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To: Frank Ryan
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Date: May 30, 2008

Subject: Limited Review of Time and Leave in the Office of Purchasing

Audit Scope, Objective and Methodology

Our office conducted a limited review of a sample of the time and leave records for the Office of Purchasing (Department) for the period January 2005 through September 2007. Our sample included seven of the Department's 26 employees, two of whom were ordinance employees, and covered time and leave records for nine bi-weekly pay-periods.

The objective of the audit was to determine if the recording of time and leave was subject to appropriate controls. The scope of the audit included an examination of time and leave policies and procedures, a review of compliance with the Civil Service Employees Association, Inc. (CSEA) collective bargaining agreement and the county ordinances covering non-union employees, an examination of supporting documentation, and the recording of time and leave in the Nassau Unified Human Resources System (NUHRS), the county's timekeeping and payroll system.

We also conducted a follow-up of a previous operational audit (prior audit) of the Department which included a review of attendance records. The prior audit was released

by the Comptroller's Office in May 2001 for the audit period 1998-2000. Our focus was to ensure that the exceptions noted in the prior audit had been addressed.

Summary of Findings

We commend the Department for the improvements made in its timekeeping procedures. Our review disclosed that proper procedures are generally being followed, with some minor exceptions regarding segregation of duties and documentation. We found an incompatibility in duties performed by the timekeeper and that a proper segregation of duties, along with more oversight, needs to be established. We also found that a means of evidencing the work performed is not consistently and adequately documented.

The prior audit noted that County Time Sheet Form 3024 was not used. The Department was using a time sheet that did not contain space for the employee's certification of time and leave entered, the timekeeper's daily attestation to attendance or an authorizing certification. Other findings noted in the prior audit included the failure of employees to sign out, the existence of illegible entries and missing signatures on the attendance records. Our follow-up review disclosed that the Department revised its time sheet to include space for the necessary certification and authorization controls and, at the outset of the current audit, the use of the County Time Sheet Form 3024 had been implemented. We found that measures still need to be taken to ensure that all required signatures are obtained and to improve the legibility of documentation.

Audit Finding (1):

Lack of Segregation of Duties

A segregation of duties is intended to prevent or enable the detection of unauthorized transactions or errors. As such, no one person should have control over all phases of a transaction. The concentration of key duties with one individual weakens internal controls and significantly increases the risk of errors and irregularities occurring and going undetected. In addition, any errors that do occur will not get corrected in a timely manner.

For time and leave, the functions of timekeeper, supervisor and payroll clerk are defined on the County Time Sheet Form 3024 and the Employee Request and Authorization for Leave Form. These functions are defined as follows:

- The timekeeper attests to employees' daily attendance indicated on the time sheet, signs leave slips designating that the leave is posted to the time sheet and, if necessary, initials any changes on the time sheet.
- The supervisor approves leave (subject to time availability) by signing the leave slips and the biweekly time sheets to certify their accuracy and completeness.
- The payroll clerk enters leave taken into NUHRS (based on the approved leave slips) and then signs the leave slip to indicate that the leave was posted to NUHRS.

Our audit revealed that the same individual performs the duties of the timekeeper and payroll clerk, which increases the risk of errors and irregularities occurring, going undetected and not getting corrected in a timely manner. This risk is partially minimized since an alternate timekeeper attests to the "other" timekeeper's time and independently enters the leave taken into NUHRS. However, this one control does not fully compensate for the lack of segregation of duties between the timekeeping and payroll duties.

We also found that the timekeeper performs other functions that are not defined on the County Time Sheet Form 3024 or the Employee Request and Authorization for Leave Form. The following describes additional functions performed by the timekeeper.

- Prior to running payroll, NUHRS generates a "Pending Payment Register" report, which reflects leave taken. The report is distributed to all county departments for each to review it to determine if leave taken is properly reflected in NUHRS (leave type and date). Proper internal control requires that one individual enters leave into NUHRS and another individual reviews the Pending Payment Register report for accuracy. This is an important control because if all leave taken is not recorded properly, it is possible that an employee could be paid for time not worked or could accumulate leave time on leave types that do not qualify (i.e., bereavement or blood days). We were informed by the timekeeper that she enters leave taken into NUHRS and also receives and reviews the Pending Payment

Register report for accuracy. She stated that no one else reviews the report. As discussed in Audit Finding (3), we found leave taken was not always correctly entered into NUHRS and that these errors were not detected by the timekeeper. We believe this was due to a lack of segregation of duties.

