

ALAN G. HEVESI
COMPTROLLER



110 STATE STREET
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

November 23, 2004

Mr. Robert Doar
Commissioner
Office of Temporary and Disability Assistance
40 North Pearl Street
Albany, New York 12243

Re: Internal Controls over Employee Time
and Attendance
Report 2004-S-35

Dear Mr. Doar:

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 audited the internal controls of the Office of Temporary and Disability Assistance (OTDA) over employee time and attendance for the period April 1, 2003 through April 30, 2004.

A. Background

OTDA is responsible for promoting greater self-sufficiency of the State's residents through the efficient delivery of temporary and transitional assistance, disability assistance, and the collection of child support. OTDA has budget authorization for almost 2,400 employees statewide including almost 1,000 employees who work in five offices in the Albany area.

Beginning in June 2003, employees of the Office of the State Comptroller (OSC) observed an individual sun tanning for extended periods of time on the roof of the Pepsi Arena parking garage adjacent to 110 State Street, Albany, New York. We subsequently identified this individual as an employee of OTDA who worked at one of its offices in downtown Albany. After we identified the individual, we began logging his time at the garage. During the four-week period July 14, 2003 through August 5, 2003, we determined that the individual was not at his job location for over 89 hours.

Based on this information, we met with OTDA officials on August 12, 2003 to specifically determine the employee's identity. OTDA officials identified the employee and supplied us with his time records for the period of our observation. We determined that he did not charge 63.5 of the hours he was absent to appropriate leave accruals. As a result of the evidence we compiled, OTDA served the employee with a notice of discipline seeking termination. In settlement of this notice of discipline, the individual agreed to retire from OTDA as of October 3, 2003. As part of the

agreement, OTDA withheld almost \$1,500 in pay and docked the employee 160 accrued vacation hours for which the employee would otherwise have been paid about \$5,300 upon termination. OTDA issued counseling memorandums to the individual's two immediate supervisors to reinforce the importance of accurately accounting for subordinate employees' time and attendance. OTDA also placed a message on the login screen of its automated timekeeping system for one month, reminding supervisors of the requirement to use and keep leave slips. This message is periodically reposted.

B. Audit Scope, Objectives and Methodology

We audited OTDA's internal controls over employee time and attendance for the period April 1, 2003 through April 30, 2004. The objectives of our performance audit were to identify the internal control deficiencies that allowed the previously described situation to occur and to determine what actions OTDA has taken to prevent and/or detect similar improprieties in the future. To accomplish these objectives, we interviewed appropriate OTDA supervisors and reviewed applicable policies and procedures governing time and attendance for all OTDA employees. We performed tests of the staff assigned to offices in the Albany area to determine whether OTDA supervisors follow these policies and procedures and are properly documenting their employees' time and attendance.

We conducted our audit in accordance with Generally Accepted Government Auditing Standards. Such standards require that we plan and do our audit to adequately assess those OTDA operations included within the audit scope. Further, these standards require that we understand OTDA's internal control structure and 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 our audit provides a reasonable basis for our findings, conclusions and recommendations.

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, several of which are performed by the Division of State Services. 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 management functions do not affect our ability to conduct independent audits of program performance.

C. Results of Audit

During the period since our initial observations, OTDA officials identified the internal control weaknesses that allowed the time and attendance incident to happen, and took action to address this matter, including disciplinary procedures directed at specific employees as well as overall reinforcement of time and attendance procedures. However, our tests indicate that

compliance with OTDA's policies and procedures for time and attendance is still not universal and, as a result, this could enable OTDA staff to be absent without appropriate supervisory approval and/or charges to leave credits.

OTDA officials determined that the incident occurred primarily because the person responsible for approving the employee's time records was not his immediate work supervisor. In addition, the employee's immediate work supervisor did not maintain records of the employee's absences or otherwise convey this information to the person who approved the employee's time records. Thus, the employee was able to be absent for considerable lengths of time without approval or charges to leave accruals. In addition to negotiating the settlement and issuing the counseling memos to the individuals involved, OTDA officials informed us that they discussed the incident with senior level staff, emphasizing the need for proper monitoring of employee time and attendance, and instructed these staff to take this message to their line supervisors. OTDA officials also reviewed the automated timekeeping system to determine whether only immediate supervisors were responsible for approving employee time records.

OTDA's written policies and procedures governing time and attendance are part of the Manual for the automated timekeeping system, which is distributed to all staff, and are also available to all employees via OTDA's intranet. The policies and procedures thoroughly outline the steps that need to be taken to ensure strong controls over time and attendance. Supervisors must document all employee absences using Authorization of Leave Forms, and keep these forms for a period of one year. To test implementation of these policies and procedures, we selected a systematic sample of 50 employees, each with a different supervisor, from the Albany roster of 978 employees. We reviewed the leave slips and/or other documentation maintained by the supervisors for these employees for the period March 25, 2004 through April 21, 2004.

