

H. CARL McCALL
STATE COMPTROLLER



A.E. SMITH STATE OFFICE BUILDING
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

July 27, 2001

Mr. Glenn Goord
Commissioner
NYS Department of Correctional Services
State Campus, Building 2
Albany, NY 12226

Re: Ulster Correctional Facility
Selected Payroll Practices
Report 2001-S-6

Dear Commissioner Goord:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we have audited selected payroll practices at the Ulster Correctional Facility. Our audit covered the period January 1, 1999 through April 10, 2001.

A. Background

The Department of Correctional Services' (Department) Ulster Correctional Facility (Facility) is located in the town of Napanoch, New York. The Facility is a medium-security reception facility for newly incarcerated males and for parole violators who are returning to Department facilities to serve the remaining term of their sentence. The Facility has a capacity to house 882 inmates. For the 2000-01 fiscal year, the Facility spent approximately \$17.9 million for personal services including \$1 million for overtime. The Facility employs about 426 staff, including 287 correction officers.

B. Audit Scope, Objectives and Methodology

We audited selected aspects of time and attendance management at the Facility for the period January 1, 1999 through April 10, 2001. The objectives of our financial-related audit were to determine whether Facility controls over payroll were functioning as intended, and whether Facility payroll practices complied with applicable laws and regulations, and with Departmental policies and procedures. To accomplish these objectives we reviewed Facility authorization, documentation and payment of regular payroll, overtime, military leave, and shift differential. We also assessed Facility procedures covering payroll additions and deletions, and the regular days off for correction officers. To do this, we reviewed financial- and management-related records, and interviewed Facility personnel.

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 Facility operations that are included within our audit scope. Further, these standards require that we understand the Facility's internal control structure and its 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, therefore, highlights those areas needing improvement and does not address activities that may be functioning properly.

C. Results of Audit

We found Facility controls over regular payroll, overtime, payroll additions and deletions, and regular days off were generally functioning as intended. However, Facility management needs to strengthen controls over military leave and shift differential.

1. Military Leave

State employees who are members of the National Guard and the Reserve, and who are ordered to military duty, are authorized to receive up to 22 working days or 30 calendar days of paid military leave, whichever results in a greater benefit to the employee, per calendar year. According to Department Directive 2212, an employee who receives compensated military leave must verify their actual attendance and completion of ordered military duty by submitting a copy of the military pay stub, called a Leave and Earnings Statement (LES), within one week of receiving them. Department Directive 2212 also states that alternative documentation of military leave may be accepted if the employee can clearly demonstrate that an LES cannot be obtained.

When employees who claimed military leave do not submit their LES within four weeks of returning from military duty, Department policy requires that reminder letters be sent. The letters state that if pay stubs are not forwarded to the timekeeping unit, it may be necessary to charge the employee's leave accruals or leave without pay to cover the absence.

We sampled the military leave records of five employees who took military leave during the 2000 calendar year. We found that one employee often did not submit a copy of his LES to the Facility verifying his attendance at military duty. During calendar year 2000, this employee had nine occasions of military leave totaling 30 days. Only 6 (20 percent) of the 30 days were supported by an LES. A letter from the Air Force Reserve Command documented three additional days. There was no evidence in the employee's payroll folder indicating why LES's could not be obtained for the other occasions totaling 21 days, and required reminder letters requesting the supporting documentation were not sent. This employee was paid \$2,129 for 21 days of undocumented military leave. The Facility should attempt to obtain the missing documentation from the employee to ensure he actually attended military duties claimed and take appropriate disciplinary action if it is determined that the military duties were not attended.

In addition, we found that another employee received 32 paid calendar days of military leave during calendar year 2000, which is two days of military leave more than the maximum 30 calendar days allowed. This discrepancy occurred because Facility employees did not calculate the employee's military leave calendar days correctly. Therefore, this employee received \$304 in additional pay.

2. Shift Differential

According to the Civil Service Salary Determination Procedures Manual (Manual), shift pay differential is considered additional compensation over an employee's basic annual salary. The Manual states that to be eligible for this pay the employee must be regularly assigned to a night shift, four or more hours of which fall between 6:00 p.m. and 6:00 a.m. According to Section 130.6 of the Civil Service Law, shift differential is a fixed dollar amount and ceases when the payroll unit is notified by the employee's supervisor of a change in normal shift that falls outside the above criteria. For the Facility, full-time nurses working a regular schedule between 4:00 p.m. and midnight are authorized to receive shift differential payments of \$3,620 annually.

We reviewed time sheets for all 11 nurses who received shift differential during our audit period and found that two nurses were not regularly assigned to a night shift. Therefore, these nurses were not eligible to receive shift differential payments. They worked part time and were paid \$1,810 annually for shift differential. Facility officials were not aware of the 1996 policy that stated an employee must be regularly assigned to a night shift to be eligible for shift pay differential.

To identify all overpayments made to these employees, we expanded our review beyond our initial scope and obtained payroll records as far back as maintained by the Facility (December 19, 1996). We determined that these employees had, in fact, worked variable shifts from December 19, 1996 to the time of our audit test (March 21, 2001). We determined that each nurse was overpaid approximately \$7,650 in shift differential for the period reviewed. The Facility should recoup the overpayments from the two employees.