- Ordinance employees balance their time within a pay period; they do not take leave if they work less than a full day as long as they make up that time on another day. The timekeeper calculates this balancing of hours for the ordinance employees' time.
- The instructions on the *Request and Authorization to Work Overtime* form state that the timekeeper completes and signs the bottom of the form indicating overtime and any other payments to be made, such as meal money and shift differential. The timekeeper is then required (per the instructions) to forward the request to the department's payroll clerk for data entry. The payroll clerk signs and dates the form as accepted and entered into NUHRS. This control ensures a segregation of duties between the preparer and data entry functions. We found, however, that the timekeeper completes the form and also enters overtime payments (and other compensatory time accruals) into NUHRS.
- The timekeeper tracks lateness, prepares the leave request form when appropriate, and enters lateness leave into NUHRS. This is another case where the timekeeper prepares the leave documentation and enters the relevant data into NUHRS.

Audit Recommendation:

The department should take the necessary steps to ensure an adequate segregation of duties in order to minimize the risk of errors and irregularities occurring and going undetected. For example, on a regular basis the time and leave functions could be divided between the timekeeper and the alternate timekeeper.

Audit Finding (2):

Time Sheet Procedures

County internal controls for completing and processing time sheets are stated on the back of the County Time Sheet Form 3024. These controls include instructions that:

- the timekeeper should attest to the daily attendance record by initialing the spaces provided at the bottom of each column;
- any change to an original entry must be initialed by the employee and timekeeper;
- all time sheets are to be certified by an authorizing signature at the end of the pay period; and
- a separate time sheet is to be used for each section in the department.

Proper internal controls also include that time sheets and other supporting documentation containing confidential personal information be kept in a secure location.

We selected time sheets for nine pay periods during the audit period, three for each year. A total of 32 time sheets were reviewed and we found the following:

- Three time sheets, for the Department director, from 2005 did not contain the timekeeper's attestation to the daily entries. We were informed by the timekeeper/payroll clerk that the director's administrative assistant had been assigned to attest for the director's time. However, when this employee left the county (in 2005), the timekeeper/payroll clerk took on this responsibility. Our review of time sheets after 2005 revealed no further occurrences of this irregularity. We also found that the CSEA weekly time sheets for the biweekly pay period August 3-August 16, 2007 did not contain an authorized signature.
- Fourteen time sheets contained manual changes for leave type used and/or for the sign in/sign out entries. On seven of the 14 time sheets there were changes made to "type of leave"; five time sheets contained changes to "sign in" and/or "sign out" times and, on two time sheets, changes were made to "type of leave," "sign in" and "sign out" times. In all 14 cases, the changes were not initialed by either the employee or timekeeper as required by timekeeping procedures. We determined that the leave changes were supported by leave slips. With respect to the changes to the sign in/sign out times, we had to rely on the timekeeper/payroll clerk's recollection of the reasons for the changes to assess their propriety. The explanation provided was that there was the erroneous entry of in and out times written in another employee's record, and the changes were a subsequent attempt to correct it and make the information more legible.
- Illegible sign in and/or sign out entries were noted on six of the 32 time sheets reviewed. This was also noted in the prior audit.
- Three employees of the Office of Management and Budget (OMB) were assigned to work at the Department's location during the audit period. Time and leave for the OMB employees was not reported on a separate time sheet until August 2007, when the vertical Deputy County Executive required that a separate time sheet be completed for the OMB employees. We determined that their salaries were properly recorded to OMB.
- Time sheets and supporting documentation containing confidential personal information were found stored in an unlocked cabinet.

Audit Recommendations:

The department should take the necessary steps to:

- ensure that the timekeeping procedures stated on the back of Form 3024 are followed;
- store time sheets, leave slips and all other documentation containing sensitive, personal information in a secure location;
- continue to ensure that a separate time sheet is prepared for employees from other departments whose workspace is physically located in the Department; and
- ensure that timekeeping and payroll records are legible to improve the audit trail and validate salaries paid and leave used.

Audit Finding (3):

Employee Request and Authorization for Leave Forms

We performed a review of leave usage posted to the time sheets for the nine pay periods selected for testing. Our sample included two ordinance employees, the timekeeper/payroll clerk, two employees noted to have high leave usage during the audit period and two employees who occasionally work away from their normal work location.

For the seven employees selected, we reviewed all 87 leave request forms prepared during the nine pay periods to determine if they were completed in accordance with the procedures stated on the back of the leave request form. We traced the leave stated on the request form to the leave posted to the time sheet and entered into NUHRS. We also verified that the 87 slips accounted for all leave posted on the time sheets and that no leave slips were missing.

