



Island Trees Union Free School District Overtime

Report of Examination

Period Covered:

July 1, 2015 – June 30, 2016

2016M-389



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

December 2016

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 Island Trees 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 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 Island Trees 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 seven 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 Business is responsible for reviewing and certifying the District's payroll.

The District operates four schools with approximately 2,300 students and 275 employees. The District's 2015-16 operating expenditures totaled approximately \$58.6 million, funded primarily with real property taxes, State aid and grants.

Objective

The objective of our audit was to examine the District's use of overtime. Our audit addressed the following related question:

- Are District officials properly monitoring custodial employees' overtime to ensure that the District is not incurring unnecessary costs?

Scope and Methodology

We examined the District's overtime payments for the period July 1, 2015 through June 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 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 recommendation have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report. District officials agreed with our recommendation and indicated they have taken 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.

Overtime

Overtime pay is an expected cost, but it should be carefully monitored and controlled. Overtime should be incurred only when unplanned or unforeseen circumstances arise and should not be incurred when these circumstances can be avoided. A payroll system with adequate internal controls includes procedures that require prior written approval and justification of overtime. Adequate planning and preapproval of overtime helps to ensure that the District incurs only necessary overtime costs.

The District's current custodial unit collective bargaining agreement states that all overtime work performed shall be paid at the rate of time and one-half, except for work performed on paid holidays which shall be paid at the rate of double time. In certain limited circumstances,¹ work performed shall be paid at the rate of double time and one-half. When emergency overtime is assigned, the employee shall be guaranteed two hours of work; the employee is guaranteed four hours of work when overtime is scheduled in advance.

District officials need to improve their monitoring of custodial employee overtime to ensure that the District is incurring only necessary overtime costs. The District does not have a comprehensive payroll policy or written overtime procedures. The Assistant Superintendent for Business told us that overtime is preapproved either verbally or by email.

During our audit period, the District paid \$166,271 for overtime. Of this amount, \$152,140 (92 percent) was paid to custodial unit employees. We examined records relating to 346 overtime hours (\$14,871) worked by the 10 custodial unit employees who worked 100 overtime hours or more in the fiscal year ending June 30, 2016. We found no documentation that 314.5 overtime hours totaling \$13,321 had been preapproved by a supervisor. For example, one cleaner worked 44 overtime hours and received overtime payments totaling \$1,535 for 13 days of summer cleaning at the middle school without documented supervisory preapproval. Had overtime preapproval been required and documented, District officials may have been able to rearrange work shifts to incorporate summer cleaning into employees' regular workdays.

¹ Work performed on graduation Sunday and the first three instances in a fiscal year of work performed while exposed to the elements on a day that inclement weather necessitated the District's closure shall be paid at the rate of double time and one-half.

District officials use an overtime report that provides an explanation of overtime work performed. However, custodial supervisors prepare and sign these reports after the work is performed. Nine of the 28 overtime reports for the 346 overtime hours (32 percent) were signed by the supervisors themselves. The custodial supervisors should not be approving the reports that contain their own overtime hours. The custodial supervisors and Assistant Superintendent for Business also sign off on employees' timesheets.

Because District officials have not required employees to obtain written approval prior to working overtime, the District may be paying more in overtime costs than necessary.

Recommendation

1. District officials should develop and implement formal written procedures to properly control and monitor overtime by documenting the approval and justification of overtime prior to the work being performed.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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



ISLAND TREES PUBLIC SCHOOLS

Board of Education
516-520-2100

Superintendent
Charles J. Murphy

ADMINISTRATIVE OFFICES, 74 FARMEDGE ROAD, LEVITTOWN, NEW YORK 11756-5202

December 1, 2016

Ira McCracken, Chief Examiner
State of New York Office of the State Comptroller
Division of Local Government and School Accountability
Hauppauge Regional Office
250 Veterans Memorial Highway
Hauppauge, New York 11788

Dear Chief Examiner McCracken:

I am writing to acknowledge receipt of the Office of the State Comptroller's audit of the Island Trees Union Free School District entitled *Overtime, Report of Examination 2016M-389*. We wish to thank the Comptroller's Office for the extraordinary time and effort spent examining our fiscal affairs, as well as our business office controls and practices. We are pleased that among the myriad of financial areas reviewed, the Office of the State Comptroller (OSC) found an area that would help further tighten our internal controls. Interestingly enough, prior to the state audit, Island Trees had implemented a procedure similar to your recommendation in order to improve our procedures with respect to overtime.

As we expressed during the OSC audit, as well as during our exit interview, although the school district required administrative preapproval for overtime, the district did not have written preapproval controls in place. For all intents and purposes, our school overtime was approved verbally or by email, and later on, only accepted for payment by the business office when submitted along with the appropriate administrative signatures and overtime work log. Again, since this item was brought to our attention earlier this summer, we had implemented formal written procedures to properly document the preapproval of overtime.

In closing, the Island Trees Union Free School District continues our commitment to safeguarding our community's assets. The Office of the State Comptroller's audit, along with the positive reports from our independent external, internal and claims auditors, provides us confidence in the strength of our school district's business office operations. Again, we will continue to examine our practices, review our financial controls, and cooperate with the state auditors to ensure that the school's resources are secured and utilized effectively.

Sincerely,

Charles Murphy
Superintendent of Schools
Island Trees Union Free School District
cmurphy@islandtrees.org

CJM:cc

Excellence and Success for All Students

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

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

- We reviewed the District's payroll for our entire audit period and determined the total amount of overtime paid and the overtime paid to custodial unit employees.
- We reviewed the custodial unit collective bargaining agreement and the District's overtime practices.
- We identified all custodial employees who worked 100 or more overtime hours in 2015-16. For each of these 10 employees, we selected the paycheck containing the highest number of overtime hours. This amounted to 346 overtime hours.
- For each of the paychecks selected above, we reviewed the corresponding payroll registers and overtime records to determine whether supervisors had preapproved overtime hours worked.

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.

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