Of the 50 supervisors included in our sample, 10 supervisors were unable to provide Authorization of Leave Forms or other documentation for certain hours charged on their employees' time sheets and/or had leave slips from their employees' without corresponding leave accrual charges on these employees' time sheets. Our sample included 1,206.5 charged hours, of which supervisors could not account for 207.25, or approximately 17 percent of the hours charged. Three of these 10 supervisors had employees who did not charge a total of 26 hours to accruals on their time sheets for leave slips they had submitted.

For example, one supervisor did not have the electronic leave slips to document 52.5 hours of time off charged on his employee's time sheet (or 25 percent of our total exceptions). He stated that the office computer system crashed and he lost all of his existing e-mail, including the electronic leave slips. Two other supervisors did not have any leave slips to document significant hours of leave taken by their employees, indicating that they either did not require employees to submit the slips or did not retain the slips. The employee of another supervisor submitted leave slips requesting time off on two days (15 hours). However, the employee's time sheet indicated he was present on these days and no leave accruals were charged. The supervisor could not determine from his records whether the employee was present or absent on these days.

Our test results show that OTDA's supervisors still need to improve their timekeeping practices. Although good policies and procedures exist, our test indicated that 10 of 50 supervisors were not properly following these policies and procedures and that about 17 percent of employee time off was not accompanied by required documentation. Thus, the risk remains significant that supervisors could fail to prevent or detect employees who take time off without approval and/or charges to their leave accruals. The failure of supervisors to document all employee time off and retain all Authorization of Leave Forms creates an environment that is vulnerable to abuse.

On the positive side, after the completion of our fieldwork, OTDA issued a bulletin reminding all employees of the leave slip requirement. Further, our sample identified some best practices in use. In one bureau, the manager had instituted a system whereby all employee time off must be recorded on the supervisor's personal calendar and be supported by Authorization of Leave Forms. We found that all supervisors we selected from this bureau followed this method and our testing revealed no undocumented absences. In another bureau, a supervisor maintained a hard copy of every employee time sheet for each period and attached all the leave slips to the time sheets. We found no undocumented absences when we tested this supervisor's records. OTDA should consider providing these examples to all its supervisors to help correct the ongoing deficiencies our testing uncovered.

Recommendations

1. *Reaffirm policies and procedures for time and attendance to all employees, and emphasize to supervisors the importance of enforcing these policies and procedures.*
2. *Provide examples of proper employee time monitoring, such as those we identified as best practices, to all supervisors.*

We provided a draft copy of this report to OTDA officials for their review and comment. We considered their comments in preparing this report, and they are included as Appendix A. OTDA officials indicated that they agreed with the recommendations contained in this report and have begun taking action to implement them.

Within 90 days after final release of this report, as required by Section 170 of the Executive Law, the Commissioner of the Office of Temporary and Disability Assistance 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 John Buyce, Rick Sturm, Joel Biederman, Greg Petschke, Jeremy Zierler and Paul Bachman.

We wish to thank the management and staff of the Office of Temporary and Disability Assistance for the courtesies and cooperation extended to our auditors during this audit.

Very truly yours,

Frank J. Houston
Audit Director

cc: Robert Barnes, Division of Budget



George E. Pataki
Governor

NEW YORK STATE
OFFICE OF TEMPORARY AND DISABILITY ASSISTANCE
40 NORTH PEARL STREET
ALBANY, NEW YORK 12243-0001
(518) 474-4152
(518) 486-6255 - Fax

Robert Doar
Commissioner

October 25, 2004

Mr. Frank J. Houston
Office of the State Comptroller
Division State Services
State Audit Bureau
123 William Street – 21st Floor
New York, NY10038

Re: OSC Draft Report: Internal Controls
Over Employee Time and Attendance
(2004-S-35)

Dear Mr. Houston:

The following is the New York State Office of Temporary and Disability Assistance (OTDA) response to the Office of the State Comptroller recommendations offered in the draft report regarding the internal controls of the OTDA over employee time and attendance.

In Section A, Background, there should be a sentence added to the last paragraph that states: This message is periodically reposted.

As noted in the report, OTDA issued a bulletin to all employees on July 1, 2004 reminding them of the requirement for leave slips. As part of this bulletin there is a link to the Time and Attendance Fact Sheet for Employees: Attendance and Leave Policies, and the Time and Attendance Fact Sheet for Supervisors.

Thank you for sharing the report with us.

Sincerely,


for Robert Doar

“providing temporary assistance for permanent change”

Appendix A