



STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

October 8, 2009

Ms. Diana Jones Ritter
Commissioner
NYS Office of Mental Retardation
and Developmental Disabilities
44 Holland Avenue
Albany, NY 12229

Re: 2008-S-107 Taconic DDSO Controls
Over Employee Overtime

Dear Commissioner Ritter:

According to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we audited the controls over selected overtime payments to Taconic employees for the period April 1, 2007 through July 2, 2008.

A. Background

The Office of Mental Retardation and Developmental Disabilities (OMRDD) provides a wide range of services and support to individuals with developmental disabilities and their families. OMRDD operates 15 developmental disabilities services offices (DDSOs) throughout New York State to provide these services. The Taconic DDSO (Taconic), located in Wassaic, serves the five counties of Columbia, Dutchess, Greene, Putnam and Ulster. It is comprised of five offices, one in each county, 74 residences and nine day-habilitation centers.

Taconic employees are required at times to work overtime to fill in for absent employees and for other purposes to ensure proper staffing levels and services are maintained. During fiscal year 2008, Taconic employed 1,679 full time employees with corresponding payroll costs totaling \$69 million, including over \$3 million in overtime. Taconic's annual overtime costs increased by 27 percent (\$800,000) between fiscal 2005 and 2007, and then promptly decreased during the first quarter of fiscal 2008.

B. Audit Scope, Objective and Methodology

The objective of our audit was to determine whether overtime paid to employees of the Taconic DDSO during the audit scope period was properly authorized and documented. To accomplish this objective, we interviewed Taconic officials and staff, and reviewed OMRDD and

Taconic overtime-related policies, procedures and monitoring records. We also selected a judgmental sample of 43 overtime occurrences to verify they were properly authorized and documented using associated rosters and attendance-related records.

We conducted our performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained during our audit provides a reasonable basis for our findings and conclusions based on our audit objectives.

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. 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 whom 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 functions do not affect our ability to conduct independent audits of program performance.

C. Results of Audit

We found 12 overtime occurrences, totaling \$2,264, were not properly documented to ensure the overtime hours claimed were actually authorized and worked. However, we also found that OMRDD and Taconic officials have recently enhanced their monitoring of employee overtime and have made policy decisions which have significantly reduced Taconic overtime costs in 2008.

1. Authorization and Documentation of Overtime

New York State Budget Bulletin G-1024 requires all non-emergency agency overtime to be authorized in advance and properly documented.

To document their hours worked, Taconic employees record their daily start and end times (including overtime) on attendance records referred to as sign-in/sign-out sheets. Taconic Employees also maintain their own individual time and attendance records (time sheets) which are submitted to Taconic's Office of Human Resources (HR) each month as support for the payroll.

Each work area (Unit) supervisor is required to review, verify and approve the accuracy of their assigned employees' time and attendance records based on their observations and the sign-in/sign-out sheets. Unit supervisors also prepare, and sign off on, daily rosters listing all employees authorized to work overtime based on a rotating schedule. The completed rosters, along with the sign-in/sign-out sheets, are submitted to HR to support the overtime payments. HR is required to return any incomplete or unsigned sign-in/sign-out sheets and rosters to the responsible supervisor.

To determine whether Taconic employees were adhering to their overtime procedures, we judgmentally selected a sample of 43 overtime instances, totaling \$8,213, relating to seven

employees for the three pay periods ending June, 4, 2008, June 18, 2008 and July 2, 2008. Total overtime paid during these three periods was \$260,659.

We found that for 31 of the sampled instances, totaling \$5,949, the overtime was authorized in advance and the associated hours reportedly worked were properly documented. However, for 12 of the 43 instances (\$2,264) we did not find prior authorization or support documentation. Each of these exceptions pertains to one employee and his supervisor. Eleven of the noted deficiencies include no supervisory signature on the employee's sign-in/sign-out sheets or no supervisory signature on the associated overtime rosters. In the remaining instance, the employee was paid both his normal wages and overtime wages for working on a regularly scheduled day off.

