



Baldwin Union Free School District

Non-instructional Overtime

Report of Examination

Period Covered:

July 1, 2015 – December 31, 2016

2017M-128



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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

September 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 Baldwin Union Free School District, entitled Non-instructional Overtime. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

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

Respectfully submitted,

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

Introduction

Background

The Baldwin 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 District operates seven schools with approximately 4,700 students and 1,170 employees. Budgeted appropriations for the 2016-17 fiscal year were \$126.9 million, funded primarily with real property taxes and State aid. Salary appropriations were approximately \$68 million, or 54 percent of the general fund budget for the 2016-17 fiscal year, of which \$9 million was for non-instructional salary.

Objective

The objective of our audit was to examine the District's overtime for non-instructional employees. Our audit addressed the following related question.

- Did District officials appropriately monitor overtime for the District's non-instructional employees?

Scope and Methodology

We examined non-instructional overtime for the District for the period July 1, 2015 through December 31, 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 B of this report. Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

Comments of District Officials and Corrective Action

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

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of General Municipal Law, Section 2116-a

(3)(c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education, a written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, with a copy forwarded to the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. The Board should make the CAP available for public review in the District Clerk's office.

Non-instructional Overtime

While overtime pay may be an expected cost of doing business, it must be carefully monitored and controlled to help minimize costs. Overtime should be incurred only when circumstances arise and 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 what is adequate documentation of time worked. The policy should also require written justification and preapproval of overtime. District officials should ensure that employees and their supervisors plan their workload to allow employees the opportunity to take scheduled breaks. The District generally pays overtime work at time and one-half of the employees' regular hourly rate.

District officials did not adequately monitor non-instructional employee overtime. They did not establish a policy or written procedures to ensure that all overtime hours worked were preapproved, adequately recorded and incurred only when necessary. Employees prepare an overtime sheet for any hours worked over their regular work day, but the form varies by department. There was no documented pre-approval for any of the overtime that we reviewed. Four employees were paid overtime for their 15-minute break periods; time that is paid as part of their salary. In addition, many of the overtime sheets did not list the reason the overtime was necessary and the time period that the overtime hours were worked.

During the audit period, the District paid approximately \$1.47 million to non-instructional employees for overtime. We reviewed 103 overtime sheets with payments totaling \$80,735 made to 19 non-instructional employees,¹ nine from the secretarial bargaining unit, five from the custodial bargaining unit and five unaffiliated managers,² from October 1 through December 31, 2016. This included six pay periods³ with 1,726 hours of overtime. There was no documented pre-approval for any of the overtime. All overtime was approved after the overtime was worked.

Due to the varied overtime forms used, overtime sheets required different information. The overtime sheets used by four secretarial employees and three unaffiliated managers did not require employees to record start and end times of overtime worked. The employees

¹ See Appendix B for sampling methodology.

² Unaffiliated managers are not represented by a bargaining unit but have a statement of benefit and compensation that is signed by both the District and the manager.

³ Some employees did not work overtime for all six pay periods reviewed.

entered only the total number of overtime hours worked and therefore there was no information regarding the actual time of the day that they worked. As a result, overtime of \$29,773 was paid with no start and end time documented for employees totaling 622 hours. Additionally, of the 103 overtime sheets that we reviewed, all 73 sheets belonging to the secretarial and unaffiliated managers totaling 990 hours with payments totaling \$42,350 did not require the employee's signature, and as a result, the overtime worked was not certified by the employees.

In addition, nine employees did not always state the reasons for overtime. Payments were made for 586 hours totaling \$29,106 without written justification for the overtime worked.

Finally, the secretarial and custodial employee's standard workday includes two paid 15 minute breaks. Four employees from the secretarial unit were paid overtime for working through 200 of their 15-minute break periods during the 3-months reviewed. This resulted in the employees being paid for 50 hours in overtime totaling \$2,120. District officials were unable to provide us with an explanation as to why these employees were paid overtime for their break periods. Additionally, these four employees, along with another secretarial employee and an unaffiliated manager,⁴ were paid approximately \$5,497 in overtime for 115 hours⁵ for working through their one hour unpaid lunch.

Working during the lunch period should be done only when there is a necessity to do so and should not be a regular occurrence. For example, one employee from the secretarial unit was paid overtime for both break time and lunch periods almost every work day from October through December 2016. This included 88 break periods (covering 44 work days) and 45 lunch periods out of 53 work days. This resulted in this employee being paid a total of 68 overtime hours for lunch periods and breaks totaling \$3,206, or an average of \$534 per bi-weekly pay period.⁶ Furthermore, the overtime sheets did not provide justification for why it was necessary for this employee to work through their lunch or break period.

Because District officials did not establish a policy or written procedures to adequately monitor overtime by ensuring that overtime

⁴ Because some employees did not include the actual start and end time, other employees may have been paid for working through break and lunch periods as well.

⁵ In 10 instances, two employee worked for half of their lunch period, and were paid for the other half hour.

⁶ Two additional hours of overtime was for work performed outside of the break and lunch periods.

is preapproved in writing and the work schedule is properly planned and documented, the District may be paying more overtime costs than necessary.

Recommendations

1. The Board should adopt an overtime policy or written procedures that provides for pre-approval of overtime, except in cases of emergency, and required documentation and certification of overtime.

District officials should:

2. Ensure that written preapprovals are obtained in all instances where overtime can be planned in advance.
3. Discontinue paying additional compensation for break periods and ensure that employees are given the opportunity to take their break and lunch periods.
4. Design a comprehensive overtime record that clearly indicates the exact time and date that the overtime was worked, the reason for the overtime and the employee attesting to the overtime hours worked.
5. Discuss with the District's legal counsel the possibility of recovering inappropriate overtime payments.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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



Baldwin Union Free School District

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September 18, 2017

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

Re: 2017M-128 Audit Response

Dear Chief Examiner McCracken:

The Baldwin Union Free School District has received your draft Report of Examination related to “Non-instructional Overtime” reporting completed by the Office of the State Comptroller (“OSC”) for the period July 1, 2015 through December 31, 2016. Please accept this document as our Audit Response.

The Board of Education and the District’s Administration extend a thank you for the time and effort devoted to your risk assessment and the detailed examination of our internal controls related to non-instructional overtime.

We accept your recommendation to “adopt an overtime policy or written procedures” which would include specific procedures for written preapproval, approval and employee certification of overtime as well as a comprehensive overtime sheet.

We are pleased that your examination did not find evidence of fraud, theft and or professional misconduct.

The district thanks the OSC for the opportunity to respond to the draft Report. We strongly support the audit process and welcome all efforts to ensure that District policies and procedures are in alignment with best practices.

Sincerely,

Dr. Shari L. Camhi
Superintendent of Schools

c: Board of Education
Dr. Stephen Draper

We are Innovative...We are Inclusive...We are Involved...We are Baldwin!

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

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

- We interviewed District officials to gain an understanding of overtime procedures.
- We quantified total overtime worked by non-instructional employees in the 2016-17 fiscal year and judgmentally decided to review timesheets for the last completed quarter prior to start of fieldwork, which was October 2016.
- We selected 19 employees from the three classes of employees with the highest overtime payments. This included nine employees from the secretarial bargaining unit, five employees from the custodial bargaining unit and five unaffiliated managers that have individual employment agreements with the District.
- We reviewed a combined total of 103 overtime sheets covering six pay periods to determine the reason for overtime and documentation for the overtime worked.
- We reviewed the total hours recorded on the overtime sheets and compared those hours to payroll reports for accuracy.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

APPENDIX C

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