Office of the New York State Comptroller

Division of Local Government & School Accountability

Sullivan County

Time and Attendance

Report of Examination

Period Covered:

January 1, 2015 – October 25, 2016

2017M-55

Thomas P. DiNapoli

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State of New York
Office of the State Comptroller

Division of Local Government
and School Accountability

November 2017

Dear County Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as 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 operations and County Legislature governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of Sullivan County, entitled Time and Attendance. 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 local government 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

Sullivan County (County) is in the southeastern part of New York State and has a population of approximately 77,500. The County is governed by the County Legislature (Legislature), which is composed of nine elected members who represent the nine legislative districts throughout the County's 15 towns and six villages. The Legislature appoints a County Manager who is the chief executive officer and administrative head of the County in accordance with the County Charter. The County Manager is responsible for the overall administration of County government and providing and coordinating staff services to the Legislature and its committees.

The County uses an electronic timekeeping system (ETS) which allows staff to automatically record and report time worked electronically when they punch in and out using the timeclock. Each department has a designated administrator who reviews the times worked and makes edits, if necessary. The administrator reports biweekly activity to the payroll department by electronic batch processing.

The payroll department consists of the payroll coordinator and two clerks and reports to the Commissioner of Management and Budget. Individual departments review, approve and electronically import their biweekly payroll files into the payroll software. The payroll department merges the departments' payroll batches into the biweekly payroll files, generates and reviews payroll exception reports and monitors system-generated reports for changes to leave accruals. The payroll department enters new employee information, calculates separation payments, maintains leave accrual balances and responds to employee and department head inquiries. Biweekly payroll batch files are sent to the County Treasurer for final processing and payment.

The County has 1,470 active employees, of which 962 are full-time, 55 are part-time and the remaining were temporary or per diem employees. The County's 2017 total appropriations for personal services are approximately $56.4 million, funded primarily by real property taxes, sales and use taxes, State and federal aid and various user charges.

Objective

The objective of our audit was to review the controls over the County's timekeeping system. Our audit addressed the following related question:

- Did County officials ensure that employees were paid for actual hours worked and at the correct rates?

Scope and Methodology

We examined controls over the County's timekeeping system for the period January 1, 2015 through October 25, 2016. We extended our scope period to July 1, 2014 to determine the number of days the Director of Probation missed work without charging leave accruals.

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 Local Officials and Corrective Action

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

The Legislature has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and forwarded to our office within 90 days, pursuant to Section 35 of General Municipal Law. 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. We encourage the Legislature to make this plan available for public review in the Clerk of the Legislature's office.

Time & Attendance

A good time and attendance system includes mechanisms for recording time worked and retaining information to support an employee's weekly timesheet. The timekeeping system, coupled with effective management oversight, should ensure employees are accurately paid for time actually worked, monitor employees' attendance and include consequences for failure to comply with the requirements. Any adjustments to an employee's time records should be approved in writing by the employee's supervisor and supported by documentation. In addition, employees should not be able to adjust their own time records.

The County's payroll processing procedures were reasonable and our testing of pay rates, deductions and withholdings did not identify any significant deficiencies.[1] However, the County could improve oversight for leave usage. During our initial meeting, County officials told us the Director of Probation (Director) was under investigation for taking leave from work without charging his leave accruals. He was placed on unpaid administrative leave and reached a retirement settlement with the County that deducted 71 days from his remaining leave balances. Also, the County uses an ETS that electronically records the times employees punch in and out and allows edits of timeclock times. For example, the ETS allows the designated department administrators to manually edit the start times and end times that are automatically recorded in the ETS when employees clock in and out of work. According to County officials, edits were made primarily due to employees either forgetting or not having access to punch in or out, flextime or overtime work at offsite locations. We tested 108 edits and found that 54 edits were not approved in writing by the employee's department head; 49 edits did not have support and 22 edits were done by the employees themselves. As a result, the County lacks assurance it is paying for hours worked and services rendered.

Leave Usage

County management is responsible for ensuring that officials and employees properly charge leave usage. Department heads (i.e., directors) are generally exempt from recording their time, but are required to submit leave requests to the Commissioner[2] that oversees their time and attendance.

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1 We reviewed time and attendance records, payroll batch files, salary schedules, collective bargaining agreements and bank statements for two payroll periods. If leave was charged, we determined if the leave accruals were charged appropriately. See Appendix C.