Our review disclosed:

- Sixteen occurrences in which the leave request forms were not signed and dated by the timekeeper verifying that the leave was posted to the time sheet. Thirteen of these leave requests were for the timekeeper/payroll clerk. We were informed that the timekeeper/payroll clerk's leave is posted to the time sheet and NUHRS by an alternate timekeeper. The remaining three forms (two for a Purchasing Supervisor and one for the Food Inspector) were also processed by an alternate timekeeper.
- One leave request for three consecutive bereavement days included a date in the prior pay period. As this date was during a different pay period, a separate form should have been completed to accompany the related time sheet.
- One leave request for two days indicated two different types of leave. A separate form should have been completed for each leave type.
- One occurrence in which the leave entered on the leave request slip did not match the type of leave posted to the time sheet. A leave request slip submitted by the employee for a sick day was changed to a vacation day because the employee did not have any sick time available. The timekeeper/payroll clerk failed to update the time sheet to reflect the changed leave request slip.
- One occurrence where Emergency Comp Time (ECOMP) leave usage of 2 ¼ hours was granted without supporting documentation from the fire department. The CSEA contract provides for a paid absence to volunteer firefighters when they are engaged in emergency situations. The usage of this leave is entered into NUHRS as ECOMP.
- Three occasions where the leave usage was posted to the wrong date in NUHRS.

A proper review of the Pending Payment Register report, as discussed in Audit Finding (1), would have detected that the postings cited above were assigned the wrong date and leave types. We found no evidence that the report was reviewed.

Audit Recommendations:

The Department should comply with the instructions on the "Employee Request and Authorization for Leave" form to ensure adequate internal controls and require:

- all timekeepers to sign and date the form verifying that the leave was posted to the time sheet;
- a separate leave request slip to be completed for days that do not fall within the same pay period; and
- a separate leave request slip to be completed when more than one type of leave is requested.

The Department should also ensure:

- that the Pending Payment Register report is reviewed to determine that the leave posted to NUHRS agrees with the corresponding leave request slip as to date and leave type. The review should be evidenced with a date and the initials of the reviewer;
- that documentation verifying the date for the usage of ECOMP is obtained; and
- that leave posted to the time sheet agrees with the leave request form as entered into NUHRS. If an employee requested leave with a leave type not available to them, the time sheet entry should be corrected.

Audit Finding (4):

Request and Authorization to Work Overtime Form

During the three year audit period the department paid and accrued 327 hours in overtime – 56 hours in cash payments totaling \$2,633 and 271 hours of accrued compensatory time. The majority of the overtime worked resulted from Department buyers and supervisors having been required to attend certain legislative meetings to provide information related to county purchases. Overtime approval is initiated by submitting and processing a “Request and Authorization to Work Overtime Form.”

The “Request and Authorization to Work Overtime Form requires three signatures: one requesting the overtime, one authorizing the overtime, and one verifying the overtime was worked. The instructions on the form state that the requesting supervisor should obtain an authorization signature to ensure that the individual requesting the overtime is not also approving it.

We reviewed all the records for employees with overtime and/or compensatory time posted to NUHRS during the nine pay periods selected for testing. This review was done to ensure that overtime and compensatory time was properly requested, approved, verified as worked, and posted to NUHRS.

We found 13 overtime requests that were submitted during the nine pay periods we reviewed. Twelve of the 13 overtime requests were for supervisors and their buyers to attend legislative meetings. We noted that on seven of the 13 overtime slips, the three required signatures (request, authorization, verification) were from the same individual, the Director of Purchasing.

We also noted one instance where the date of the accrual of compensatory time posted to NUHRS did not agree with the date the overtime was worked.

Audit Recommendations:

The department should:

- a) comply with the instructions on the Request and Authorization to Work Overtime Form by requiring the requesting supervisor to obtain an authorization signature; and
- b) post accrual of compensatory time to the date on which the overtime was worked.

Audit Finding (5):

Incorrect Postings for Accumulated Tardiness

In accordance with the CSEA collective bargaining agreement, for absence due to tardiness, a department head shall accumulate such tardiness and charge the time against vacation leave, sick leave, personal leave, or compensatory time, in that order, in increments of one-quarter (1/4) days. We found the following weaknesses in charging leave time for tardiness.

