



Garden City Union Free School District Overtime

Report of Examination

Period Covered:

July 1, 2014 – April 30, 2016

2016M-382



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

January 2017

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 Garden City 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 recommendation 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 Garden City Union Free School District (District) is located in the Town of Hempstead in Nassau County. The District is governed by the Board of Education (Board), which is composed of five 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 Finance and Operations is responsible for overseeing payroll preparation.

The District operates seven schools with approximately 3,800 students and 650 employees. The District's expenditures for the 2014-15 fiscal year were approximately \$104.4 million and expenditures for 2015-16 were approximately \$103.3 million, 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:

- Did District officials ensure that all overtime for the buildings and grounds department (department) was properly authorized?

Scope and Methodology

We examined department overtime for the period July 1, 2014 through April 30, 2016.

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 C 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 recommendation have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report. Except as specified in Appendix A, District officials generally agreed with our recommendation and indicated they planned to take corrective action. Appendix B includes our comment on the issue raised in the District's response letter.

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 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 recommendation 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

While overtime pay may be an expected cost of doing business, it must be carefully monitored and controlled. Overtime should be incurred only when circumstances cannot be avoided. Adequate internal controls include the adoption of a policy or written procedures that dictate how and when overtime may be incurred and require prior written justification and preapproval of overtime to help minimize overtime costs.

District officials have not established a policy or written procedures to ensure that all overtime hours worked by department employees are properly authorized. We reviewed overtime payments totaling \$41,663 made to 10 employees and found that payments totaling \$36,723 had not been preapproved.

The District has two documents that are used for overtime: a preapproved overtime request form (request form) and an overtime report. The request form requires the employee's name, expected overtime date and number of hours. It also requires an explanation of the work to be performed and the reason why it cannot be scheduled during regular working hours. The request form has signature lines for the head custodian/maintenance supervisor, Director of Facilities and the Assistant Superintendent for Business. However, there is no policy or written procedures which require employees use the request form.¹ In addition, every pay period, the department provides the payroll clerk with an individual overtime report for each employee that is signed by the employee, employee's supervisor and the Director of Facilities. This form requires the reason for the work, the time the work was performed and the total hours worked. However, it is not prepared and signed until after the work is performed.

During our audit period, the District paid \$768,735 for overtime, including \$437,726 (57 percent) paid to 59 department employees. We reviewed overtime payments totaling \$41,663 to the 10 department employees who earned the most overtime, consisting of 927 hours earned over 298 days.² Overtime payments totaling \$36,723 (88 percent) were not preapproved for any of the 10 employees:

¹ In our previous report of examination (2009M-46), we recommended District officials establish an overtime policy to address the preauthorization of overtime and that overtime authorizations be documented and not made verbally.

² There were days that multiple employees worked overtime. We counted each employee's overtime as an individual day.

Figure 1: Overtime Used			
District Explanation	Payments	Hours	Days
Emergencies/Unforeseen Circumstances	\$22,046	488.00	145
Substitution Days	\$4,572	106.75	44
Verbal Preapproval	\$1,962	42.75	18
No Explanation	\$8,143	176.25	70
Totals	\$36,723	813.75	277

While most of the overtime paid for emergencies appeared to be for legitimate reasons, we identified several instances where the emergency designation was questionable. For example, District officials indicated that overtime payments totaling \$535 for 13 hours over four days were because of emergencies, but the circumstances did not appear to support that they were for emergencies. In one case, a payment totaling \$288 was for seven hours in March 2015 to set up for a winter program at the school. Because the winter program was planned in advance, written preapproval could have been obtained. Additionally, payments totaling \$3,284 for 73.75 hours included descriptions of the work performed that were the same as the descriptions of the work performed on the previous days. Although the work performed on the previous days may be unforeseen, written preapproval could have been obtained for the work performed for the subsequent days.

Also, the District paid \$4,572 because employees substituted for other employees who were absent on their scheduled workdays. Because the District did not have a written policy or written procedures for overtime scheduling to cover for employees who were absent from work, it is possible that, with proper scheduling, overtime payments could have been avoided. Furthermore, District officials told us they paid \$1,962 for overtime because the department Director had given verbal preapproval. However, there was no documentation to verify that this overtime was preapproved. Finally, the District paid \$8,143 for overtime without explanation for not obtaining preapproval.

Because District officials have not always required employees to obtain written preapproval for working overtime, there is no assurance that the District is not paying more overtime costs than necessary.

