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STATE COMPTROLLER



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ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE
COMPTROLLER

January 25, 1999

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

Re: Selected Payroll Practices at
Queensboro Correctional Facility
Report 98-S-16

Dear Mr. 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 Queensboro Correctional Facility. Our audit covered the period January 1, 1997 through June 30, 1998.

A. Background

The Queensboro Correctional Facility (Facility) is a 924-bed, minimum security correctional facility located in Long Island City, New York. It is one of seventy facilities within the New York State Department of Correctional Services (DOCS). It serves males who are 16 years of age and older, and offers work release, general confinement, and residential treatment programs. During fiscal year 1997-98, the Facility had approximately 320 employees with payroll costs of \$12.1 million.

B. Audit Scope, Objectives, and Methodology

We audited selected aspects of the management of military leave and overtime expenditures at the Facility for the period of January 1, 1997 through June 30, 1998. The primary objectives of our audit were to determine whether payments for military leave and overtime had been authorized properly and documented adequately. To accomplish these objectives, we reviewed financial and management-related records, and interviewed DOCS 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 operations of DOCS that are included within our audit scope. Further these standards require that we understand DOCS' 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 considered necessary in the circumstances. An audit also includes assessing the estimates, judgments, and decision 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

To receive compensation for military leave, DOCS directives require employees to submit the military order, a request for military leave of absence, and verification of attendance. We found that some Facility employees were paid for military leave even though they had not submitted the required documentation. More than half of the military leave payments we reviewed lacked one or more of the required supporting documents. Moreover, individual employees were paid for more than the 22 days permitted annually.

We also found that the Facility needs to improve its controls for overtime payments. Our review of a sample of overtime payments found that either many of the payments were not supported by the employee time card or the time card lacked the required evidence of supervisory review and approval. Controls for entering adjustments into the overtime payroll also need to be improved.

1. Military Leave

State employees who are members of the National Guard and the Reserve and are ordered to military duty are entitled to receive up to 22 workdays of fully-compensated military leave in each calendar year. We reviewed the Facility's military leave practices for the period of January 1, 1997 through June 30, 1998. During this period, Facility employees were compensated for 157 days of military leave, costing the State \$26,857 in salary and benefits. We found that these employees were being paid for military leave without appropriate documentation and, in some cases, for more than the 22 days permitted annually.

DOCS Directive 2212 states that a member of the service must submit a request for military leave of absence, along with a copy of military orders, to the watch commander/supervisor (supervisor) before the military leave begins. A service member who participates in military duty is required to provide the supervisor with verification of attendance (a military pay stub) within one week after it is received. The supervisor is required to retain all documents until the service member furnishes verification of attendance. (If the service member fails to submit verification within a reasonable period, an investigation should be initiated and appropriate administrative action taken.) When all of the required documents have been obtained, the supervisor forwards them to the Deputy Superintendent for Administration.

We reviewed the supporting documentation for all 157 days of paid military leave that occurred during our scope period. We found that:

- Request for Military Leave of Absence forms were missing for 77 (49 percent) of the paid military leave days.
- Military orders were missing for 39 (25 percent) of the paid military leave days.
- Verification documents (military pay stubs) were missing for 47 (30 percent) of the paid military leave days.

In total, one or more of the required documents was missing for 87 days (55 percent) of the military leave. Thus, the Facility paid \$17,747 for military leave that did not adhere to DOCS directives. Further, it appears that some of the supporting documentation we found in the files was submitted after Facility officials were informed of this audit; they acknowledge making an effort to obtain missing documentation.

DOCS Directive 2122 states that Facility employees are authorized to be paid for up to 22 days of military leave per year. We found that this directive is not being monitored adequately and that some Facility employees were paid for more than the 22-day maximum allowed for military leave. Three of the seven employees who had received such payments during calendar year 1997 were paid for more than 22 days of military leave in that year. In total, the three employees were paid \$1,289 for six more days than they should have been allowed. In one instance, the overpayment occurred when an employee transferred to the Facility during the year, after receiving payment through a previous DOCS facility for two days of military leave. Facility management needs to monitor these totals more closely.

In response to the draft report, DOCS officials indicated that they completed their investigation of the overpayments and adjusted employee leave accruals where appropriate.

2. Overtime

Due to the nature of the Facility's mission, sufficient security coverage must be maintained. To compensate for employee absences, other staff members often work hours or shifts that are beyond their regularly-assigned schedule. Such overtime hours are compensated at the rate of 150 percent of the employee's base hourly pay. According to Facility records, for the fiscal year ended March 31, 1998, Facility security personnel were paid \$634,210 for overtime.