2 The County has five Commissioners who are separate from the Legislature and provide oversight of specific department heads, among other duties.

During our initial meeting, County officials told us the Director was under investigation for taking leave from work without charging his leave accruals. There were 174 workdays when the Director did not log in to his work computer and did not charge leave. County officials stated there was no evidence he was working during these days.

The Director was placed on unpaid administrative leave beginning October 26, 2016 and reached a retirement settlement with the County on December 21, 2016 with an effective date of January 3, 2017. The settlement stated that 71 days would be deducted from the Director's remaining leave balances, which County officials believe was in the best interest of the County because it avoided further costly legal proceedings. According to County officials, on the advice of counsel, they limited their scope to 180 days to recoup unused leave balances.

County officials need to strengthen internal controls, as this issue remained undetected for two years. The Director was able to circumvent the time and attendance system undetected for two years because the Commissioner did not provide adequate oversight to ensure the Director's leave accruals were appropriately charged. In addition, the County's time and attendance policy (Policy) did not provide guidance on how to provide oversight, such as periodic reviews of leave accrual balances for reasonableness by those who approve employees' leave requests.

Because of this concern, we reviewed leave usage for all department heads and Commissioners and leave usage of 10 employees for two pay periods in September 2016. We found no unusual or suspicious trends of leave not being charged for the department heads or Commissioners and that leave usage for the 10 employees was appropriately charged. However, the failure to verify that employees are either working or charging appropriate leave accruals increases the risk that employees are inappropriately paid.

Timekeeping Records

County officials are responsible for ensuring that any adjustments to an employee's time records are approved in writing by the employee's supervisor and supported by documentation. The ability to create or change time records must be controlled and monitored because these records are used to determine regular and overtime pay and accumulated leave balances. For example, employees should not adjust their own time records.

The County uses an ETS that allows staff to record and report time worked. When staff punch in and out using the timeclock, their times are automatically recorded in the ETS. Each department has a designated timekeeping system administrator who reviews employees' time worked and makes time punch edits to their times, if necessary. County officials told us that the ETS allows for time punches to be manually edited by the administrators, supervisors and department heads, and that the probation department had a significant number of edits.

We identified over 52,800 edits in all 31 departments during our audit period, including 373 employees across 24 departments that had 40[3] or more edits. We selected 108 edits from these 24 departments and found that 54 edits were not approved in writing by the employee's department head. Of these 54 edits, 49 did not have sufficient support to substantiate the time adjustment. Furthermore, for 22 of the 108 edits involving nine departments, employees manually edited their own punch times.

Department heads told us these edits were for reasons such as employees forgetting to punch in or out, flextime, compensatory time and overtime. The Policy does not require all employees to request in writing to a supervisor or department head when seeking an edit; this requirement only applies to managers, supervisors and department heads who are required to record their time worked. In addition, the Policy does not include consequences for noncompliance and there are no policies or procedures to ensure that employees have appropriate ETS access rights or that prohibit employees from modifying their own time records.

Most department heads (22 of 24 tested) told us that they, or a supervisor, approve or deny edits as they are reported to them. However, no department heads review lists of all edits to ensure they are receiving all requests for edits. For the remaining two departments, the department's timekeeping administrator is allowed to perform edits without pre-approval from the department head. In addition, although 15 department heads (of 24 tested) told us they require employees to submit edit requests in writing that are approved or denied prior to any edits being made, the other nine departments do not require such documentation. In some cases, when department heads have only a few employees with whom they can maintain adequate observation of during the course of the work day, verbal requests and approval of edits may be justified. However, in these instances, there is no requirement that written documentation be prepared to confirm that the approval was obtained.

When employees fail to clock in and out of the ETS, or their clocked in and out times are edited, the inherent controls of the ETS are circumvented because manual entries are created. Without proper

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3 See Appendix A. These 24 departments had at least one employee with at least 40 edits over the audit period, or approximately one edit per pay period.

oversight of these manual entries, the County lacks assurance it is paying employees only for hours worked and services rendered.

Recommendations

The Legislature should:

1. Establish procedures to verify that department heads are either working or charging appropriate leave accruals. These procedures could include periodic reviews of leave accrual balances for reasonableness by those who approve their leave requests.

