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**Thomas P. DiNapoli  
COMPTROLLER**



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**OFFICE OF THE  
NEW YORK STATE COMPTROLLER**

**DIVISION OF STATE  
GOVERNMENT ACCOUNTABILITY**

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**OFFICE OF GENERAL  
SERVICES**

**CONTROLS OVER  
OVERTIME COSTS**

**Report 2007-S-125**

## AUDIT OBJECTIVES

Our audit objectives were to determine whether the Office of General Services (OGS) has established adequate controls over overtime to ensure that employees are paid only for hours actually worked, and whether all overtime is necessary and assigned effectively.

## AUDIT RESULTS - SUMMARY

OGS, in carrying out its mission to provide support services for the operations of New York State government, incurred overtime costs of about \$3.3 million and \$3.5 million for the 2006 and 2007 fiscal years, respectively. Over 90 percent of these costs were incurred by two major units: Real Property Management and Development and Parking Services. Our review of these programs found OGS has adequate controls in place to ensure that employees are paid only for hours they actually work and that overtime is assigned in accordance with union guidelines. However, we also found that OGS needs to improve its procedures for documenting the major assumptions upon which its overtime budgets are based for individual rehabilitation and improvement projects. In turn, OGS also needs to communicate these budgeting decisions for individual projects more effectively to all levels of management to facilitate approval and oversight.

In particular, our audit found that significant variances routinely existed between the amounts budgeted for overtime and the actual costs incurred for individual rehabilitation and improvement projects. In some instances, these variances were as great as \$50,000. There was little documentation to support why these variances occurred, primarily because the assumptions factored into the original calculations were often not

documented. As a result, we were unable to determine where these assumptions may have differed from actual conditions and thereby reach a conclusion about the necessity or reasonableness of the overtime expenditures. We also concluded that the lack of documented assumptions hinders the communication process and deprives management of valuable information that could be useful in establishing priorities and managing performance.

Our audit report contains two recommendations to correct the problems we identified during our audit. OGS officials generally agreed with our recommendations and indicated they have taken steps to improve the documentation of the basis for the overtime portion of project budgets and any subsequent changes thereto.

This report, dated August 14, 2008, is available on our website at: <http://www.osc.state.ny.us>.

Add or update your mailing list address by contacting us at: (518) 474-3271 or  
Office of the State Comptroller  
Division of State Government Accountability  
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Albany, NY 12236

## BACKGROUND

The Office of General Services (OGS) was established in 1960 and is tasked primarily with providing core support services for the operations of New York State Government. OGS currently employs about 2,000 staff who work in six business units: Real Property Management and Development (RPMD), Design and Construction, Information Technology and Procurement Services, Support Services, Administration, and Executive.

The RPMD unit is the largest business unit within OGS, managing 41 State-owned buildings with 17.7 million square feet of space, as well as more than 600 State leases totaling another 14.1 million square feet. RPMD handles all of the Statewide property management activities for OGS, and services the real estate needs for other State agencies as well. The RPMD business unit is responsible for ensuring that State-owned and leased buildings operate in compliance with applicable laws and lease requirements. RPMD preserves and protects these assets through regular and preventive maintenance, along with an extensive capital planning and renovations program.

In some instances, OGS also provides parking services at the properties it is responsible for managing. Parking Services, which is part of the Support Services unit separate from RPMD, is responsible for operating, staffing, and monitoring 16 parking lots and garages across the State.

## **AUDIT FINDINGS AND RECOMMENDATIONS**

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### *Controls over Employee Time and Attendance*

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Between April 2006 and December 2007, RPMD scheduled 717 rehabilitation and improvement and preventive maintenance projects. These projects incurred over \$6 million of overtime cost. Of the 717 projects, we reviewed 311 that were administered by the Utilities Services, Plaza Operations, and Upstate Campus divisions. Each of these projects had either an overtime budget or actual overtime costs charged to the project. We did not look at any projects from the Downstate or Construction Services divisions. During this same period, Parking Services

incurred more than \$628,000 in overtime costs for its 16 parking lots and garages.