Recommendation

1. The Board and District officials should establish an overtime policy or written procedures that require employees use the request form. It should also address the approval of overtime for emergencies or unforeseen circumstances when written preapproval cannot be obtained and scheduling to cover for employees who are absent from work. Preapproval should be obtained in all instances where overtime can be planned in advance, such as for a school program or the second day of an emergency event.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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



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ROBERT FEIRSEN, Ed.D

Superintendent of Schools

December 15, 2016

Ira McCracken, Chief Examiner
Office of the State Comptroller
NYS Office Building, Room 3A10
250 Veterans Memorial Highway
Hauppauge, New York 11788-5533

Dear Mr. McCracken:

The Garden City Union Free School District (the "School District") has received a draft Report of Examination of Overtime completed by the Office of the State Comptroller ("OSC") for the period of July 1, 2014 through April 30, 2016. This document serves as the School District's response to the draft report.

The Board of Education and School District Administration extend a thank you for the time and effort devoted to the risk assessment and the detailed examination of internal controls over overtime. The School District is pleased to note that the report demonstrates that the Board of Education, School District Administration, and business office employees worked cooperatively with the audit team. The School District appreciates the recommendation of the Office of the State Comptroller and will keep the OSC's comments in the forefront as we continue our efforts to ensure that best practices are implemented in all aspects of District operations.

On the whole, the report provides a valuable snapshot of our current overtime approval process. The School District would like to affirm that all overtime, even that of an emergency nature, is approved in advance, either written or verbally by the District's Facilities Director. All overtime sheets include a detailed explanation of the overtime activity, and the records are signed and again approved by the District's Facilities Director. The detail on the overtime form presents a clear reason for the activity in which the employee has engaged while on overtime.

During the 22-month report period from July 1, 2014 through April 30, 2016, \$41,663 was paid in overtime to the top ten custodial employees who received these additional payments. The report notes that \$36,723 was not pre-approved. This matter was discussed with the OSC's field team at the exit

conference with the District which took place on November 30, 2016, and was attended by the President of the Board of Education, who is also a member of the Audit Committee. The report places the \$36,723 of unapproved overtime into the following categories:

District Explanation	Payments
Emergencies/Unforeseen Circumstance	\$ 22,046
Substitution Days	\$ 4,572
Verbal Preapproval	\$ 1,962
No Explanation	\$ 8,143
Totals	\$ 36,723

As shown above, \$22,046 or 60% of the incidences in question were for emergencies/unforeseen circumstances including snow removal or boiler breakdowns, and \$6,534 or 18% were documented as verbally approved or for substitute coverage, situations that were also unforeseen. These figures indicate that the overwhelming preponderance of the exceptions were for “emergencies” and therefore could not be preapproved.

See
Note 1
Page 9

The report indicates that \$8,143 during the 22-month period has no explanation of why there was no pre-approval of overtime. The District agrees with that finding and will address it in its Corrective Action Plan. The District also notes that the auditors presented no questions about the appropriateness or validity of the overtime.

The OSC report recommends that the District establish an overtime policy or written procedures that require employees use the overtime pre-approval form. While we strive to use this form whenever possible, there are some circumstances where it is not feasible due to unanticipated events. However, the District wants to assure OSC that it will examine the instances of overtime cited in the report that were not pre-approved in order to identify ways in which such occurrences might be pre-approved in the future. In addition, it will establish a compensating control to ensure that the approval of overtime in advance is always documented, whatever the circumstances.

Again, the School District thanks the OSC for the opportunity to respond to the draft Report. The School District strongly supports the audit process and welcomes all efforts to make certain that its practices serve the taxpayers of the community.

Sincerely,

RF:cam

Robert Feirsen, Ed.D.
Superintendent of Schools

APPENDIX B

OSC COMMENT ON THE DISTRICT'S RESPONSE

Note 1

District officials indicated that \$22,046 of the overtime payments was for emergencies/unforeseen circumstances and that \$1,962 of the \$6,534 of the overtime payments was verbally preapproved. However, the overtime reports that were prepared after the work was performed did not indicate that these were the explanations. Although most of the exceptions may have been for emergencies, they were not documented in the District's records as such, and we identified several instances where the designations were questionable.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

The objective of our audit was to evaluate the District's overtime procedures for the department. To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed District officials to obtain an understanding of the procedures for the approval of overtime.
- We reviewed the department's collective bargaining agreements to determine if overtime payments were in accordance with the agreements.
- We determined the overtime payments to all District employees and selected the department because 57 percent of the overtime payments were to department employees.
- We reviewed overtime payments to the 10 department employees who earned the most overtime³ and selected the last payroll of every other month to review.
- We reviewed individual employee request forms and overtime reports to determine if employees were paid for hours worked and if overtime was preapproved.
- We requested and documented the department's explanations for instances when overtime was not preapproved on request forms.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

³ We reviewed overtime payments made in the last payroll of every other month. Employees are paid on a bi-monthly basis.

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