



Albany Public Library

Leave Accruals

Report of Examination

Period Covered:

January 1, 2013 – August 31, 2014

2015M-293



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

February 2016

Dear Library 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 Library Board 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 the Albany Public Library, entitled Leave Accruals. 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 Library 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 Albany Public Library (Library) is located in the City of Albany (City) in Albany County. It is a Public School Library and serves the 95,000 residents of the Albany City School District (District). The Library is part of the Upper Hudson Library System. The Library is governed by a nine-member Board (Board) elected by District residents. The Board is responsible for the general management and control of the Library's financial affairs.

The Board appointed an Executive Director who is responsible for the Library's day-to-day administration. The Board appointed a Treasurer who is responsible for preparing bank reconciliations and signing checks. The Board also appointed a Chief Financial Officer who, with the assistance of other staff, is responsible for maintaining the accounting records and preparing various financial reports for the Board. The Human Resource Manager, with the assistance of payroll staff, is responsible for maintaining the electronic leave accrual records and ensuring that adopted policies and collective bargaining agreements are accurately implemented.

The Library operates a main library and six branches across the City and has 118 employees. The Library's budgeted appropriations for the 2014 fiscal year were \$9.4 million, \$4.7 million of which was for employee wages and related costs.¹ Funds to operate the Library come primarily from property taxes. Increases in local tax support are subjected to a public vote by District residents. The 2014 real property tax levy totaled \$8,289,077, including \$6,434,764 for general fund operations and \$1,854,313 for debt service.

Objective

The objective of our audit was to review the Library's internal controls over employee leave accruals. Our audit addressed the following related question:

- Are internal controls over employee leave records adequate to ensure employees' leave accruals are properly maintained?

Scope and Methodology

We examined the internal controls over leave accruals for the period January 1, 2013 through August 31, 2014.

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

¹ Health insurance, retirement and payroll processing costs

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
Library Officials and
Corrective Action**

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

The Board 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 the 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 Board to make this plan available for public review in the Director's office.

Leave Accruals

The Board is responsible for ensuring that employee leave benefits are properly provided and used and accounted for accurately. An essential component of internal controls over leave accruals includes ensuring adopted policies and collective bargaining agreement (CBA) provisions for leave benefits are adhered to. It also is important to require employees to maintain daily time records of hours worked and leave time used. The employees' direct supervisors should review and approve time records to certify that the employees' work hours and leave time are accurately recorded. To ensure that leave time is accurately recorded on the time records, it is essential that supervisors maintain a record of approved employee leave time and compare it to the employees' time records. Additionally, a good system of accounting for employee leave time includes procedures for periodic independent reviews to verify that the records for leave time earned and used are accurate. Accurate records are essential to ensure employees only earn and use leave time to which they are entitled.

The Library's CBA entitles full-time employees to earn vacation, personal and sick leave and part-time employees to earn vacation leave. Full-time employees earn up to 18 days of sick leave and up to five days of personal leave a year. Full-time and part-time employees earn vacation time at a rate that increases as the employees' duration of employment increases. The CBA provides for full-time employees² to earn up to 11 vacation days per year from the first through the third year of employment, up to 16 vacation days from the end of the third year through the fifth year of employment and up to 22 vacation days after the fifth year of employment and thereafter.

For the purpose of accruing vacation leave time, the CBA breaks the annual number of vacation days down to an hourly basis.³ For example, for a full-time employee earning 11 vacation days per year, the amount of vacation time earned breaks down to .0423 vacation hours per hour paid to the employee. Likewise, 16 vacation days breaks down to .0615 vacation hours, and 22 vacation days breaks down to .0846 vacation hours for every hour paid to the employees. Because part-time employees do not work full-time schedules, they earn a percentage of the full-time vacation maximums. However,

² The CBA sets full-time employees' workweek at 37.5 hours.

³ The hourly accrual rate is calculated based on a 37.5 hour work week and includes both the actual hours worked and leave time taken to come up with the 37.5 hours. Additionally, any overtime hours worked by employees are excluded in computing the hourly basis for accruing vacation time.

part-time employees earn the same rates as full-time employees when the rates are broken down to the hourly rates.