Taconic officials noted that the supervisor in question was new and they would take action to prevent future deficiencies from occurring. When we brought the duplicate payment issue to their attention, they acted promptly to recover the excess payment.

2. Overtime Reduction Efforts

As noted above, Taconic's overtime costs increased 27 percent over the three fiscal years ended March 31, 2007. For fiscal 2005 overtime costs totaled \$3 million; for fiscal 2006 overtime totaled \$3.7 million; and for fiscal 2007 overtime totaled \$3.8 million. Conversely, Taconic's overtime was significantly reduced during the first seven pay periods of fiscal 2008. As such, we attempted to determine the reasons for these overtime cost fluctuations.

During fiscal 2007, as a result of State-wide budget issues, agencies were asked to do more with less. Using the OMRDD overtime tracking system, which summarizes DDSO overtime by categories (e.g., replace employees on leave, etc.), Taconic officials began to analyze their most common reasons for staff overtime occurrences and looked for ways to reduce associated costs.

For example, at times, based on doctor's orders, Taconic would assign one staff person to certain persons with mental retardation or developmental disabilities to provide one on one around the clock supervision. It was determined that, when practical, one staff person may effectively observe two such persons when conditions warrant it, such as during the night shift when they are likely asleep.

Taconic officials have also assigned a staffing coordinator to monitor overtime requests for two of its work units which have historically incurred significant overtime costs. The staffing coordinator is responsible for redeploying staff currently on shift between Taconic facilities, as available, instead of automatically calling other employees in to work overtime.

In addition, supervisors have been asked to work with staff to minimize unscheduled absences and tardiness - another leading cause of overtime. These combined efforts have reduced overtime during fiscal 2008 by at least 5,000 hours.

We acknowledge Taconic officials for these overtime reduction efforts.

Recommendations

1. Look into the 11 unresolved instances cited above to determine whether the associated overtime payments were valid. If not, take appropriate action to recover the overpayments.
2. Ensure Taconic supervisors are aware of their responsibility to sign off on all payroll and overtime-related documents (i.e., authorization rosters, time sheets, and sign-in/sign-out sheets). Periodically monitor their compliance with this responsibility.
3. Ensure HR does not approve and process any payroll or overtime payments where properly authorized supporting documents are not submitted. Periodically monitor HR's compliance with this requirement.
4. Continue to explore new and innovative ways to maximize staff efficiency and reduce overtime costs.

A draft copy of this report was provided to OMRDD and Taconic officials for their review and comment. Their comments were considered in preparing this final report and are attached in their entirety at the end of this report.

Within 90 days of the final issuance of this report, in accordance with Section 170 of the Executive Law, the Commissioner of OMRDD shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, indicating the steps taken by OMRDD officials to implement our report recommendations, and where they have not been implemented, the reasons therefore.

Major contributors to this report include Frank Patone, Brian Lotz, John Lang, Dmitri Vassiliev, and Sue Gold.

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

Very truly yours,

Frank P. Patone, CPA
Audit Director

cc: Mary E. Peck
John Mizerak



David A. Paterson, Governor
Diana Jones Ritter, Commissioner

Executive Office

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September 25, 2009

Transmitted Via Email

Mr. Frank Patone, CPA
Audit Director
Office of the State Comptroller
Division of State Government Accountability
123 William Street - 21st Floor
New York, NY 10038

Dear Mr. Patone:

The Office of Mental Retardation and Developmental Disabilities (OMRDD) has reviewed the Office of the State Comptroller's draft report (Report No: 2008-S-107) regarding Taconic DDSO's Controls Over Employee Overtime.

Our responses to the findings contained in the report are attached for your consideration. Again, I want to thank you and your team for their professionalism. Please remain assured that OMRDD and Taconic DDSO are committed to addressing and resolving all of the issues identified in your audit.

If you have any questions or concerns, please do not hesitate to contact me directly at 518.474.4376 or Mary.E.Peck@omr.state.ny.us.

