have examined this idea and conclude that the two 12-hour snowmaking work shifts are less productive and more costly than three 8-hour snowmaking work shifts.)

Major Contributors to This Report

Carmen Maldonado
Gerard Tysiak
Roger Mazula
Mark Ren
Brian Krawiecki
Jennifer Paperman

GEORGE E. PATAKI
GOVERNOR



STATE OF NEW YORK
DEPARTMENT OF ENVIRONMENTAL CONSERVATION
ALBANY, NEW YORK, 12233-1010

JOHN P. CAHILL
COMMISSIONER

OCT 4 2000

Ms. Carmen Maldonado, Audit Director
Office of the State Comptroller
Division of Management Audit & State Financial Services
123 William Street, 21st Floor
New York, NY 10038

Dear Ms. Maldonado:

Enclosed is the Department of Environmental Conservation's response to the Office of the State Comptroller's draft audit report 2000-S-3 entitled Department of Environmental Conservation, Belleayre Mountain Ski Center, Selected Time and Attendance Practices.

Thank you for the opportunity to comment.

Sincerely,

A handwritten signature in black ink, appearing to read 'John P. Cahill', written in a cursive style.

John P. Cahill

Enclosure

**Department of Environmental Conservation
Response to Comptroller's Draft Audit Report 2000-S-3
Belleayre Mountain Ski Center**

General Comments:

We have some general comments that we wish to make before addressing specific recommendations contained in the preliminary findings.

The section of the report entitled Overtime Should be Authorized in Advance and Documented contains the following statements: "management should establish formal mechanisms to pre-approve employee overtime to better ensure that overtime worked could not be performed by employees on regular work shifts. Another purpose for pre-approving overtime is to control payroll costs. However, Belleayre supervisors do not document prior approval of overtime." The use of the word "However" in the last sentence confuses the issues involved here. The report urges pre-approval of overtime, but we already do so, as the audit team found. Overtime is pre-approved, as the auditors so state: "Operating unit supervisors told us they verbally authorize employees to work overtime on an as-needed basis." The approval is given verbally for several operational reasons. Many times, the manager or supervisor approving the overtime is doing so from home via telephone. Granted, this pre-approval may be at the last minute as opposed to having been planned two weeks previously, but it is pre-approval nonetheless. Much of this overtime cannot be pre-planned as to specific date and time. By necessity, it is reactive and approval decisions must be made immediately. We need the flexibility of being able to respond properly to quickly changing conditions.

In the section of the report entitled Employees Should Be Promptly Removed from the Payroll, the auditors point out that they found that many seasonal employees "were not removed from the payroll for one to four months after their last work day." By the nature of its operations, Belleayre Ski Center does not know in advance on exactly what date it will no longer need its seasonal employees. As winter comes near its end, many seasonal employees are told that they are no longer needed for the foreseeable future. Many times, they will be called back before the end of the season, depending upon weather and operating conditions. Going through the cumbersome and duplicative process of termination and rehire each time that this happens would result in the ski center not having these employees available as needed at the end of the season. This risk far outweighs the supposed risk cited in the report that "someone could enter a payment authorization onto the State payroll system during (this) time . . ." Thus these employees remain on the payroll until it is definitively established that they will no longer be needed. The report points out that the auditors "verified that none of these employees received a pay check for time worked after their last day . . ."

The section of the report entitled Lag Payroll Causes Hiring Problems does a very good job of articulating the unique problems that the State's lag payroll causes for a seasonal operation such as the Belleayre Ski Center and the distinct disadvantage that Belleayre is placed under vis-a-vis the nearby privately owned ski centers. However, we find the suggestion that "the Department seek authorization (from the Comptroller) to establish a special salary advance account to pay Belleayre's seasonal employees" to be highly objectionable. We have discussed this issue in detail with the audit team and with others in the Comptroller's office. We expressly asked for the Comptroller's assistance in showing us how this could be done. The Comptroller's staff essentially agreed with us that this suggestion is not a workable solution. Indeed, in light of the discussions that were had, it is very surprising to us that such a suggestion reappears in this draft report. We were told by the Comptroller that advance pay accounts are very complicated, are very labor intensive, and are problematic in that additional risks are involved that may be out of proportion to the desired result. The Comptroller suggested that this agency get together with other agencies and propose legislation to change or modify the existing lag payroll law. We were told by the Comptroller that their office was testing computer programs that would simplify the advance pay process, but that the programs were not yet found to be compatible with the State payroll system. They stated that they would share the test results with us "down the road."