- Per the CSEA Contract effective January 2003, employees work a seven hour day. Based on this work day, employees should be charged for tardiness when increments of 105 minutes have been accumulated. During the audit period the department was charging employees a quarter day of leave usage when 101 minutes of tardiness were accumulated; this was based on the prior work day rule of 6 ¾ hours. As a result, the employees' leave balances were reduced prematurely.
- For the period of January 1, 2007 through September 26, 2007, we reviewed all 18 Accumulated Lateness leave postings for eight Department employees. Of the 18 postings 11 were not charged in accordance with the CSEA contract. One posting for tardiness was charged against personal leave and 10 postings were charged against sick leave. All the postings should have been charged against the employees' vacation leave balances, as they all had balances available.
- For one of the 11 postings a leave request was completed for accumulated lateness using vacation leave, in accordance with the CSEA contract, but was incorrectly posted to NUHRS as sick leave.

Audit Recommendations:

The department should:

- a) revise the late minutes file to charge employees ¼ day leave deduction for lateness when 105 minutes have been accumulated;
- b) ensure that all accumulated tardiness is charged against vacation leave, sick leave, personal leave or compensatory time, in that order, which is in compliance with the CSEA contract.

Audit Finding (6):

“Balancing” Time for Ordinance Employees

On December 8, 2004, the Office of the County Executive issued guidelines for Ordinance Employee Time Sheets. These guidelines state that an employee may be permitted to “balance” his or her time during a pay period, with the prior approval of the Deputy County Executive (DCE) or Department Head. The actual hours worked within each pay period must meet or exceed the employee’s minimum required bi-weekly hours. Extra hours worked one day may permit an employee to work fewer hours on another day, within the pay period. As a general rule, the extra hours cannot be carried over into the next pay period and are forfeited. Any time the total hours worked in a pay period does not satisfy the employee’s minimum required bi-weekly hours, the shortfall of hours must be taken as leave by the submission of an “Employee Request and Authorization for Leave” form. This request must be signed by the authorized supervisor and posted to NUHRS.

The Department’s practice is to have ordinance employees complete a leave request form for all leave usage; the type of leave taken is posted to the time sheet for the respective days. At the end of a pay period in which leave is used, the payroll clerk calculates whether the employee worked the minimum hours required for a bi-weekly pay period. This calculation is performed on an electronic spreadsheet provided by Human Resources. If enough hours have been worked to “balance out” the leave time taken in the pay period, the clerk notes “AWW” (Adjusted Work Week) on both the time sheet and the leave request form to indicate that the leave time does not have to be posted to NUHRS. The completed authorized leave request form and the printout of the electronic calculation are attached to and filed with the related time sheet.

The electronic spreadsheet used to determine and calculate the balancing of time is not initialed and dated by the payroll clerk or reviewed and approved by someone other than the payroll clerk. As a result, errors in the balancing calculation may go undetected, resulting in the incorrect posting of leave time to NUHRS.

During the nine pay periods selected for testing, we found that balancing time practices were

- used by the two ordinance employees in the Department without any evidence of the required prior approval from the DCE or the Department Head. The time sheets and leave request forms were sent to the DCE after the fact. We determined that there were 10 ¼ days during the nine pay periods where balancing time was used for all or a portion of a day; 7 ¼ of these days related to the director’s hours and the

remaining three days related to the deputy director's hours. Our review of the related electronic spreadsheets for the pay periods included in our sample indicated that the balancing of time was accurately calculated.

It should be noted that subsequent to the end of field work, on May 29, 2008, the Department Head received written approval from the DCE to balance time within pay periods when representation is required during off-hours in the course of conducting County business.

Audit Recommendations:

The department should:

- a) contact the office of the county executive to determine the impact of not having prior approval for balancing time during the audit period and obtain written documentation as to the resolution.
- b) require the spreadsheet be initialed and dated by the preparer and reviewed by a second individual. This individual should evidence the review with his or her signature and date.

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The matters covered in this report have been discussed with officials of the department during this audit. On April 25, 2008 we submitted a draft report to the department with a request for comments. The department's comments, received on May 14, 2008 are included as an addendum to this report.

APPENDIX 1

Office of Purchasing Response and Auditor's Follow-up

In response to Comptroller's Office findings to the above project, I would first like to express my appreciation for working closely with my staff during the audit during a very busy time for us.

I appreciate your acknowledgement of the improvements the Office of Purchasing has made in its timekeeping procedures. As you have indicated, proper procedures are generally being followed with some minor exceptions, our comments to which are noted below. Overall, most of the findings are directly attributable to a small department with limited back-up staff. We acknowledge that the correct procedures are now in effect.

