

AUDIT REPORT



CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BUREAU OF FINANCIAL AUDIT
WILLIAM C. THOMPSON, JR., COMPTROLLER

Audit Report on the Payroll, Timekeeping, and Other Than Personal Services Expenditures of the Office of Collective Bargaining July 1, 2002–June 30, 2003

FN04-080A

March 26, 2004



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
1 CENTRE STREET
NEW YORK, N.Y. 10007-2341

WILLIAM C. THOMPSON, JR.
COMPTROLLER

To the Citizens of the City of New York

Ladies and Gentlemen:

In accordance with the Comptroller's responsibilities contained in Chapter 5, § 93, of the New York City Charter, my office has examined the compliance of the New York City Office of Collective Bargaining with applicable City guidelines for payroll, timekeeping, and purchasing. The results of our audit, which are presented in this report, have been discussed with Office of Collective Bargaining officials, and their comments have been considered in preparing this report.

Audits such as this provide a means of ensuring that City agencies comply with applicable payroll, timekeeping, and purchasing procurement guidelines and that expenses charged to City funds are reasonable, justified, and properly recorded.

I trust that this report contains information that is of interest to you. If you have any questions concerning this report, please contact my audit bureau at 212-669-3747 or e-mail us at audit@Comptroller.nyc.gov.

Very truly yours,

A handwritten signature in black ink that reads 'William C. Thompson, Jr.'.

William C. Thompson, Jr.

WCT/GR

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*The City of New York
Office of the Comptroller
Bureau of Financial Audit*

**Audit Report on the Payroll, Timekeeping, and
Other Than Personal Services Expenditures of the
Office of Collective Bargaining
July 1, 2002–June 30, 2003**

FN04-080A

AUDIT REPORT IN BRIEF

The Office of Collective Bargaining, an independent non-mayoral agency, was established in 1967 by the New York City Collective Bargaining Local Law (Chapter 3 of Title 12 of the Administrative Code) and implemented by Executive Order 52. The Office of Collective Bargaining provides for the certification of collective bargaining representatives, acts as a mediator and arbitrator in resolving labor-relations disputes and controversies between the City and its employees, and interprets the City collective bargaining law.

Audit Findings and Conclusions

Apart from the minor timekeeping exceptions noted in this report, the Office of Collective Bargaining generally adhered to applicable policies and guidelines for purchasing, payroll, and timekeeping.

The minor exceptions noted included 23 instances totaling 50 hours and 35 minutes in which the appropriate time for hours not worked was not deducted from the leave balances of five employees, which consisted of: 42 hours and 25 minutes in time not worked; 6 hours and 30 minutes in leave time used but not charged; and one hour and 40 minutes in lateness not deducted. In addition, none of the Employee Time Reports (ETRs) reviewed during our three-month sample period contained appropriate approvals. Lastly, five employees in 16 instances indicated that “no lunch” was taken on their timesheets. Section 162 of the New York State Labor Law states that “every person in any establishment or occupation covered by the Labor Law must be afforded a meal period of at least thirty minutes.”

Audit Recommendations

We recommend that the Office of Collective Bargaining ensure that all time records are properly reviewed for accuracy; appropriate adjustments are made to employee leave balances based on the audit findings; all ETRs contain appropriate signatures indicating that they have been reviewed and approved; employees take the required meal period; and all time leave and lateness be properly recorded in the City Payroll Management System.

INTRODUCTION

Background

The Office of Collective Bargaining, an independent non-mayoral agency, was established in 1967 by the New York City Collective Bargaining Local Law (Chapter 3 of Title 12 of the Administrative Code) and implemented by Executive Order 52. The Office of Collective Bargaining provides for the certification of collective bargaining representatives, acts as a mediator and arbitrator in resolving labor-relations disputes and controversies between the City and its employees, and interprets the City collective bargaining law. The total modified budget of the Office of Collective Bargaining for Fiscal Year 2003 (July 1, 2002–June 30, 2003) was \$1,555,469, and actual expenditures totaled \$1,545,144. As of June 30, 2003, the staff of the Office of Collective Bargaining consisted of 15 full-time employees and one part-time employee.

Objectives

The audit's objectives were to determine whether the Office of Collective Bargaining is complying with certain City guidelines for payroll, timekeeping, and purchasing.