Recommendations

1. *Comply with Department policy regarding obtaining documentation for paid military leave and regarding the sending of letters to employees who claim military leave without submitting attendance documentation timely.*
2. *Require the employee we identified to submit copies of his LES to substantiate attendance at military leave he claimed. If military leave attendance cannot be substantiated, take appropriate disciplinary action including recoupment of funds.*
3. *Require the employee who received more military leave than entitled to charge two days leave accruals.*
4. *Ensure that shift differential is paid only to those employees who meet the criteria of working a regular shift that falls between the qualifying hours.*
5. *Recoup the shift differential overpayments identified.*

Draft copies of this report were provided to Facility and Department officials for their review and comment. Their comments have been considered in preparing this report, and are included as Appendix A. Facility officials indicated they have taken steps to implement Recommendations 1-4. Officials disagree with Recommendation 5, indicating that they believe the two employees who inappropriately received shift differential pay should be held harmless for what was a Facility error.

Within 90 days after final release of this report, as required by Section 170 of the Executive Law, the Commissioner of the Department of Correctional Services shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons therefor.

Major contributors to this report were Abe Markowitz, Donald Geary, Michael Cantwell, Kevin Kissane, Krissy Kelleher, and Paul Bachman.

We wish to thank the management and staff of the Department of Correctional Services and Ulster Correctional Facility for the courtesies and cooperation extended to our auditors during this audit.

Very truly yours,

William P. Challice
Audit Director

cc: Joseph T. Smith, Superintendent
Donald Felter, Director of Internal Control
Deirdre A. Taylor, Division of the Budget



GLENN S. GOORD
COMMISSIONER

STATE OF NEW YORK
DEPARTMENT OF CORRECTIONAL SERVICES
THE HARRIMAN STATE CAMPUS
1220 WASHINGTON AVENUE
ALBANY, N.Y. 12226-2050

June 29, 2001

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

Re: **Draft Audit Ulster Correctional Facility
Selected Payroll Practices, 2001-S-6**

Dear Mr. Challice:

In accordance with Section 170 of the Executive Law and in response to your correspondence of May 29, 2001, attached is the Department's reply to the Draft Audit of Ulster Correctional Facility – Selected Payroll Practices.

We have complied with the provisions of the Budget Policy and Reporting Manual, item B-410 by forwarding two copies of this response to the Division of the Budget on June 21, 2001.

Sincerely,

A handwritten signature in black ink, appearing to read "G. Goord", written over a horizontal line.

Glenn S. Goord
Commissioner

Attachment

Appendix A



STATE OF NEW YORK
DEPARTMENT OF CORRECTIONAL SERVICES

ULSTER CORRECTIONAL FACILITY

750 Berne Road, PO Box 800
Napanoch, NY 12458
(845) 647-1670

GLENN S. GOORD
COMMISSIONER

JOSEPH T. SMITH
SUPERINTENDENT

June 20, 2001

Mr. William P. Challice, Audit Director
Office of the State Comptroller
Division of Management Audit & State Financial Services
123 William Street – 21st Floor
New York, NY 10038

Dear Mr. Challice:

I have received a copy of the draft audit report (2001-S-6) on selected payroll practices at Ulster Correctional Facility and have reviewed your recommendations.

The following represents the facility response:

1. Recommendation: Comply with Department policy regarding (a) obtaining documentation for paid military leave; and, (b) sending letters to employees who claim military leave without submitting attendance documentation in a timely manner.

Facility Response: We agree and have taken the steps necessary to correct deficiencies by: (a) providing all staff with clear written direction outlining mandates established in Directive #2212 concerning appropriate documentation for paid military leave; and (b) establishing procedures to ensure that letters are sent to employees who claim military leave but did not provide appropriate documentation in a timely manner.

Questionable situations with regard to military leave documentation will be referred by the Attendance Control Officer to the Central Office Personnel Bureau for determination of adequacy.

2. Recommendation: Require the employee identified to submit copies of Leave and Earnings Statements (LES). If military leave attendance cannot be substantiated, initiate appropriate measures to recoup funds.

Facility Response: Agree. The employee in question has now provided LES for all periods of military leave.

3. Recommendation: Require the employee who received more military leave than entitled to charge two days leave accruals.

Facility Response: Agree. Charge to accruals has been made.

4. Recommendation: Ensure that shift differential is paid only to those employees who meet the criteria of working a regular shift that falls between the qualifying hours.

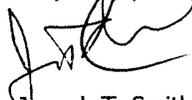
Facility Response: The following procedure is being established immediately: On a monthly basis, the facility Payroll Unit will generate a PAYSR report of all employees receiving shift differential adjustments. This listing will be referred to the timekeeper and the supervisor of each affected unit for review and verification for return to the Payroll Unit. Any discrepancies will be reviewed and required adjustments made in accordance with OSC regulations.

5. Recommendation: Recoup the shift differential overpayment identified.

Facility Response: Disagree. Both identified nurses were hired for the 3:00 PM – 11:00 PM shift and primarily worked this shift during the period in question. One was assigned to the 3:00 PM – 11:00 PM shift 82% of the time. The other was assigned to the 3:00 PM – 11:00 PM shift 74% of the time. When they worked the 7:00 AM – 3:00 PM shift, it was at the request and direction of supervisory staff to provide essential services. Payment at the higher (shift differential) rate was clearly due to facility error for which the employees should not be held accountable. As previously noted, controls have been established to avoid a recurrence.

In closing, please accept our appreciation for the cooperation and courtesy of your staff and the favorable comments made regarding our payroll and timekeeping practices.

Very truly yours,



Joseph T. Smith
Superintendent

JTS:dem