The Facility has established procedures designed to ensure that overtime hours are recorded accurately, and that only appropriate overtime costs are paid. According to procedures, the chart sergeant prepares an overtime summary report for each shift that requires management approval. The report is then submitted to the Facility's payroll office and entered into the payroll system. A copy is sent to the timekeeper, who verifies, by examining the time cards, that the overtime was worked. If discrepancies are found, the timekeeper notifies the payroll office, where the adjustments are entered into the payroll system. According to Facility directives, the sergeants are to review and initial all time card entries on a daily basis.

We reviewed 142 overtime instances that occurred between January 1, 1998 and April 20, 1998. We tested to determine whether the time clock recordings on the time cards agreed with the overtime paid and whether overtime payment procedures were being followed. We found:

- 11 instances (8 percent) in which the time clock recordings on the time cards did not match the specific hours used to generate overtime payments; and
- 57 instances (46 percent) in which the overtime entry on the time card lacked the required evidence of sergeant's review.

These discrepancies were found even though the timekeeper had already compared the time cards to the overtime summary report.

We also found that time cards were not being reconciled to the overtime report in a timely manner. On the day of our examination, in June 1998, we found approximately 250 time cards, some dating back to January 1998, that had not yet been reconciled, where applicable, with the corresponding overtime report. Facility officials stated that employee absence delayed the filing of the time cards and that their examination found no time errors in any of the 250 time cards.

We also observed that controls over the process for entering overtime payroll adjustments need to be improved. One employee is responsible for entering these adjustments, and there is inadequate documentation to confirm that all adjustments were properly processed.

Facility employees are compensated on the basis of time cards. The time card for each biweekly pay period (ending on Wednesday), must be submitted to the timekeeper's office by the

Monday after the close of the pay period. The employee's supervisor is responsible for documenting the reasons for delays in such submissions.

We requested all employee time cards for a corresponding period on a Tuesday after the close of a pay period. We found that 43 (15 percent) of the 281 time cards, which supported \$70,866 in salary payments, had not been submitted. Moreover, we found that eight time cards, supporting approximately \$14,200 in salary, had been outstanding for more than one pay period - including three that had been outstanding almost three months.

Facility officials indicated that they generally make a strong effort to have all time cards submitted timely and to monitor missing time cards. Further, all 51 time cards have since been submitted.

In response to the draft report, DOCS officials indicated that they have since taken corrective action to strengthen controls in this area, and have investigated the cited overtime discrepancies and recouped excess payments.

Recommendations

1. *Ensure that military leave documentation is submitted on a timely basis, and that employees are not paid for more than 22 days of military leave each year, as required.*
2. *Recover overpayments or adjust leave accruals for employees who do not submit the required military leave documentation and for employees who were paid for more than 22 days of military leave in a year.*
3. *Ensure that time cards support all overtime payments and are reconciled to the overtime report in a timely manner.*
4. *Ensure that all overtime entries evidence supervisory review, as required.*
5. *Provide adequate control over overtime payroll adjustments.*
6. *Ensure that all time cards are submitted to the timekeeper by the Monday following the pay period.*
7. *Investigate the cited overtime discrepancies and recoup any excess payments.*

A draft copy of this report was provided to officials of the Department of Correctional Services for their review and comment. Their comments have been considered in preparing this final report and are included as Appendix A. Department of Correctional Services officials agreed with all of our recommendations and indicated that corrective actions have been taken.

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 Frank Russo, Cindi Frieder, Aaron Fruchter, Gennaro John Petillo, and Steve Lynch.

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

Very truly yours,

William P. Challice
Audit Director

cc: Stephen Bernardi, Deputy Commissioner
Brian Fischer, Supervising Superintendent, QCF
Donald Felter, Director-Internal Controls
Robert L. King



GLENN S. GOORD
COMMISSIONER

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

December 21, 1998

Mr. William Challice
Audit Director
Office of the State Comptroller
Division of Management Audit
& State Financial Services
270 Broadway, 19th Floor
New York, New York 10007

Re: Audit Report 98-S-16
Queensboro Correctional Facility
Selected Payroll Practices

Dear Mr. Challice:

In accordance with Section 170 of the Executive Law and in response to your correspondence of November 19, 1998, attached is the Department's reply to the Draft Audit of Queensboro 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 December 14, 1998.

Sincerely,

A handwritten signature in black ink, appearing to read 'Glenn S. Goord', with a stylized flourish at the end.