Scope and Methodology

This audit covered the period July 1, 2002, through June 30, 2003. We reviewed the Office of Collective Bargaining payroll and timekeeping functions and responsibilities and their relation to its written payroll procedures and controls and its *Managerial Time and Leave Interpretations*, as well as to City Office of Payroll Administration (OPA) procedures, bulletins, and instructions for its Payroll Management System (PMS); and to Comptroller's Directives #1, #3, #13, #24, and #25. We conducted walk-throughs of the payroll and timekeeping operations on August 28, 2003, and September 11, 2003, interviewed appropriate personnel, and documented our understanding through narratives. We attained an understanding of the way the Office of Collective Bargaining processes its purchasing documents for Other Than Personal Services (OTPS) by reviewing its *Procurement Policy Manual* and the City's Procurement Policy Board (PPB) rules in effect for Fiscal Year 2003. We conducted a walk-through of the OTPS process on August 26, 2003, interviewed appropriate personnel, and documented our understanding of the process in a narrative.

Payroll and Timekeeping

To determine whether all employees were bona fide and worked at the Office of Collective Bargaining, we compared the names of the employees listed on the payroll register to personnel and timekeeping records. In addition, on November 20, 2003, we witnessed the distribution of pay stubs (all 16 employees have their pay directly deposited in the bank). We observed whether all employees signed for their stubs and whether the name on each employee's picture identification matched the respective pay stub. In addition, we determined whether employees' salaries were within the City's ranges for their civil service titles.

We evaluated Office of Collective Bargaining internal controls over timekeeping procedures to determine the nature and extent of testing to be performed. We reviewed the time-book (for non-managerial employees) and timesheets (for managerial employees) for completeness, accuracy, and

reliability for all employees for the three-month period October through December 2002, to assess the controls at calendar year-end. In that regard, we determined whether all non-managerial time-book entries and managerial time sheets included daily arrival and departure times, and whether the hours recorded added up to at least 35 hours.

We then reviewed the Employee Time Reports (ETRs), employee leave slips, and the City's PMS 920 Reports—biweekly computer-generated printouts of all time adjustments made for employees—for accuracy and proper approvals. In that regard, we compared time adjustments recorded in the time-book and timesheets to employee leave slips and compensatory time slips to determine whether the time earned or used was accounted for, and whether the times and dates correctly matched those recorded in the time-book and timesheets. We determined whether the times recorded were correctly posted and recorded on the respective ETRs, and whether leave slips and ETRs were properly authorized and correctly entered in PMS. We also compared the ETRs to the PMS 920 Reports to determine whether annual and sick leave use was properly recorded on PMS.

Although the results of the above tests covering the three-month period are not projectable to the entire year, they did provide us a reasonable basis to assess the compliance of the Office of Collective Bargaining with applicable payroll and timekeeping guidelines.

Purchasing, Procurement, and Vouchering

To determine whether the Office of Collective Bargaining complied with the guidelines specified for purchasing and vouchering, we examined all 104 purchase documents totaling \$76,430 for the entire one-year audit period, which included 45 purchase orders, 58 imprest fund vouchers, and one miscellaneous payment voucher (for postage).

We reviewed each purchase order, requisition, payment voucher, invoice, and the corresponding documentation in the voucher package to determine whether the items purchased were reasonable and necessary, and contained the required documentation to support the payment. We also determined whether the purchases were charged to the correct budget codes, object codes, and time periods, whether instances of split purchasing were evident, whether there were any duplicate payments, and whether they were properly authorized. To determine whether the voucher amounts were calculated correctly, we traced and recalculated the amounts on the supporting requisitions and vendor invoices to the voucher totals. In addition, we determined whether there was adequate segregation of duties over the purchase function by reviewing purchase orders and vouchers. Specifically, we determined whether the employees who prepared the purchase orders and vouchers were not the same employees who authorized them.

We reviewed all 58 reimbursement vouchers processed during the audit period to determine whether the Office of Collective Bargaining administered its imprest fund in accordance with Comptroller's Directive #3, Procedures for the Administration of Imprest Funds. We reviewed whether individual charges exceeded the \$250 threshold. We also determined whether all checks had a specified payee and were not made out to "bearer" or to "cash," that no duplicate payments were made to vendors, and that none were processed through "miscellaneous" vouchers.

Finally, we determined whether the Office of Collective Bargaining made payments to vendors within 30 days after the Invoice Received or Acceptance Date (IRA Date), in accordance with § 4-06(c)(2) of the PPB rules. In that regard, we compared the IRA Dates to the check issuance dates for all purchases reviewed.

This audit was conducted in accordance with generally accepted government auditing standards (GAGAS) and included tests of the records and other auditing procedures considered necessary. This audit was performed in accordance with the audit responsibilities of the City Comptroller as set forth in Chapter 5, § 93, of the New York City Charter.