We found OGS has sufficient internal controls in place for paying and tracking overtime. RPMD uses OGS' Leave and Accrual Tracking System (LATS) to record and submit employees' time and attendance, which includes overtime. Depending on their position, LATS requires all employees to either scan their employee badges to record their work start and end times into the system or enter the hours they work into an electronic time sheet. The time sheet includes a column for overtime. The finalized time sheet must then be approved by the employee's direct supervisor before it is submitted to the Finance office for payroll approval.

In addition, all overtime worked by RPMD employees is tracked by the unit's Facility Focus system, which is an automated maintenance management system that tracks overtime along with other project details. Facility Focus can provide reports on overtime expenditures incurred by an individual employee and by project. It also maintains the distribution of overtime by employee, which is useful for ensuring that overtime is assigned to employees in accordance with union guidelines. All employees have access to and may view the overtime distribution list. Parking Services maintains its own overtime distribution list manually, but also makes the hard copy list available for review by all employees.

We conducted site visits of employees in both the Parking Services and RPMD units. These units are responsible for the majority of the overtime incurred by OGS. We found that all employees were present and working in their assigned capacities at the time of our visits and that the appropriate overtime lists were posted as required by union contracts. We also reviewed the overtime distribution lists

for RPMD and Parking Services and found overtime was distributed in accordance with union contracts.

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### *Controls over Project Budgeting*

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Management is responsible for establishing controls that help it identify, prevent, or reduce risks that can impede the organization's ability to accomplish its objectives. A key element of this control system can be the level of documentation the organization maintains. Documentation begins with written policies and procedures that govern the daily operations of an organization and provide specific direction to employees regarding normal tasks and decisions. As such, they form a common basis of understanding for employees, without which conflict can occur and poor decisions can be made. Documentation also involves preserving evidence to support significant decisions that are made, events and transactions that occur, and systems that are put in place by management. To be most effective, all documentation needs to be complete, accurate, and recorded timely.

Organizations also need a good system of communication as an essential element of an effective system of internal control. Communication needs to flow both upward and downward through the organization to ensure that individuals have the information they need to make good decisions and to monitor the effects of their actions. While verbal communication is often sufficient for many day-to-day activities, events, and transactions that are more significant, or that occur less frequently, require more documentation to ensure clear and complete information sharing and communication.

Our analysis of the 311 projects found that significant variances routinely exist between the amounts budgeted for overtime and the actual costs incurred for individual projects.

For example, the 42 projects scheduled for the Plaza Operations unit during 2006 had an average overtime budget of slightly more than \$8,000. Six of these projects had no budgeted overtime at all, while ten had budgets ranging from \$15,000 to \$35,000. We found five of these 42 projects exceeded their budgeted overtime by more than \$20,000, including one that exceeded its \$10,000 overtime budget by more than \$50,000. Two other projects exceeded their budgets by more than \$10,000. At the same time, seven projects spent between \$5,000 and \$12,000 less than their budgeted overtime amounts.

Although many of the differences between budgeted and actual overtime costs may be warranted and justifiable, we found little documentation to explain these large variances, primarily because the assumptions factored into the original calculations were often not documented. As a result, we were unable to identify where these assumptions may have differed from actual conditions and thereby reach a conclusion about the necessity or reasonableness of the overtime expenditures.

On an annual basis, OGS building managers and area supervisors are responsible for developing and submitting project lists and proposed budgets for consideration by the regional directors based on consideration of an array of factors. Priority projects are often derived from State inspections and analysis of code requirements. Other projects are scheduled based on customer satisfaction surveys, identification of potential health hazards, and critical maintenance requirements. Officials told us that they base the overtime budget for each project on several factors, including:

- the type of project to be performed,

- when the work must occur (e.g., some projects may need to be performed after hours or on weekends),
- the size of the unit performing the work, and
- their own personal experience with similar projects.

While we agree that such factors can contribute to the amount of overtime needed for individual projects, we found OGS staff often does not document how these factors, or other major assumptions, affect the overtime requests or management's decisions regarding the final project budgets.

OGS officials stated they sometimes reduce overtime budgets or transfer overtime authorization among projects to meet changing needs. However, there is also little documentation to support the basis for these changes. In some instances, we found projects were delayed or not completed in large part because their overtime funds were transferred to finish other projects that had already exceeded their allocations.

