

I. EXECUTIVE SUMMARY

The Office of Public Integrity (OPI) examined the adequacy of the procedures used to account for employee paid duty hours, the effectiveness of internal control in the payroll process, and compliance with approved policies and practices for employees in the Department of Recreation and Youth Services, Bureau of Recreation.

The results of the review indicate that payroll records and the corresponding system of internal controls over employees' reported time are generally reliable. However, certain deficiencies exist that require management attention.

- ◆ Of the 500 Human Resource System (HRS) cards examined, Recreation personnel could not provide OPI with 90 corresponding Recreation Integrated Time Cards. Bureau of Recreation policy requires that employees complete these internal time cards. As a result, supporting documentation does not exist for these employees' time reported on HRS cards.
- ◆ Of the 410 internal time cards examined, OPI noted that 40 did not agree to the HRS time cards. Additionally, we noted miscalculations and/or missing information and signatures on an additional 24 internal time cards.
- ◆ OPI noted that Recreation personnel disposed of a significant number of recent Recreation Integrated Time Cards. New York State regulations require that municipalities retain employee time records for a period of six years.
- ◆ The Bureau of Recreation could not locate overtime authorization documents for any of the 27 occurrences of overtime in our test period. Bureau policy requires the completion of these documents for all overtime.
- ◆ The Office of Public Integrity noted 35 of the 500 HRS time cards examined had unauthorized alterations that change previously recorded information on the time cards. This condition potentially allows unauthorized and improper alterations of previously recorded and approved information.

II. BACKGROUND, OBJECTIVES AND SCOPE

A. Assignment

The Office of Public Integrity routinely includes payroll system reviews in its annual work program. OPI selected the Department of Recreation and Youth Services (DRYS), Bureau of Recreation for this review.

B. Background

The Bureau of Recreation provides quality leisure time programs and services to residents of all ages, with an emphasis on youth. The Bureau includes 6 individual operating units comprised of 12 timekeeping locations; Administration, Field Administration, Genesee Valley Complex, Public Market, Recreation, and Athletics. OPI selected Field Administration, Genesee Valley Complex, Recreation, and Athletics for examination in this review.

To provide support for time reported on HRS cards, Bureau policy requires most employees to complete manual internal time cards called Recreation Integrated Time Cards. The policy requires employees to accurately record start and end work times on these internal time cards. Additionally, to attest to the accuracy of the information recorded on the Integrated Time Cards, the policy requires employees to sign them.

To ensure accuracy in transcribing data and timeliness of completion, supervisors sometimes complete the HRS time cards by transferring the information from the Recreation Integrated Time Cards directly to the HRS cards. Employees normally sign their completed HRS cards.

C. Objective and Scope

The objectives of the review were to determine the adequacy of procedures used to account for employee paid duty time, the effectiveness of internal control in the payroll process, and the extent of compliance with approved policies and practices.

In this review, we examined all weekly and bi-weekly payrolls paid in the units selected for review during the month of April 2011. There were 113 weekly employees and 45 bi-weekly employees assigned to these units during this period. For each employee in each pay period, the Office of Public Integrity examined detail information recorded on the Human Resource System payrolls and compared it to source records including documentation in personnel files, internal time cards, and supporting documentation for authorized overtime. We examined 411 time cards applicable to weekly employees and 89 time cards applicable to bi-weekly employees.

Management is responsible for establishing and maintaining a system of internal accounting and administrative control. Fulfilling this responsibility requires estimates and judgments by management to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized

use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of accurate, informative reports that are fairly stated.

Because of inherent limitations in any system of internal accounting and administrative control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any system evaluation to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

The recommendations presented in this report include the more significant areas of potential improvement that came to our attention during the course of the examination, but do not include all possible improvements that a more extensive review might develop.