Discussion of Audit Results

The matters covered in this report were discussed with Office of Collective Bargaining officials during and at the conclusion of this audit. A preliminary draft report was sent to the Office of Collective Bargaining on March 1, 2004, and was discussed at an exit conference on March 3, 2004. On March 5, 2004, we submitted a draft report to the Office of Collective Bargaining with a request for comments. We received a written response from Office of Collective Bargaining officials on March 19, 2004.

Although Office of Collective Bargaining officials acknowledged the findings contained in the draft report and described the corrective actions they have implemented in response to the recommendations, they stated that “some of the numbers in the audit report’s work schedule were overstated and could be misleading to the reader.” However, they did not provide any documentation to support their position. Therefore, no adjustments were made to this report.

The full text of the Office of Collective Bargaining’s comments is included as an addendum to this final report.

FINDINGS

The Office of Collective Bargaining generally adhered to and is complying with its own and City policies and guidelines applicable for payroll and timekeeping. Apart from the timekeeping exceptions noted in this report, based on our review of the Office of Collective Bargaining payroll and timekeeping records, we found that:

- All employees are bona fide.
- Employees signed for their pay stubs, as required by OPA procedures.
- Employees signed in and signed out, as required.
- Employee salaries were within the range of their civil service titles.
- Leave and compensatory time slips were properly authorized and accounted for.
- Leave time taken was posted on the respective ETRs and entered in PMS.

The Office of Collective Bargaining generally complied with PPB rules and the Comptroller's Directives when processing its purchase orders and agency encumbrances. Specifically, we found that:

- Purchase documents were appropriately prepared and approved.
- Goods and services procured appeared reasonable and necessary for the operation of the Office.
- Vouchers had sufficient documentation to support payment.
- No instances of split ordering were found.
- Expenditures were charged to the correct budget code, object code, and fiscal year.
- There was adequate segregation of responsibilities over the procurement process.
- Payments were made within the 30-day time frame as specified in section 4-06(c)(2) of the PPB rules.
- Imprest fund checks did not exceed \$250 and included a specific payee.
- No imprest fund requests were charged to miscellaneous vouchers.
- Computations on vouchers were accurate.

However, we noted the following minor exceptions:

- *Incorrect Workweek Calculation.* Three managerial employees miscalculated the total time worked on their timesheets, which resulted in their leave balances not being charged for a total of 42 hours and 25 minutes not worked.
- *ETRs Lacked an Authorized Approval Signature.* None of the 224 ETRs reviewed for the three-month period contained an authorized approval signature. Comptroller’s Directive #13, § 4.2, which is based on OPA procedures, bulletins, and instructions, states that all ETRs be approved by either a supervisor or a manager before recording the information in PMS.
- *Lunch Not Taken.* For the 1,120 days in the three-month period reviewed, there were 16 instances (1.4 percent) in which five employees indicated on their timesheets that “no lunch” was taken. Section 162 of the New York State Labor Law states that “every person in any establishment or occupation covered by the Labor Law must be afforded a meal period of at least thirty minutes.”
- *Leave and Lateness Not Recorded in PMS.* The Office of Collective Bargaining generally recorded employee sick leave, annual leave and lateness in the PMS system and recorded it accurately. However, there were two instances in which one employee’s leave time, totaling 6 hours and 30 minutes, was not recorded on the ETR and therefore was not entered in PMS. Also, there were five instances in which one hour and 40 minutes of lateness for three employees was not deducted from their leave balances.

RECOMMENDATIONS

We recommend that the Office of Collective Bargaining ensure that:

1. All time records are properly reviewed for accuracy.

Office of Collective Bargaining Response: “All time records are now being reviewed for accuracy by the Director of Administration.”

2. Appropriate adjustments are made to employee-leave balances based on the audit findings.

Office of Collective Bargaining Response: “We reviewed the time records in question and found that employees have occasionally worked through lunch hours without noting it on their time sheets and employees start times were, in a few cases, later than their scheduled start times. We agree with your findings in these two situations and we reminded all employees of their scheduled starting times and informed them that lunch hours must be taken unless occasional situations arise where a business necessity, medical or other urgent matter may prohibit the use of a normal lunch hour. In these cases, the employee should request permission not to take the normal one-hour lunch break from his or her supervisor and make note of it in the remarks column of the time sheet or time record book. However, we do not agree that the audit report should include

the times where employees noted on their sheets or time record book that lunch hours were not taken, because these time records were approved by the Division supervisors.”

