



Hauppauge Union Free School District Overtime

Report of Examination

Period Covered:

July 1, 2014 – August 31, 2015

2016M-70



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

June 2016

Dear School District Officials:

A top priority of the Office of the State Comptroller is to help school district officials manage their districts efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support district operations. The Comptroller oversees the fiscal affairs of districts statewide, as well as districts' compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving district operations and Board of Education governance. Audits also can identify strategies to reduce district costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the Hauppauge Union Free School District, entitled Overtime. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

This audit's results and recommendations are resources for district officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Hauppauge Union Free School District (District) is located in the Towns of Islip and Smithtown in Suffolk County. The District is governed by a Board of Education (Board), which is composed of seven elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools is the District's chief executive officer and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction. The Assistant Superintendent for Business is responsible for overseeing payroll processing.

The District operates five schools with approximately 3,900 students and 645 full- and part-time employees. The District's budget for the 2015-16 fiscal year was \$105 million, which was funded primarily with State aid, real property taxes and grants.

Objective

The objective of our audit was to examine the District's use of overtime. Our audit addressed the following related question:

- Are District officials properly monitoring employee overtime to ensure that the District is not incurring unnecessary costs?

Scope and Methodology

We examined the District's overtime for the period July 1, 2014 through August 31, 2015.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report. Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

Comments of District Officials and Corrective Action

The results of our audit and recommendations have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report. District officials agreed with our recommendations and have initiated, or indicated they planned to initiate, corrective action.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of General Municipal Law, Section 2116-a (3)(c) of New York State Education Law and Section 170.12 of the

Regulations of the Commissioner of Education, a written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, with a copy forwarded to the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. The Board should make the CAP available for public review in the District Clerk's office.

Overtime

Overtime pay is an expected cost, but it should be carefully monitored and controlled. Overtime should be incurred only when unplanned or unforeseen circumstances arise and should not be incurred when these circumstances can be avoided. A payroll system with adequate internal controls includes procedures that require prior written approval and justification of overtime. Adequate planning and preapproval of overtime helps to ensure that the District incurs only necessary overtime costs. The District's current collective bargaining agreement states that all overtime work performed Monday through Saturday shall be paid at the rate of time and one-half and work performed on Sunday shall be paid at the rate of double time.

District officials are not properly monitoring employee overtime to ensure that the District is incurring only necessary overtime costs. While the District's payroll instructions state that employees must obtain supervisory approval before working overtime hours, the District does not have adequate procedures in place to ensure overtime is preapproved.

During our audit period, the District paid \$470,355 for overtime. Of this total, the District paid \$363,482 (77 percent) of the overtime costs to personnel in the Building and Grounds Department (department) and Security office. We randomly selected two biweekly November 2014 payrolls¹ in which employees worked 196.75 overtime hours and received overtime payments totaling \$8,371. This amount included 171 hours totaling \$7,234 paid at time and one-half and 25.75 hours totaling \$1,137 paid at the double time rate.

For the payrolls, we judgementally selected 15 payments made to 13 employees² that contained the highest amount of overtime paid to determine whether staff complied with the District's procedures for obtaining preapproval for overtime. We found that none of the overtime hours worked had been preapproved. For example, one security guard worked 33.5 overtime hours and received overtime payments totaling \$1,143 for "video room coverage." This consisted of monitoring the cameras in the security office that provide surveillance of the school's facilities. Had overtime preapproval been mandated, overtime would have been more closely monitored and shifts may have been rearranged to incorporate video room coverage into employees' regular workdays.

¹ November 14 and 26, 2014

² 10 department employees and three security guards

The department has an overtime report that provides an explanation of work performed during overtime. However, department supervisors are preparing and signing them after the work is performed. In addition, although District timesheets provide space for supervisors to preapprove overtime, department and Security office supervisors did not use it.

Because District officials have not required employees to obtain approval prior to working overtime, the District may be paying more in overtime costs than necessary.

Recommendations

District officials should:

1. Implement procedures to properly control and monitor overtime by approving and providing justification for overtime prior to the work being performed.
2. Review security staffing and determine whether work shifts can be rearranged to incorporate video room coverage into a regular workday.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

The District officials' response to this audit can be found on the following pages.



HAUPPAUGE PUBLIC SCHOOLS

495 Hoffman Lane
P.O. Box 6006
Hauppauge, New York 11788

JAMES J. STUCCHIO
Deputy Superintendent of Schools

May 12, 2016

Mr. Ira McCracken, Chief Examiner
Division of Local Government and School Accountability
Office of the State Comptroller
NYS Office Building, Room 3A10
250 Veterans Memorial Highway
Hauppauge, New York 11788-5533

Dear Mr. McCracken:

First and foremost, the Hauppauge Union Free School District would like to thank the Office of the State Comptroller for their report and recommendations contained therein. The entire process was conducted in a very positive and professional manner, which is a testament to the very insightful, hardworking, and courteous examiners assigned to the engagement. It is our sincere belief that the information obtained from this review will further assist the District in its continuous endeavor to strengthen its financial controls and improve operations.

The District was provided an opportunity to review the draft report and meet with the examiners to discuss their findings. We accept and agree with their two recommendations related to employee overtime and will implement the below remedial measures within the next ninety days. We respectfully request that this also serve as our Corrective Action Plan.

Recommendation: Implement procedures to properly control and monitor overtime by approving and providing justification for overtime prior to the work being performed.

As cited in the report, overtime in the buildings and grounds and security departments is approved after the work is performed. In response, new procedures will be created requiring overtime and the associated justification to be pre-approved by department supervisors. This will protect the District from unauthorized extra work and allow for the possible rearranging of shifts to lower or eliminate the need for the overtime. The only exception will be health and safety emergencies, which will be authorized verbally.

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Recommendation: Review security staffing and determine whether work shifts can be rearranged to incorporate video room coverage into a regular workday.

As cited in the report, a considerable amount of overtime is paid for “video room coverage.” Shifts for the security staff will be reviewed to determine if coverage for monitoring the surveillance system and other related tasks can be incorporated into an employee’s regular shift. If this cannot be accomplished, an analysis will be performed to determine if it is more cost effective to hire an additional part-time staff member to lower or eliminate the overtime.

Once again, the Hauppauge Union Free School District expresses its gratitude for the work performed as a part of this examination. We appreciate your assistance and welcome future support.

Should you have any questions or concerns, please do not hesitate to contact me.

Sincerely, 

James J. Stucchio
Deputy Superintendent of Schools

JJS:ls

cc: Board of Education
Interim Superintendent of Schools

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We reviewed the District's payroll for our entire audit period and determined the amount of overtime paid.
- We selected to review overtime payments made to employees in the Building and Grounds Department (department) and Security office to determine whether overtime hours worked were preapproved because 77 percent of the overtime payments were paid to these employees.
- We randomly selected to review the November 14 and 26, 2014 payrolls and then judgmentally selected to review 15 payroll payments made to 13 employees who had earned the highest amounts of overtime for these check dates. The 13 employees consisted of 10 department employees and three security guards.
- We reviewed collective bargaining agreements and the District's procedures regarding overtime.
- We reviewed the November 2014 payroll registers and determined whether overtime hours worked were preapproved.

We conducted this performance audit in accordance with GAGAS. 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

APPENDIX C

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