III. RESULTS OF REVIEW

The Office of Public Integrity examined payroll and personnel records required by City and Bureau policy to determine compliance with these policies. Generally, based on the examination of the documents and the results of various audit tests, payroll records originating within the units reviewed and the corresponding system of internal controls over employees' reported time are reliable, accurately reflect duty time, and meet the internal control objectives of the payroll system.

However, we noted certain deficiencies, both of an operational and an internal control nature, exist that require management attention to ensure compliance with State, City, and Bureau policies. The following table summarizes these findings:

Department of Recreation and Youth Services
Bureau of Recreation
Summary of Findings

Week Ending	Total HRS Cards Examined	Total Internal Time Cards Examined	Internal Time Card Not Located	Internal Time Card Does Not Agree to HRS Time Card	Internal Time Card Incomplete or Miscalculated	Unauthorized Overtime	Alterations To HRS Card Not Authorized
04/09/11	108	87	21	9	6		2
04/16/11	147	120	27	13	7	13	13
04/23/11	94	73	21	9	6		3
04/30/11	151	130	21	9	5	14	17
Total	<u>500</u>	<u>410</u>	<u>90</u>	<u>40</u>	<u>24</u>	<u>27</u>	<u>35</u>

A. Incomplete, Inaccurate and Missing Recreation Integrated Time Cards

Bureau policy requires most employees to complete Recreation Integrated Time Cards. The policy requires employees to manually record all start and end work times on these internal time cards and to sign the cards to attest to the accuracy of the information recorded on them. These documents provide a detail of the days worked, the times in and out for each employee and total hours for the pay period.

When properly utilized, Recreation Integrated Time Cards enhance control over reported work hours. They provide a means to supervisors to help verify the accuracy of the information recorded on HRS time cards and provide facility staff with a means of tracking the location of employees when offsite and their expected time of return.

During this review, OPI noted several adverse findings related to Recreation Integrated Time Cards. These findings include the following:

1. Of the 500 HRS time cards examined during this review, Recreation personnel provided OPI with only 410 corresponding Recreation Integrated Time Cards. They could not locate the remaining 90 internal time cards. OPI could not verify if Recreation personnel did not complete these documents, if they did not turn them into the administrative office or if they misplaced them. As a result, supporting documentation does not exist for these employees' time reported on Human Resource System (HRS) cards.
2. Of the 410 Recreation Integrated Time Cards examined, OPI noted that 40 did not agree to the HRS time cards. This is an error rate of 9.8%. In 19 of these instances, the hours recorded on the internal time cards were greater than the hours recorded on the corresponding HRS cards and in 21 instances, the hours recorded on the internal time cards were less than the hours recorded on the corresponding HRS cards. Additionally, OPI noted miscalculations and/or missing information and signatures on an additional 24 internal time cards. This is an error rate of 5.9%.

These discrepancies and omissions appear to be the result of clerical errors. However, the failure of employees to completely and accurately complete these internal time cards significantly diminishes the control and benefits that they provide.

3. OPI noted that Recreation personnel disposed of a significant number of Recreation Integrated Time Cards on file at the DRYS Administration Office, including several time cards in our test period.

The University of the State of New York, State Education Department, State Archives and Records Administrations, Records Retention and Disposition Schedule MU-1, item no. 3.[366] states, "Employee's time records covering leave, absences, hours worked and scheduling, and including but not limited to employee's time cards or sheets, request for change of work schedule, vacation schedule, report of absence and request for leave without pay" should be retained for six years. As a result of our review, Recreation personnel discontinued disposing of these time cards.

◆ Recommendation

Management should follow Bureau policy and ensure that all required employees complete internal time cards. Additionally, to minimize clerical errors, employees should exercise care and diligence when completing these time cards. Also, Recreation personnel should retain these documents in accordance with New York State regulations.