Because these decisions were not fully documented, there is limited assurance that the information is clearly communicated to management and thereby appropriately evaluated and considered when establishing priorities, approving projects, and managing performance.

### Recommendations

1. Establish procedures to routinely document the basis for the overtime portion of project budgets and any subsequent changes thereto.

2. Ensure that the major factors and assumptions underlying overtime estimates are communicated clearly to management as part of the project approval and monitoring processes.

### AUDIT SCOPE AND METHODOLOGY

We conducted our performance audit in accordance with generally accepted government auditing standards. We interviewed agency officials and reviewed documentation supporting procedures in effect through March 31, 2008, including budgeting policies and procedures, time keeping systems, union contracts, time and attendance policies, and inspection reports. We also reviewed overtime cost records, overtime distribution lists, and the hours and reasons why overtime was worked for highest overtime earners, and conducted site visits to assigned work locations to confirm that employees were present and working in their assigned capacities. We analyzed overtime expenditures and budgeting documents for the period of April 1, 2006 through December 5, 2007 for 311 rehabilitation and improvement projects that had overtime budgets or incurred overtime costs. We also conducted detailed tests of payments made for overtime hours worked for the period July 25, 2005 through October 3, 2007.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions, and public authorities, some of who have minority voting rights. These duties may be considered management functions for purposes of

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evaluating organizational independence under generally accepted government auditing standards. In our opinion, these functions do not affect our ability to conduct independent audits of program performance.

### **AUTHORITY**

We performed this audit pursuant to the State Comptroller's authority as set forth in Article V, Section 1, of the State Constitution and Article II, Section 8, of the State Finance Law.

### **REPORTING REQUIREMENTS**

A draft copy of this report was provided to OGS officials for their review and comment. Their comments were considered in preparing this report, and are included as Appendix A.

Within 90 days after final release of this report, as required by Section 170 of the Executive Law, the Commissioner of the Office of General Services shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons therefor.

### **CONTRIBUTORS TO THE REPORT**

Major contributors to this report include Frank Houston, John Buyce, Bob Mainello, Greg Petschke, Heather Pratt, Constance Walker, Michele Krill, and Clint Green.

## APPENDIX A - AUDITEE RESPONSE



DAVID A. PATERSON  
GOVERNOR

STATE OF NEW YORK  
EXECUTIVE DEPARTMENT  
OFFICE OF GENERAL SERVICES  
MAYOR ERASTUS CORNING 2ND TOWER  
THE GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATE PLAZA  
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JOHN C. EGAN  
COMMISSIONER

July 23, 2008

### Via E-mail and Regular Mail

Mr. Frank J. Houston  
Division of State Government Accountability  
Office of the State Comptroller  
123 William Street - 21<sup>st</sup> Floor  
New York, NY 10038

Dear Mr. Houston:

This letter responds to your draft audit report entitled, "Controls Over Overtime Costs," Report 2007-S-125. We are pleased that the audit concluded the Office of General Services maintains effective controls to ensure that employees are paid only for hours they actually work and that overtime is assigned in accordance with union guidelines. Judicious use of state funds is an OGS priority.

The audit found that OGS lacked documentation to demonstrate to auditors its method for developing project budgets and the reasons overtime expenses may, at times, vary from their budgets. The audit also mentions that occasionally, projects have been delayed or are not completed in part because overtime funding is not available. OGS acknowledges that this does occur and believes that this demonstrates management of priorities and reallocation of resources to the work deemed most important. Our process for making these decisions includes holding meetings to discuss project status and future needs, and to assess available resources. The results of these meetings are documented in spreadsheets demonstrating the flow of funds, which admittedly do not include all information that might assist an outside reviewer to understand the rationale for each decision. This process was developed to permit flexibility on the part of management to adjust priorities when necessary. OGS has taken affirmative steps to improve its documentation of the basis for the overtime portion of project budgets and any subsequent changes thereto.

OGS thanks the audit team for its efforts and recommendations for improvement of controls over overtime costs.

Sincerely,

A handwritten signature in cursive script that reads "John C. Egan".

John C. Egan

cc: John Buyce – OSC