The Library uses an integrated electronic timekeeping and payroll system that also accounts for employees' leave accruals. Employees record their daily work hours and leave time on an electronic time sheet. At the end of the payroll period, the employees' supervisors review and approve the time sheets for payroll processing. During the biweekly payroll processing, the employees' leave accrual balance records are automatically updated based on time worked and leave time taken as recorded on their electronic time sheets. However, there is no procedure in place to verify that leave credits earned are in accordance with provisions in the CBA.

Also, the Board has not established a standard leave request form or other formal procedure for employees to request leave time and for supervisors to document, track and compare leave requests to the electronic time sheet. As a result, the process for monitoring, requesting and approving leave is not consistent across Library departments. We interviewed seven department heads and found that they do not use standard leave request forms. Employees requested leave time by either directly asking their supervisor in person or by telephoning or sending an email to their supervisor. The methods used by supervisors to track employee leave requests varied from supervisor to supervisor. There are 11 supervisors that review and approve employee time sheets. Six of the seven supervisors we interviewed maintained an employee work schedule and tracked leave requests for their employees. However, five of these supervisors told us that they did not always record when leave was used and relied on memory when approving time sheets.

We selected a sample of 26 employees (13 full-time and 13 part-time)⁴ to verify that leave time taken per the electronic time sheets was properly deducted from employee leave balances and leave earned was properly calculated by the electronic payroll system. We traced the employee time sheet reports to leave accrual balance reports generated from the payroll system. We found only minor exceptions, which we discussed with Library officials. However, given the lack of controls to ensure leave time taken was recorded on the electronic time sheets, we could not determine if leave time used was properly deducted from accrued balances.

⁴ See Appendix B, Audit Methodology and Standards, for details on our sample selection.

Without an adequate system of controls in place over leave time, the risk exists that employees could earn or use time that they were not entitled to.

Recommendation

1. The Board should develop and implement a uniform set of procedures for requesting and monitoring leave time requests to ensure employee leave time taken is properly recorded on the employees' time sheets and leave accrual records.

APPENDIX A

RESPONSE FROM LIBRARY OFFICIALS

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

January 25, 2016

Via E-mail (.pdf) only to Muni-GlensFalls@osc.state.ny.us

Jeffrey P. Leonard, Chief Examiner
Office of the State Comptroller
One Broad Street Plaza
Glens Falls, New York 12801-4396

*Re: Revised Response to Draft Report of Examination and Corrective Action Plan
2015M-293 – Period Covered: January 1, 2013 – August 31, 2014*

Dear Mr. Leonard:

On behalf of the Albany Public Library (the “Library”), please accept this letter as the Library’s Board of Trustees’ formal response to, and corrective action plan for, the findings and recommendations contained in your office’s draft Report of Examination (“Draft Report”), conveyed to us by e-mail.

First and foremost, we wanted to take this opportunity to thank you and your staff for the diligence and professionalism exhibited during the course of the examination. Specifically, we extend our gratitude to your on-site examiners who approached the process with thoroughness and tenacity, but were willing to work cooperatively with our employees to minimize disruptions to our day-to-day operations. We also appreciate your office’s willingness to discuss the details of the draft findings during the exit interview held on January 5, 2016.

As we discussed at the exit interview, the Board of Trustees and the Library’s Executive Director are in complete agreement that financial controls, fiscal responsibility, and accounting accuracy are central goals for the Library which help us assure that the Library’s resources are protected and preserved. Moreover, the Board of Trustees, the Executive Director, and the Library’s finance staff have thoroughly reviewed the Draft Report and we agree with and accept the findings and recommendation contained therein. As such, we do not intend to dispute or challenge the factual findings or recommendation set forth in the report.

INTRODUCTION

We have no substantive comments on the Introduction except to note that we believe that the description of the audit and its scope and objectives, contained in the Appendix on “Audit Methodology and Standards” (Appendix B in the Draft Report) is a more detailed and fully-informative statement of the objectives of the audit and the scope of examination. We believe the language in Appendix B conveys a fuller sense of the thoroughness and expansiveness with which your staff approached the

examination, which lasted from September 2014 to January 2015.