B. Unauthorized Overtime

The Bureau of Recreation requires the maintenance of daily overtime authorization documents that they use to record employees scheduled for overtime. For emergency overtime, Bureau policy requires that employees must submit a written request to a supervisor within 24 hours after completion of the work. OPI noted 27 occurrences of overtime in the test period. Recreation personnel could not provide overtime authorization sheets for any of these occurrences.

Bureau of Recreation policy requires that supervisors complete overtime authorization documents for all overtime. Additionally, overtime authorization documents are important because they provide a control by confirming to payroll clerks and management that supervisors authorized the necessity of overtime hours.

◆ Recommendation

Bureau of Recreation should ensure that all supervisors complete the overtime authorization documents and that the manager approves and signs these documents.

C. Alterations to HRS Time Card Not Authorized

The Office of Public Integrity noted 35 of the 500 HRS time cards examined had unauthorized alterations changing previously recorded

information on the time cards. As a result, the City cannot establish responsibility for the changes to the time cards. Administrative Policy 4210, 4.2.4 requires an employee's immediate supervisor to initial any changes or corrections made on a time card.

Non-compliance with this payroll policy affects the ability to identify the originator of changes made on employee time cards and potentially allows unauthorized and improper alteration of information that supervisors have already recorded and approved on the time cards.

◆ Recommendation

All changes to the HRS time cards should be initialed by the employee's immediate supervisor.

IV. DEPARTMENTAL RESPONSE

The response of the Department of Recreation and Youth Services follows.



To: Daniel Mastrella, Manager of Internal Audit, OPI
From: Luis Burgos, Commissioner, DRYS
Date: February 13, 2012
Subject: Time card exceptions response from OPI field audit checks

Attached are the responses to the audit for the Department of Recreation and Youth Services time card exception.

LB:mh

Attachment



To: Luis Burgos, Commissioner of DRYS
From: Anthony Jordan, Assistant Commissioner of Recreation
Date: February 13, 2012
Subject: Recreation Response to OPI Audit

Responses to the exceptions discovered by OPI in their field audit report are as follows:

Findings: Of the 500 HRS time cards examined during this review, Recreation personnel provided OPI with only 410 corresponding Recreation Integrated Time Cards. They could not locate the remaining 90 internal time cards. OPI could not verify if Recreation personnel did not complete these documents, if they did not turn them into the administrative office or if they misplaced them. As a result, supporting documentation does not exist for these employees' time reported on Human Resource System (HRS) cards.

Response: The missing timecards were due to a miscommunication between the clerical staff was responsible for filing and maintaining the time cards and management staff. Staff personnel were instructed to reduce files and move outdated material to the proper location. The clerical staff person misinterpreted this to mean destroying the documents. This happened in part due to office and personnel changes for time card document management at 400 Dewey Avenue. Staff was re-instructed on the proper practices and policies for maintenance of these documents and there will be a formal meeting with all clerical support employees of Recreation on Tuesday, February 14, 2012

Findings: Of the 410 Recreation Integrated Time Cards examined, OPI noted that 40 did not agree to the HRS time cards. This is an error rate of 9.8%. In 19 of these instances, the hours recorded on the internal time cards were greater than the hours recorded on the corresponding HRS cards and in 21 instances, the hours recorded on the internal time cards were less than the hours recorded on the corresponding HRS cards. Additionally, OPI noted miscalculations and/or missing information and signatures on an additional 24 internal time cards. This is an error rate of 5.9%.

These discrepancies and omissions appear to be the result of clerical errors. However, the failure of employees to completely and accurately complete these internal time cards significantly diminishes the control and benefits that they provide.

Response: Management was spoken to the supervisors who authorize the time keeping documents on February 2, 21012 regarding the importance of the accuracy, legality and policies that are attached to these documents. We now require the

facility directors to initial all cards for their sites after reviewing them for accuracy. We also require the directors to have their supervisors' double check their time keeping documents for accuracy.

Findings: OPI noted that Recreation personnel disposed of a significant number of Recreation Integrated Time Cards on file at the DRYS Administration Office, including several time cards in our test period.