Below please find my response to each finding:

Audit Finding 1:

Lack of Segregation of Duties

Purchasing has taken the proper steps to ensure that a segregation of duties have been implemented relating to initialing the timesheet and the leave slips. Overtime Slips for subordinate employees are now being signed by a Supervisor on the "Requested by" line, and authorized by the Department Head on the "Authorized by" and "Verified by" lines. In the case of overtime for a Supervisor, the slip will now be signed by an alternate Supervisor on the "Requested by" line, and authorized by the Department Head on the "Authorized by" and "Verified by" lines.

In tracking lateness going forward, our Timekeeper will calculate the time to be charged, but the actual time to be charged will be entered into NUHRS by an alternate clerk. Vacation time will be charged first, then Sick time, then personal leave, then compensatory time, in that order, in increments of ¼ days. This has already begun.

To confirm what has always been in compliance prior to the audit, the timekeeper will continue to enter all employees' times into NUHRS except their own. The Timekeeper's time will be entered into NUHRS by an alternate clerk.

Going forward the Pending Payment Register will be initialed by an alternate clerk different from the person who made the NUHRS entry.

Auditor's Follow up Response:

We concur with the corrective actions taken by the Department but recommend that the Department also implement measures to address two other specific internal control weaknesses cited in the audit report.

The Department should:

- *have an employee other than the timekeeper review ordinance employee time sheets to ensure that they work sufficient hours each pay period.*
- *segregate duties so that the timekeeper does not both complete and enter overtime forms into NUHRS*

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Audit Finding 2:

Timesheet Procedures

Instances involving the Director's timesheet and CSEA timesheets have since been corrected and effective immediately, all timesheets will be signed and initialed appropriately.

All employees have been instructed via e-mail that all changes or corrections made to the timesheet or leave slips must be initialed by the employee and acknowledged by the Timekeeper's initial. Also included in the e-mail notice was the requirement that all employees are instructed to make their entries legibly. Our timekeeper will review all documents to ensure clarity. A copy of the e-mail will be included with the procedural manual.

Presently, there is only one part-time OMB employee working in Purchasing and his time is recorded on a timesheet separate from all other Purchasing employees. This procedure has been complied with since August, 2007 (as reported by in your report).

Going forward, Purchasing will ensure that the Timekeeper procedures on the back of form 3024 are followed and that all timesheets, leave slips and other sensitive documents will be stored in a secure location. We have secured the file cabinet and will have all the documents secured by May 31, 2008

Auditor's Follow up Response:

We concur with the corrective actions taken by the Department

Audit Finding (3):

Employee Request and Authorization for Leave Forms

Effective immediately, Purchasing will comply with the instructions as noted on the 'Employee Request and Authorization for leave' form. Further, Purchasing will ensure that all recommendations and requirements relating to these findings are followed.

Auditor's Follow up Response:

We concur with the corrective actions taken by the Department

Audit Finding (4):

Request and Authorization to Work Overtime Form

Effective immediately, Overtime Slips for subordinate employees will now be signed by a Supervisor on the "Requested by" line, and authorized by the Department Head on the

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“Authorized by” and “Verified by” lines. In the case of overtime for a Supervisor, the slip will now be signed by an alternate Supervisor on the “Requested by” line, and authorized by the Department Head on the “Authorized by” and “Verified by” lines.

Auditor's Follow up Response:

We concur with the corrective actions taken by the Department

Audit Finding (5):

Incorrect Postings for Accumulated Tardiness

In tracking lateness going forward, our Timekeeper will calculate the time to be charged after 105 minutes have accumulated, but the actual time to be charged will be entered into NUHRS by an alternate clerk. Vacation time will be charged first, then Sick time, then personal leave, then compensatory time, in that order, in increments of ¼ days. This has already begun.

Auditor's Follow up Response:

We concur with the corrective actions taken by the Department

Audit Finding (6):

Balancing Time for Ordinance Employees

The Deputy County Executive has provided authorization for the Department's ordinance employees to balance time within a pay period and a copy of the authorization has been sent to the auditors.

It is not until the full pay period is completed do we know whether there are excess hours worked and recorded on the spreadsheet or leave request form to offset time taken. However, it is only after the DCE has authorized the timesheet and the leave slip that any time is recorded in NUHRS. Time taken is only omitted from NUHRS after the DCE approves the timesheet and leave request that have been marked with the “AWW” code.

Auditor's Follow up Response

We concur with the corrective action taken by the department to obtain the DCE's blanket approval for balancing time within a pay period.

We reiterate our recommendation that the Department require that the electronic spreadsheet be reviewed and approved by someone other than the payroll clerk.