2. Review and update the Policy to establish procedures for edits that encompass all employees. These procedures should include consequences for noncompliance and identify situations when written approval is required. In the event a verbal request is approved, it should be followed up with written documentation confirming that the approval was obtained.

3. Establish policies and procedures to ensure employees have appropriate ETS access rights and prohibit employees from modifying their own time records.

4. Require department heads to periodically review a list of edits for their departments to ensure they are receiving requests for all edits.

APPENDIX A

TIME PUNCH EDIT TEST RESULTS

Figure 1: Edits in ETS

Department	Total	Tested	Not Approved in Writing	Not Supported	Same Employee Name and Log-in Identification[a]
Adult Care	4,895	9	8	8	0
Audit and Control	125	3	0	0	1
Board of Elections	151	3	3	3	1
Community Services	2,575	6	0	0	0
County Legislature	72	3	3	0	2
County Manager	103	3	3	3	3
District Attorney	143	3	3	3	3
Emergency Services	1,143	3	3	3	0
Family Services	6,635	9	0	0	0
Human Resources	133	3	3	1	0
Management and Budget	134	3	3	3	3
Management Information System	172	3	0	0	3
Office for Aging	9,392	6	0	0	0
Planning	268	3	3	3	0
Probation	1,392	6	1	1	0
Public Health Services	5,841	9	8	8	0
Public Works	2,751	3	0	0	0
Purchasing	263	3	3	3	0
Real Property	312	3	3	3	3
Risk Management	94	3	3	3	0
Sheriff	11,896	9	0	0	3
Transportation	295	3	0	0	0
Veterans Service	385	3	3	3	0
Workforce Development	3,203	6	1	1	0
Other Departments	453	0	0	0	0
Totals	**52,826**	**108**	**54**	**49**	**22**

[a] Edits in which employees edited their own time records

APPENDIX B

RESPONSE FROM LOCAL OFFICIALS

The Local Officials' response to this audit can be found on the following pages.

The County's response letter refers to an attachment that supports the response letter. Because the County's response letter provides sufficient detail of its actions, we did not include the attachment in Appendix B.

LUIS A. ALVAREZ
CHAIRMAN

NADIA RAJSZ
VICE CHAIR

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PSU - CAP Submission
110 State Street, 12th Floor
Albany, NY 12236

November 3, 2017

Re: NYS Comptroller's Office Audit 2017M-55

Please accept this letter as the County of Sullivan's reply to the draft audit report referenced above. The County appreciates the professionalism of, and assistance provided by, the Comptroller's Office, and we intend to further your efforts by permanently remediating the situation.

This audit came about following the County's internal discovery in July 2016 of the identified discrepancies in leave usage by the County's former Director of Probation. The Comptroller's investigation commenced after the County's had already begun (in August 2016). The County employed a forensic accounting firm and requested the assistance of law enforcement to determine the scope of the discrepancies.

County management swiftly addressed the issues identified by our internal investigation. Since January 2017, several corrective actions have been put in place in addition to a restructuring of the Probation Department's leadership. The County has implemented clearer policies for operations, and the individuals identified in the report as supervision of the Probation Department are no longer employed by the County of Sullivan.

The County is pleased that the Comptroller's audit did not find any unusual or suspicious trends with leave for other department heads and commissioners, nor did it find significant deficiencies in our payroll processing procedures – in fact deeming them reasonable. This is in line with the expectations set by the County Legislature and County Manager. Nevertheless, we take the findings of this audit report seriously, and we have already begun implementing measures to address the noted deficiencies.

The audit identified 52,826 edits to the current time management system between January 1, 2015 to October 25, 2016 county wide. The findings do not reflect, however, that the number of edits is in ratio to the total number of punches (774,015) made by County employees during that same period. Put in perspective, the number of edits in comparison to the total number of punches is only 6.8%.

The audit report also indicates that of the 0.2% of the 52,826 edits actually audited, roughly half may not have been done correctly. As noted, the County previously determined to replace the timekeeping system that contributed to this finding.

The total number of "policy problematic edits" represent .0065% of total punches in the audited time frame Countywide, or 1 in 153 punches. That stated, our mission is to improve our management and oversight of the processes addressed by the Comptroller's audit. These recommendations provide a compass point to deliver on that goal, and we will expend the money and effort necessary to seek such improvement.