(In the meantime, in a continuing effort to try to overcome this problem, this Department has volunteered to participate in a workgroup, chaired by OSC, that will investigate and explore possible solutions thereto.)

Specific Comments:

We now respond to each of the specific recommendations contained in the report.

Recommendation 1:

Evaluate staffing and responsibilities in Belleayre's Administration unit to provide for separation of payroll duties or otherwise implement appropriate compensating controls.

Department Response:

We will reexamine our procedures and staff responsibilities with a view toward improving controls over the payroll process.

Recommendation 2:

Provide for independent verification of the Belleayre payroll. This includes, but is not limited to, conducting periodic reviews of payroll transactions to verify State payroll system data to source time and attendance records.

Department Response:

We agree with this recommendation and it has been implemented. Exception reports are generated in the Department's payroll unit in the central office. These reports are reviewed by payroll staff and any discrepancies are discussed and reconciled with administrative staff at Belleayre.

Recommendation 3:

Remind Belleayre operating unit supervisors of the proper employee sign-in and sign-out procedures, and the need to properly monitor that each employee signs his or her own name and time in and out as they start and leave work, not simultaneously.

Department Response:

We agree with this recommendation.

Recommendation 4:

Establish a mechanism at Belleayre to have operating unit supervisors formally analyze overtime in advance and document the reasons for overtime.

Department Response:

We agree in part and disagree in part. As discussed in our general comments, above, we see two separate issues here. We agree that we need to document/record/memorialize the reasons for overtime being authorized. We already do analyze overtime needs and approve overtime in advance to the extent possible. By the very nature of ski center operations, the analysis and authorization of overtime needs are dependant upon quickly changing weather conditions, mechanical breakdowns and other factors. By necessity, the analysis of needs and the accompanying authorizations are, in many instances, made within hours or moments of the actual work being performed. In addition, the overtime in this past year was more than previous years due to the lack of available work force. On top of that, Belleayre Ski Center experienced a 38% increase in business which was not foreseen and the extra staff required was not available.

Recommendation 5:

Take the necessary steps to ensure Belleayre operating unit supervisors properly follow Belleayre's new procedures for documenting an employee's last day of work.

Department Response:

We will take those necessary steps. However, as discussed in our general comments above, the circumstances leading to the finding underlying this recommendation are not caused by lack of forms or procedures. By the nature of its operations, Belleayre Ski Center does not know in advance on exactly what date it will no longer need its seasonal employees. Rather than having the ski center go through the cumbersome and duplicative process of termination and rehire, these employees remain on the payroll until it is definitively established that they will no longer be needed. This will not necessarily change (nor should it) as a result of new procedures for documenting an employee's last day of work.

Recommendation 6:

Instruct Belleayre Administration unit personnel how to generate more useful payroll reports from the Department's payroll system.

Department Response:

Department staff will work with Belleayre Administration unit personnel to show them how to produce more useful payroll reports, such as the Employee Time Cards by Pay Period Report, available from the Department's DATA GENERAL HUMAN RESOURCE INFORMATION SYSTEM (DGHRIS).

Recommendation 7:

Explore the feasibility and benefits of automating Belleayre's employee timekeeping process.

Department Response:

We agree with the recommendation that we explore this possibility, and will be doing so.

Recommendation 8:

Explore the possibility of setting up a Special Advance Account at Belleayre to pay salary advances to seasonal employees.