We acknowledge the Board of Trustees’ obligation to draft and implement a corrective action plan in accordance with your final report and we hope that our efforts, as itemized in this response, will be deemed to meet this obligation. We intend that this response will be treated as our Corrective Action Plan and if further action is needed, please let us know.

LEAVE ACCRUALS

The Library has an integrated electronic timekeeping and payroll system provided through its payroll service, [REDACTED]. The [REDACTED] integrated electronic timekeeping and payroll system is set up to track and accrue leave in accordance with the term terms of the Library’s collective bargaining agreement. The Draft Report states that:

“Employees record their daily work hours and leave time on an electronic time sheet. At the end of the period, the employees’ supervisors review and approve the time sheet for payroll processing. During the bi-weekly payroll processing, the employees’ leave accrual balance records are automatically updated based on time worked and leave time taken recorded on their electronic timesheets. However, there is no procedure to verify that leave credits earned are in accordance with the provisions in the Collective Bargaining Agreement or CBA.”

We were pleased to learn that, despite your vigorous testing and the concerns you have raised with our system, you did not identify any material exceptions.

Based on the Draft Report, the Library is making a modification to the [REDACTED] system to ensure that part-time employees’ leave accruals adhere to the CBA requirements (we believe that in most cases they do currently, but the modification will enhance our ability to track part-time leave). The Library is also instituting a review procedure to ensure that employees’ vacation leave accruals are adjusted as they reach accrual limits under the CBA. In addition, as a result of your recommendations, the Library has instituted a bi-annual internal audit (beginning this fiscal year) to verify that leave credits comply with the provisions of the CBA. In the past there had been only an annual audit.

The Draft Report also points out that there was not a standard leave request form or formal procedure for employees to request leave and for supervisors to document, track, and compare leave requests to the electronic timesheets. In response to this concern, the Library has implemented a formal scheduling and leave request system, utilizing a software package named [REDACTED]. Through [REDACTED], managers now publish employee work schedules that tie directly to the timekeeping system. In turn, employees now submit leave requests to their managers through [REDACTED], and managers approve or deny the leave requests in [REDACTED]. The [REDACTED] schedules and leave requests are then tied to the [REDACTED] timesheet/payroll system giving the Library consistent, standardized documentation which matches both the hours worked and the hours on leave with the timesheet submitted through [REDACTED]. Thus, through [REDACTED], there is now formal documentation matching leave requests and approvals to the entries on employees’ timesheets. Employees and managers continue to approve the electronic [REDACTED] timesheets. This electronic tracking and approval system has been in successful use since December 2014.

RECOMMENDATION

Recommendation: The Board should develop and implement a uniform set of procedures for requesting and monitoring leave time requests to ensure employee leave time taken is properly recorded on the employee's time sheet and leave accrual.

Corrective Action Plan: Modifications are being made to the [REDACTED] payroll system to better track part-time employee leave accruals (in process; to be complete by 1/31/16). For the current fiscal year, the Library has switched to a bi-annual audit of leave balances (from an annual audit). In December 2014, the Library instituted an electronic scheduling and leave request system using a software package called [REDACTED], which ties leave hours requested and approved to leave hours claimed on each employee's time sheet. These three changes, detailed more fully above, address the issues identified in the Draft Report.

Once again, thank you for your assistance through this process. If we can answer any further questions or provide additional information, please do not hesitate to contact us.

FOR THE BOARD OF TRUSTEES:

Mary-Ellen Piché
President

cc: Members of the Board of Trustees
Scott Jarzombek, Executive Director
Mary Cullinan, CFO

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to determine if internal controls over leave accruals were appropriately designed and operating effectively for the period January 1, 2013 through August 31, 2014.

Our review of leave accruals included the following:

- We reviewed the Library's policies and procedures for monitoring and approving leave.
- We interviewed and observed Library supervisors in charge of approving leave to learn the procedures used for monitoring and approving leave.
- We tested the payroll and leave accrual records for 26 employees and determined if employees are earning leave in accordance with the CBA or Board resolution. From the 118 employees on the payroll in July 2014, we judgmentally selected six higher risk administrative employees because they have the most potential for altering records. Of the remaining 112, we randomly selected 20 employees. We then randomly selected the pay period beginning June 14, 2014 and tested this and the five consecutive subsequent pay periods.

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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