Recommendation #1: Establish procedures to verify that department heads are either working or charging appropriate leave accruals. These procedures could include periodic reviews of leave accrual balances for reasonableness by those who approve their leave requests.

Based on the Comptroller's recommendations, we have invested more than $400,000 in a new timekeeping system to replace our outdated 11-year-old system. All the accruals, even for management, will be securely maintained within the system. Employees can request time off through the system, with approval from their supervisor required to be logged into the system. Procedurally, we are realigning who approves timecards so that no employee will approve their own timecard, and administrative timekeepers are not authorized to modify their own records. The implementation of this system is currently under way and was budgeted and planned-for.

Recommendation #2: Review and update the Policy to establish procedures for edits that encompasses all employees. These procedures should include consequences for noncompliance and identify situations when written approval is required. In the event a verbal request is approved, it should be followed up with written documentation confirming that the approval was obtained.

Our Time & Attendance Policy has been updated to reflect this recommendation (see attached). We have hired a Deputy Human Resources Director who has been tasked with reviewing and updating personnel policies, as well as instituting annual training covering this Policy for all employees.

Recommendation #3: Establish policies and procedures to ensure employees have appropriate ETS [Electronic Timekeeping System] access rights and prohibit employees from modifying their own time records.

Our new timekeeping system should immediately and significantly decrease both the amount of and access to manual edits. Employees are now unable to edit their own time records. It is also important to further clarify that "edits" as defined by the old timekeeping system is a very broad term. The new system being implemented has more options to meet the scheduling needs of County employees.

Recommendation #4: Require department heads to periodically review a list of edits for their departments to ensure they are receiving requests for all edits.

Our new timekeeping system will generate a report every two weeks (every pay period) to supervisors. This report will include type, number and origin of edits, verifiable by accompanying documentation.

CONCLUSION

The current Legislature has supported the changes needed to create a transparent and professional work environment. This change in leadership allowed for increased confidence between employees and management, which in turn brought forward the County's need to investigate and mitigate the problems addressed in the Comptroller's audit report. This proactive approach serves as a model for other counties struggling with accountability in their time & attendance systems.

We also thank our Probation Department for continuing to render outstanding service to the citizens of Sullivan County during the period of this audit and our internal investigation.

The County is dedicated to maintaining vigilance and responsibility in protecting County taxpayers and demanding honesty and accountability from County employees. On behalf of the Legislature and County staff, thank you, again, for your professionalism.

Yours truly,

Luis Alvarez
Chairman of the Legislature

Cc: Sullivan County Legislature — Sullivan County Manager
Sullivan County District Attorney — Sullivan County Attorney
Sullivan County Probation Department — Sullivan County Auditor
Binghamton Regional Office of the NYS Comptroller

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

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

- We interviewed County officials to gain an understanding of departmental timekeeping practices.

- We reviewed the Policy to determine if it contained adequate procedures and guidance.

- We judgmentally selected two payroll periods in September 2016, with no expectation that we would find more or fewer errors, and reviewed time and attendance records, payroll batch files, salary schedules, collective bargaining agreements and bank statements to determine whether payments, deductions and withholdings were properly disbursed at Board-approved pay rates. If leave was charged, we also determined whether the employee's leave accruals were charged.

- We reviewed leave usage and accruals of all department heads and Commissioners to identify any unusual or suspicious trends.

- We interviewed County officials to gain an understanding of the retirement settlement between the Director and County.

- We obtained the computer login data for the Director from July 1, 2014 through October 25, 2016. We removed all full holidays and days where leave accruals were charged for the entire workday and calculated the number of workdays with no computer logins. We obtained pay rates to determine the pro-rated salary cost for the apparent number of work days missed.

- We obtained the County's electronic payroll register data and a report of all time entries, both original and modified, for the audit period. We calculated the number of edits, by employee, for all departments excluding days when leave accruals were used. For all 24 departments with at least one employee with 40 or more edits, we selected a sample of 36 employees based on the volume of edits and employee title, and we selected three edits per employee for testing. We traced edits to appropriate evidence to determine whether the edits were approved by the department heads and properly supported.

- We compared log-in identifications to employee names to determine whether any employees performed edits to their own time records.

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 D

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