Department Response:

We disagree with this recommendation. The recommendation has no merit. We have explained this to the auditors several times both in face-to-face meetings and in written responses to preliminary findings. The Comptroller's staff has essentially agreed that the

recommendation has no merit. We can only conclude that it was included in this draft report by mistake. Therefore, we strenuously object to its presence and hope to see it dropped from the final audit report.

Prior to this audit, we had explored this possibility and dismissed it as very impractical. The process is quite onerous and very labor intensive. It requires the manual computation of everyone's net pay, placing holds on everyone's paychecks, preparing separate checks "in house," processing the required documentation to exchange the payroll checks for additional checks to pay back the advances and to pay the employees any balances still owed, and so on. Even this description is an oversimplification. If the employee has direct deposit, the process is further complicated. As part of our considering such a solution to the problem of seasonal employee lag payrolls, we discussed the Special Advance Account program with a sister agency which had considered implementing the same. They advised that they had abandoned their efforts to do so because of the overburdening requirements associated therewith.

Despite all of the above, in the midst of this audit we decided to take yet another look at the possibility of implementing a Special Advance Account. We discussed the problems and the issues with the Comptroller's staff. We were told by the Comptroller that advance pay accounts are very complicated, are very labor intensive, and are problematic in that additional risks are involved that may be out of proportion to the desired result. The Comptroller suggested that this agency get together with other agencies and propose legislation to change or modify the existing lag payroll law. We were told by the Comptroller that their office was testing computer programs that would simplify the advance pay process, but that the programs were not yet found to be compatible with the State payroll system. They stated that they would share the test results with us "down the road."

We suggest that the Comptroller withdraw the above recommendation and hold on to it until sometime "down the road" when it might actually be of some value.

In the meantime, in continuing to try to overcome the underlying problem, we have had ongoing discussions on this issue with the Bureau of State Payroll Services within the Office of the State Comptroller. As a result of these discussions, this Department has volunteered to participate in a workgroup, chaired by OSC, that will investigate and explore possible solutions to this problem.

Recommendation 9:

Re-evaluate Lift Operations staffing levels at Belleayre.

Department Response:

We disagree with this recommendation. It was as a result of evaluating and re-evaluating lift operations that we decided upon our current staffing levels in the first place. We

carefully considered our lift operation requirements and assessed the risks associated with reducing the staffing levels. We are not ready to assume those risks. We strongly believe that the current staffing levels are needed for safety and other reasons. As the report points out, "Belleayre officials aim not only to ensure skier safety, but to maximize customer satisfaction . . ." State law and regulation require an operator and one lift attendant at each loading and unloading station. The requirement is mandatory for the operation at all times. There is no allowance for breaks, lunch, ticket checking, restroom visits. Our two new lifts provide for four passengers in each chair. This is new to our operation. Proper operation requires two attendants loading, one checking tickets and one for relief. The relief person also relieves the attendants at the mid-station and the summit.

Recommendation 10:

Evaluate and document a comparison of whether Belleayre should keep its three 8-hour work shifts or implement two 12-hour work shifts for snowmaking.

Department Response:

We have examined this idea to determine what benefits may accrue to our operations. We have experienced the use of two twelve-hour shifts in the past and found it to be less productive and more costly. During the core season when snowmaking is required seven days a week, the productivity of the employees drops dramatically under such a system. Simple math tells us it is less costly to pay standard rate than time and one-half. Under such a system, the payroll costs increase by 17% during each twenty-four hour period. (We note that the audit report agrees that the 12-hour shifts probably do not result in any net cost saving and that overtime charges actually increase.) It is necessary to utilize overtime when there is a shortage of help, but actually planning to spend money on overtime when other things can be done to avoid it appears to be poor judgement (as the audit report states in several instances). In addition, at various times during the season, we make snow only during the sixteen hours of darkness and shut down during the daylight hours. It is then effective to shift the daytime employees to other departments where shortages are occurring.