Glenn S. Goord
Commissioner

Attachment



STATE OF NEW YORK
DEPARTMENT OF CORRECTIONAL SERVICES
QUEENSBORO CORRECTIONAL FACILITY
47-04 VAN DAM STREET
LONG ISLAND CITY, NY 11101
718-361-8920

GLENN S. GOORD
COMMISSIONER

BRIAN FISCHER
SUPERINTENDENT

December 2, 1998

Mr. William P. Challice
New York State Office of the State comptroller
Division of Management Audit & State Financial Services
270 Broadway, 19th floor
New York, NY 10007

Dear Mr. Challice:

Queensboro would like to acknowledge receipt of your audit findings and attached herewith please find our response for Audit No. 98-S-16, Selected Payroll Practices.

Should you require any additional information, please do not hesitate to contact this office.

Sincerely,

A handwritten signature in black ink, appearing to read "BF", with a long horizontal flourish extending to the right.

Brian Fischer,
Superintendent



STATE OF NEW YORK
DEPARTMENT OF CORRECTIONAL SERVICES
QUEENSBORO CORRECTIONAL FACILITY
47-04 VAN DAM STREET
LONG ISLAND CITY, NY 11101
718-361-8920

GLENN S. GOORD
COMMISSIONER

BRIAN FISCHER
SUPERINTENDENT

**FACILITY REPLY TO OSC AUDIT 98-S-16
SELECTED AUDIT PRACTICES**

RECOMMENDATION 1:

Ensure that military leave documentation is submitted on a timely basis, and that employees are not paid for more than 22 days of military leave each year, as required.

FACILITY RESPONSE:

Agreed. The facility will make every effort to ensure that military leave documentation is submitted on a timely basis and that employees are not paid for more than 22 days of military leave each year.

RECOMMENDATION 2:

Recover overpayments or adjust leave accruals for employees that do not submit the required military leave documentation and for employees that were paid for more than 22 days of military leave in a year.

FACILITY RESPONSE:

Agreed. The facility has completed an investigation of all overpayments. Leave accruals have been adjusted for all employees who do not submit the required military leave documentation and for employees who were paid for more than 22 days of military leave in a year.

RECOMMENDATION 3:

Ensure that time cards support all overtime payments and are reconciled to the overtime report in a timely manner.

FACILITY RESPONSE:

Agreed. The facility has revised its system for review of overtime. When an overtime sheet is received, the timekeeper matches it against the time card for the employee. Any discrepancies are resolved at this time. The overtime is then submitted to the payroll office to be processed.

RECOMMENDATION 4:

Ensure that all overtime entries evidence supervisory review, as required.

FACILITY RESPONSE:

Agreed. The facility policy which states that time cards must be properly initialed on a daily basis has been re-issued to all security supervisors. The Superintendent has conducted a meeting with all security supervisors to reiterate the importance of proper timekeeping procedures.

RECOMMENDATION 5:

Provide adequate control over overtime payroll adjustments.

FACILITY RESPONSE:

Agreed. A log has been purchased to track discrepancies. The timekeeper initiates the entry. The payroll clerk then initials the entry in the log after processing the transaction. Each month will be closed out by drawing a line across the page, and will be initialed by the timekeeper.

RECOMMENDATION 6:

Ensure that all time cards are submitted to the timekeeper by the Monday following the pay period.

FACILITY RESPONSE:

Agreed. The facility will continue its practice of tracking down missing time cards and retrieving them as soon as possible. After the close of each pay period, a list of missing time cards is generated by the timekeepers and is sent to the Executive Team, who follow up to see the cards have been submitted.

RECOMMENDATION 7:

Investigate the cited overtime discrepancies and recoup any excess payments.

FACILITY RESPONSE:

Agreed. According to our review of the fourteen (14) instances originally cited, ten (10) instances did not result in any monetary loss and were all related to bookkeeping errors. Of the four (4) other cases, action was initiated on August 21, 1998 to recoup the excess payments on the (2) of the cases. The total amount involved a difference of one and a half (1-1/2) hours for a total sum of \$46.26 (\$24.12 for the one correction officer and \$22.14 for the other). The other two cases deal with the problem of employees' starting times being changed on the time cards by some Sergeants and have been resolved. The administration has issued a memorandum advising all supervisors that changing starting times is not authorized in keeping with the timekeeping procedures unless accompanied by a written memo of explanation. Timekeeping staff have been advised to notify their supervisor of any irregularities. Adjustments have been made to the employees involved.

NOTE:

With regard to Recommendation 1, New York State Department of Correctional Services Personnel Procedure Manual, directive #097 states:

“With respect to DOCS employees who perform duty in the uniformed services, the Department cannot require copies of military orders as a precondition to granting approval for military leave. Uniformed Services Employment and Re-employment Rights Act of 1994 regulations prohibit the Department from denying leave where military orders have not been submitted ahead of time.”

DOCS Directive 2212 is in the process of being revised to properly reflect the above-mentioned statement.