Auditor Comments: The instances presented in this report did not include cases in which noted exceptions were made on employees’ timesheets or in the time record book nor were we given documentation that indicated special approval was granted for lunch time adjustments. Moreover, we remind Collective Bargaining officials that employees should use sick leave to leave early for medical reasons rather than working through the lunch hour.

3. All ETRs contain appropriate signatures to indicate that they have been reviewed and approved.

Office of Collective Bargaining Response: “All ETR’s are now being reviewed and approved by the Director of Administration.”

4. Employees take the required meal period.

Office of Collective Bargaining Response: “Employees have been informed that they are expected to take an unpaid lunch hour. For occasional situations that would prohibit the use of a normal lunch hour, the employee’s supervisor will note his/her approval on the employee’s timesheet or in the time record book as explained in item #2 above.”

5. All leave time used and lateness is properly recorded in the PMS system.

Office of Collective Bargaining Response: “All ETR’s are now being reviewed by the Director of Administration before the data is entered into the PMS system. For the leave and lateness Not Recorded in PMS section of the audit report’s schedule, we found that one lateness was excused because of an early morning dental appointment (as noted on the time sheet), three were due to a managerial employee arriving late and making up the lateness in the same week that the lateness occurred, two belonged to a former employee, and one 15 minute lateness was inadvertently not entered into the PMS system. We have since reminded employees of their official work schedules and have entered an adjustment for the 15 minute lateness.”



OFFICE OF COLLECTIVE BARGAINING

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CITY MEMBERS

RICHARD A. WILSKER
M. DAVID ZURNDORFER

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CHARLES G. MOERDLER
BRUCE H. SIMON

March 18, 2004

Mr. Greg Brooks
Deputy Comptroller
Policy, Audits, Accountancy & Contracts
1 Centre Street, Room 530
New York, N.Y. 10007

Re: Audit Report on the Payroll, Timekeeping Procedures,
and Other Than Personal Services Expenditures
of the Office of Collective Bargaining
July 1, 2002 - June 30, 2003
FN04-080A

Dear Mr. Brooks:

I acknowledge the findings contained in the above referenced draft audit report, dated March 5, 2004. However, I ask that you consider removing the number of instances (hours and minutes) that were taken from the audit schedule of discrepancies and included in the audit report. After reviewing the schedule of discrepancies, we found that some of the numbers in the audit report's work schedule were overstated and could be misleading to the reader.

The following corrective actions have been implemented in response to the recommendations made in the draft audit report:

1. In response to the first recommendation made in the audit report, all time records are now being reviewed for accuracy by the Director of Administration.

2. In response to the second recommendation, we reviewed the time records in question and found that employees have occasionally worked through lunch hours without noting it on their time sheets and employees start times were, in a few cases, later than their scheduled start times. We agree with your findings in these two situations and we reminded all employees of their scheduled starting times and informed them that lunch hours must be taken unless

Mr. Gregg Brooks
March 18, 2004

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occasional situations arise where a business necessity, medical or other urgent matter may prohibit the use of a normal lunch hour. In these cases, the employee should request permission not to take the normal one-hour lunch break from his or her supervisor and make note of it in the remarks column of the time sheet or time record book. However, we do not agree that the audit report should include the times where employees noted on their time sheets or time record book that lunch hours were not taken, because these time records were approved by the Division supervisors.


3. In response to the third recommendation, all ETR's are now being reviewed and approved by the Director of Administration.

4. In response to the fourth recommendation, employees have been informed that they are expected to take an unpaid lunch hour. For occasional situations that would prohibit the use of a normal lunch hour, the employee's supervisor will note her/his approval on the employee's time-sheet or in the time record book as explained in item # 2 above.

5. In response to the fifth recommendation made in the audit report, all ETR's are now being reviewed by the Director of Administration before the data is entered into the PMS system. For the leave and lateness Not Recorded in PMS section of the audit report's schedule, we found that one lateness was excused because of an early morning dental appointment (as noted on the time sheet), three were due to a managerial employee arriving late and making up the lateness in the same week that the lateness occurred, two belonged to a former employee, and one 15 minute lateness was inadvertently not entered into the PMS system. We have since reminded employees of their official work schedules and have entered an adjustment for the 15 minute lateness.

For the explanations given above, I ask that you consider removing the number of instances (hours and minutes) that were taken from the audit schedule of discrepancies and included in the draft audit report. If you or your audit team would like to discuss this further, please let me know. Thank you.

Very truly yours,


Marlene A. Gold
Director

c: Frank Seggio, Audit Supervisor ✓