Sincerely,

Mary E. Peck
Director, Office of Internal Control

Attachment

- cc: Commissioner Ritter
- Mr. Chmura
- Ms. Martinelli
- Mr. Mizerak
- Mr. Monteiro
- Mr. Moran
- Mr. Nellegar
- Mr. Sleasman
- Mr. Smits

We help people with developmental disabilities live richer lives.

Appendix A

Office of Mental Retardation and Developmental Disabilities (OMRDD)
Response to the Office of the State Comptroller's (OSC)
Draft Audit Report (Report No: 2008-S-107)
Controls over Selected Overtime Payments to Taconic Employees
For the Period April 1, 2007 through July 2, 2008

Recommendation #1:

Look into the 11 unresolved instances cited above to determine whether the associated overtime payments were valid. If not, take appropriate action to recover the overpayments.

Response

All instances cited were reviewed. Ten of the eleven were appropriate and accurate. The final instance was verified as an overpayment and appropriate action has been taken to recover the one hour discrepancy.

Recommendation #2:

Ensure Taconic supervisors are aware of their responsibility to sign off on all payroll and overtime related documents (i.e., authorization rosters, time sheets, and sign-in/sign-out sheets). Periodically monitor their compliance with this responsibility.

Response

Subsequent to the OSC audit, Taconic DDSO (along with all locations within OMRDD) changed its process for reporting and recording time worked and payroll validation, by using the Time Information Management Electronic System (TIMES). This automated system is designed to provide electronic recording and tracking of OMRDD employees' attendance and leave accruals.

Certification of pay period attendance and leave information, as entered into TIMES, is the responsibility of the supervisor and/or the timekeeper. Supervisory staff will continue to be required to attend training specific to TIMES and their role in monitoring the timekeeping process.

The Taconic DDSO Human Resources office will randomly conduct audits, comparing Sign In/Sign Out records against TIMES pay period sheets.

Recommendation #3:

Ensure HR does not approve and process any payroll or overtime payments where properly authorized supporting documents are not submitted. Periodically monitor HR's compliance with this requirement.

Response

As stated in Recommendation No. 2, Taconic DDSO has changed its process for reporting and recording time worked and payroll validation. The attendance portion of the process (TIMES) is now fully integrated with the payroll (PayServ) system. As a result, the timekeeper and supervisor are both responsible for certifying the attendance information. This change removes HR from the approval process, and focuses their responsibilities on auditing Sign In/Sign Out records against TIMES pay period records.

Recommendation #4:

Continue to explore new and innovative ways to maximize staff efficiency and reduce overtime costs.

Response

During FY 08/09, Taconic DDSO reduced its overtime by 65,717 hours from the previous year. To date, this trend has been maintained during the current fiscal year. The DDSO also continues to explore new ways to maximize staff efficiency and reduce overtime costs, for example:

- Weekly meetings are held to review individual necessity of 1:1 assignments.
- Reviews have been scheduled for each site by shift, which have identified improvements in staffing assignments.
- Supervisory staff use TIMES to track current overtime information.

Additionally, OMRDD Central Office monitors overtime via the following reports:

- Pay Period: Monitors hours and high overtime users for each DDSO.
- Monthly: Monitors high overtime earners at each DDSO.
- Quarterly: Compares overtime hours and dollars to the same quarter from the previous year to show year-to-year trends for each DDSO.

OMRDD's Division of Workforce and Talent Management has also increased its support to the DDSOs in this area, and has released several guidance documents. The Division has also entered into discussions with the unions regarding the definition of work location, and establishing new local labor/management agreements that support the effective deployment of human capital throughout the DDSOs. These combined efforts will enable us to maximize the effective use of our resources and help to decrease overtime costs.

We would like to take this opportunity to thank your audit team for their professionalism, and also for the opportunity to respond to the findings contained in this draft report. Should you have any questions, please don't hesitate to contact Mary Peck, Director of Internal Control, at 518.474.4376 or Mary.E.Peck@omr.state.ny.us.