



New York State Office of the State Comptroller
Thomas P. DiNapoli

Division of State Government Accountability

Controls Over Overtime Costs

Office of Court Administration



Report 2011-S-2

November 2012

Executive Summary

Purpose

To determine whether overtime at the Office of Court Administration (OCA) was approved in advance as appropriate and whether paid overtime was actually worked. Our audit covered the period April 1, 2009 through March 31, 2011.

Background

The Office of Court Administration manages the State's Unified Court System. OCA's overtime costs for the two State fiscal years ended March 31, 2011 totaled about \$73.4 million for approximately 13,000 overtime eligible employees. OCA has issued memorandums stating key policies and procedures and requirements for controlling and containing overtime costs. In addition, between December 2007 and March 31, 2011 OCA reduced its overtime costs by approximately \$1.5 million (4.28 percent) in response to budget deficits.

Key Findings

- OCA overtime payments were, with few exceptions, correctly computed and paid for overtime work that was supported with documentation.
- Based on a random sample of 196 overtime payments, we found that 110 lacked required written pre-approval for scheduled overtime and 86 lacked documentation to support that a required review was done to identify alternatives for unscheduled overtime.
- The Public Safety Department accounts for about one half of all OCA overtime and while OCA had directed that Department practices be evaluated to identify opportunities for reducing overtime, no written support was provided to identify the results of the evaluation.
- OCA's Financial Management Information System summary level overtime reporting was not being routinely provided to the courts for monitoring purposes and no user training for the System had taken place in years. (A new system is planned for 2012)

Key Recommendations

- Ensure that all supervisory staff understand and comply with requirements for written pre-approval of scheduled overtime and documented analysis of potential steps to avoid unscheduled overtime.
- Reassess that all appropriate steps have been undertaken to control Public Safety Department overtime costs.
- Ensure that the new financial management system is rolled out with necessary user training and support.

Other Related Audits/Reports of Interest

[Metropolitan Transportation Authority-Metro North Rail Road: Forensic Audit of Select Payroll and Overtime Practices and Related Transactions \(2010-S-60\)](#)

[Port Authority of New York and New Jersey: Management and Control of Employee Overtime Costs \(2009-S-87\)](#)

**State of New York
Office of the State Comptroller**

Division of State Government Accountability

November 15, 2012

Honorable A. Gail Prudenti
Chief Administrative Judge of the State of New York
Office of Court Administration
25 Beaver Street
New York, NY 10004

Dear Judge Prudenti:

The Office of the State Comptroller is committed to helping State agencies, public authorities and local government agencies manage government resources efficiently and effectively and, by so doing, providing accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

Following is a report of our audit of *Controls over Overtime Costs* at the Office of Court Administration. This audit was performed pursuant to the State Comptroller's authority under Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law.

This audit's results and recommendations are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this report, please feel free to contact us.

Respectfully submitted,

*Office of the State Comptroller
Division of State Government Accountability*

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This report is also available on our website at: www.osc.state.ny.us

Background

The Office of Court Administration (OCA) manages the State's Unified Court System. The System includes four judicial departments and 13 judicial districts overseen by a chief administrative judge with one deputy chief administrative judge for courts within New York City and one deputy administrative judge for courts outside of New York City. In addition, each judicial district has an administrative judge.

OCA uses the KRONOS computer system to manage employee timekeeping. Overtime eligible employees use a swipe card to record their time in and time out into KRONOS and KRONOS reflects this information as well as the employees' regular scheduled work hours on employee timesheets. Supervisors are required to review the timesheets on a daily basis to ensure the timesheets reflect the correct hours worked, including overtime. Between fiscal years 1997-98 and 2007-08, OCA overtime costs doubled from \$17 million to \$35 million. Between December 2007 and March 31, 2011, OCA had reduced its annual overtime costs by approximately \$1.5 million (4.28 percent). OCA overtime costs for the two State fiscal years ended March 31, 2011 totaled about \$73.4 million for approximately 13,000 overtime eligible employees.