The University of the State of New York, State Education Department, State Archives and Records Administrations, Records Retention and Disposition Schedule MU-1, item no. 3.[366] states, "Employee's time records covering leave, absences, hours worked and scheduling, and including but not limited to employee's time cards or sheets, request for change of work schedule, vacation schedule, report of absence and request for leave without pay" should be retained for six years. As a result of our review, Recreation personnel discontinued disposing of these time cards.

Response: Recreation Management was not aware that these documents were being destroyed and appreciate the fact that this issue was discovered and corrected through this audit. The Bureau of Recreation will follow the recommendation of OPI staff to utilize the City's central filing systems for storage of older files and documents.

In response to OPI's recommendations, responses are as follows:

Recommendation: Management should follow Bureau policy and ensure that all required employees complete internal time cards. Additionally, to minimize clerical errors, employees should exercise care and diligence when completing these time cards. Also, Recreation personnel should retain these documents in accordance with New York State regulations.

Response: The Bureau of Recreation will follow the recommendations of OPI on this issue and implement practices and protocols that will allow for a high level of accuracy and management of these documents and files. The clerical support staff is scheduled to attend a meeting on February 14, 2012 to review the findings of this audit to reinforce the importance of proper document management and to prevent future mishaps. The meeting agenda will include a review of the proper procedure for payroll functions, filing of payroll documents as well as the importance of handling these documents effectively. Staff will also be informed that failure to follow proper procedures could lead to disciplinary actions. This training will be conducted on an annual basis.

A. Unauthorized Overtime

The Bureau of Recreation requires the maintenance of daily overtime authorization documents that they use to record employees scheduled for overtime. For emergency overtime, Bureau policy requires that employees must submit a written request to a supervisor within 24 hours after completion of the work. OPI noted 27 occurrences of overtime in the test period. Recreation personnel could not provide overtime authorization sheets for any of these occurrences.

Response: The recreation person responsible for filing and maintenance of these documents stated that the files were lost during 400 Dewey building

renovation. They were informed of the importance of these documents and now have a secure established location that is accessible by approved Recreation staff. Staff has been informed that failure to follow proper procedures for filing and maintenance of these documents could lead to disciplinary actions.

Bureau of Recreation policy requires that supervisors complete overtime authorization documents for all overtime. Additionally, overtime authorization documents are important because they provide a control by confirming to payroll clerks and management that supervisors authorized the necessity of overtime hours. Supervisors of Recreation Staff Personnel who can receive OT have been re-trained on the management of OT and related documentation and informed that failure to follow proper procedures could lead to disciplinary actions.

Recommendation: Bureau of Recreation should ensure that all supervisors complete the overtime authorization documents and that the manager approves and signs these documents.

Response: The Bureau of Recreation will follow the recommendations of OPI on this issue and implement practices and protocols that will allow for better accuracy and management of the OT request forms. Annual training will be instituted to ensure full compliance.

B. Alterations to HRS Time Card Not Authorized

The Office of Public Integrity noted 35 of the 500 HRS time cards examined had unauthorized alterations changing previously recorded information on the time cards. As a result, the City cannot establish responsibility for the changes to the time cards. Administrative Policy 4210, 4.2.4 requires an employee's immediate supervisor to initial any changes or corrections made on a time card.

Non-compliance with this payroll policy affects the ability to identify the originator of changes made on employee time cards and potentially allows unauthorized and improper alteration of information that supervisors have already recorded and approved on the time cards.

Response: Field staff will be re-trained on how to make corrections and edits on the HRS Cards. Furthermore, annual training will be instituted to ensure full compliance with City standards.

Recommendation: All changes to the HRS time cards should be initialed by the employee's immediate supervisor.

Response: The Bureau of Recreation will follow the recommendations of OPI on this issue and implement training, practices, and protocols that will ensure accuracy with editing and management of the HRS time cards.