In December 2007, OCA issued a memorandum to address steadily increasing overtime costs with the expectation of containing and ultimately reducing this expense. The memorandum immediately required the following:

- Advance written approval for scheduled overtime,
- Documentation supporting overtime,
- Corrective measures to limit unscheduled overtime,
- Development of alternatives to overtime,
- Supervisory and staff training to avoid overtime,
- Public Safety Department review of overtime affects of fixed security post assignments,
- Examination of work schedules to adjust overtime patterns,
- Consultation with labor relations representatives with respect to new shifts, and
- Budget Office issuance of monthly and year-to-date overtime expenditure summaries.

In April 2011, the former Chief Administrative Judge issues a memorandum to immediately require renewed steps to reduce overtime. The renewed effort was in response to New York's poor fiscal condition and the need to reduce OCA's \$2.7 billion budget by \$170 million.

Audit Findings and Recommendations

Overtime Approval and Monitoring

Based on our examination of a random sample of 196 overtime payments, we concluded that, with few exceptions, these payments were correctly computed for overtime work that was supported with documentation. However, contrary to requirements, OCA was paying for scheduled overtime without the required written pre-approval and repetitive unscheduled overtime was not being examined to identify potential corrective steps to avoid this expense. In particular we found:

- 110 payments for scheduled overtime lacked pre-approval documentation.
- 86 unscheduled overtime payments lacked written evidence that a determination had been made to identify potential alternatives that would avoid this cost in the future.

In response to these findings, OCA officials point out that a significant reduction in overtime costs took place after the April 2011 budget cuts and a memorandum issued by the former Chief Administrative Judge. We acknowledge the overtime cost reductions reported by OCA. Nevertheless, we also urge OCA to continue to be vigilant about compliance with longstanding requirement for controlling overtime costs.

Recommendations

1. Ensure that all supervisory staff understand and comply with requirements for written pre-approval of scheduled overtime and documented analysis of potential steps to avoid unscheduled overtime.
2. Monitor compliance with overtime control requirements.

(OCA replied to our draft report that they will implement recommendations 1 and 2.)

Public Safety Department Overtime

The Public Safety Department accounts for approximately one half of OCA's annual overtime cost. In this regard, the December 2007 memorandum on overtime cost containment and control required the Department to review all fixed security posts, dedicated enhanced security assignments, mobile security details and Security Response Teams to ensure overtime was held to a minimum. In January 2008, a memorandum was issued to district executives and the clerks of the courts directing them to complete a staffing analysis for determining appropriate deployment of Public Safety Department staff.

Although Public Safety Department management stated that they undertook the steps required by the December 2007 memorandum and shared results with the districts and the courts, no overall written analysis or report on these efforts or was provided to us. In addition, Public Safety Department staff deployment responses were provided to us, but we were not provided with

support for any deployment changes that were conveyed back to the courts. Accordingly, based on the lack of documentation, there is continued concern that all appropriate steps to control overtime costs be identified, implemented and documented.

Recommendation

3. Reassess that all appropriate steps have been identified and undertaken to control Public Safety Department overtime costs. Document the results of the reassessment as well as any communication to the courts regarding steps taken to contain overtime costs.

(OCA officials replied to our draft report that they will take action to ensure the Public Safety Department documents and monitors overtime.)

Budget Office Reporting

According the December 2007 memorandum, the OCA Budget Office was to issue year-to-date overtime expenditure summary reports to the courts and the districts every other pay period. The reports were to be produced from the OCA Financial Information Management System (FIMS) which was implemented in 2001.

We visited 25 courts in New York City and found that 21 of these courts did not receive the expenditure summary reports from FIMS. Furthermore, the FIMS had been rolled out to the users without a manual to instruct them on how to obtain the summary reports and user training has not taken place since 2001. The lack of availability of the reports coupled with the absence of a FIMS Manual and routine training limits the effectiveness of an intended control for the courts to use to control overtime costs.

In responding to our findings, OCA officials noted that a new statewide financial management system would replace FIMS In 2012 and would be supported with a training initiative. They also indicated that OCA provides ongoing telephone support for the existing FIMS.

Recommendation

4. Ensure that the new financial management system is rolled out with user training and support.

(OCA officials replied to our draft report that it has taken full advantage of all training and support offered before and since the new Statewide Financial System went live on April 16, 2012. They also stated that any additional training and support will be provided to court system users.)

Audit Scope and Methodology

Our audit objectives were to determine whether OCA overtime was approved in advance as appropriate and whether paid overtime was actually worked. Our audit covered the period April 1, 2009 through March 31, 2011.

To complete our work we examined relevant written policies and procedures and conducted interviews with appropriate staff. We reviewed relevant laws, rules, and regulations. We selected a random sample of 196 overtime payments from a population of 244,057 overtime payments during the period April 1, 2009 through March 2, 2011. Our sampling excluded payments that were lower than \$20.

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 we obtained 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 the State's 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.

Authority

This audit was performed pursuant to the State Comptroller's authority under Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law.

Reporting Requirements

We provided a draft copy of this report to OCA 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 day of the final release of this report, as required by Section 170 of the Executive Law, the Chief Administrative Judge 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 why.

Contributors to This Report

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Vision

A team of accountability experts respected for providing information that decision makers value.

Mission

To improve government operations by conducting independent audits, reviews and evaluations of New York State and New York City taxpayer financed programs.

Agency Comments



A. Gaetano Prudenti
Chief Administrative Judge

*New York State
Unified Court System
25 Beaver Street
New York, New York 10004*

212-426-2120

October 5, 2012

Hon. Thomas P. DiNapoli
State Comptroller
110 State Street
Albany, New York 12236

Dear Comptroller DiNapoli:

Thank you for the opportunity to respond to the draft audit report (2011-S-2) entitled *Controls Over Overtime Costs*. I have shared the report with the appropriate court officials and offer the following comments.

I am pleased that the audit acknowledged the \$1.5 million (4.28 percent) reduction in overtime from December 2007 to March 31, 2011. This is a direct result of the procedures we implemented in December 2007 to control and contain overtime costs. Further, as your report points out, in April 2011 the court system implemented even more stringent measures to control overtime costs in response to New York State's poor fiscal condition. As a result, overtime costs were reduced \$22.3 million (61 percent) in fiscal year 2011-12.

I am also pleased that the audit found that overtime payments were, with few exceptions, correctly computed and paid for overtime work that was supported with documentation. The audit identified a lack of written documentation for approval of overtime and for steps taken by our Department of Public Safety to evaluate and reduce overtime throughout the court system.

The court system will retain necessary documentation of overtime approval. Court administrators, including the Department of Public Safety, and court managers will continue to regularly communicate with appropriate court supervisors and carefully monitor compliance with overtime controls which have resulted in reductions in overtime over the past five years.

The audit also indicates that expenditure summary reports were not provided to 21 courts in New York City. While our Division of Financial Management has explained in response to preliminary audit findings that, at times, expenditure summary reports were not issued for various reasons, the audit report should note that this information was updated daily and available electronically in the Financial Information Management System to fiscal administrators throughout the court system.

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The report recommends that the Office of Court Administration ensure that the new financial management system is rolled out with user training and support. Please note that your office and the Division of the Budget are the primary administrators of the new Statewide Financial System (SFS). We are dependent on OSC and DOB for training, support and accurate fiscal reports. The court system has taken full advantage of all training and support offered before and since SFS went live on April 16, 2012. We will continue to provide any additional training and support to court system users in the future.

Thank you for your consideration of this response in preparation of the final audit report.

Very truly yours,



A. GAIL PRUDENTI
Chief Administrative Judge

/smw

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