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**To:** Reverend Patrick Duggan  
Deputy County Executive for Economic Development

**From:** Bruce G. Kubart  
Deputy Field Audit Director

**Date:** November 7, 2007

**Subject:** Limited Review of Time and Leave at the Office of Housing and Intergovernmental Affairs

Our office conducted a limited review of the time and leave records of the Economic Development Vertical's (EDV) Office of Housing and Intergovernmental Affairs (OHIA) for the period January 2004 through June 2006. The objectives of the audit were to determine that time and leave were subject to appropriate controls, that payroll expenses were properly authorized, incurred, and charged to the appropriate department or agency and to follow-up on the corrective action plan submitted by the EDV in response to the time and leave related audit findings noted in our Limited-Scope Financial Review of EDV issued on January 20, 2004 (prior audit). The audit scope included: an examination of the department's time and leave policies and procedures; a review of compliance with applicable ordinances and collective bargaining agreement; and an examination of supporting documentation and the recording of time and leave in the Nassau Unified Human Resources System (NUHRS), the county's personnel and payroll system.

Our prior report noted material time and leave exceptions at OHIA, including a lack of auditable time and leave records, failure to follow prescribed timekeeping procedures, failure to use required timesheets (Form 3024), and inclusion on OHIA's timesheets of an employee of the Nassau County Economic Development Corporation, a separate legal entity from Nassau County. Our follow-up found that OHIA has implemented the use of the required timesheet for all employees and that all employees are now

correctly assigned within departments. In addition, a prior audit finding that the department had failed to charge an employee for 13.5 days use of leave entitlements had been corrected. We commend OHIA for taking these corrective actions. We found, however, that improvements are still needed to ensure OHIA's compliance with all prescribed timekeeping procedures.

We tested 9 of OHIA's 67 employees, all of whom are ordinance employees, and reviewed time and leave records for 20 bi-weekly pay-periods from January 2004 through June 2006. We have identified a number of exceptions, as follows:

### **Leave Time Taken and not Posted or Incorrectly Posted to NUHRS**

#### **Audit Finding (1):**

Not all leave time used by employees was posted to NUHRS. As a result, the employees' accumulated leave balances were overstated by a total of 18.5 days, with a value of \$5,463. We found:

1. The timesheets of a former employee, the Executive Assistant to the Deputy County Executive, reflect that he used one day of personal leave, three days of vacation leave and two days of sick leave during the pay-period February 4 to February 17, 2005, and one day of sick leave on August 8, 2005. None of the leave used was reported in NUHRS. For the six days of leave taken in February of 2005, we found no evidence leave slips were filled out. For the one day of sick leave on August 8, 2005 a leave slip had been fully completed, but the leave had not been posted to NUHRS.
2. A Deputy Director used four days of vacation leave from January 17-20, 2006 per the timesheet and Employee Request and Authorization for leave form. Although the Payroll Clerk box on the leave slip was filled out to state that the leave time had been "accepted into system", our review indicated that the 4 days were not posted to NUHRS.
3. During two pay periods, a Director took a total of 2 days of sick leave and 4 days of vacation leave which were not posted to NUHRS. Although leave slips were prepared, they were not signed by the timekeeper or the payroll clerk or input into NUHRS.
4. A timesheet showed that an Executive Assistant to the Deputy County Executive took a personal leave day on June 30, 2005. The use of the personal day was not reported on a leave slip or posted into NUHRS.
5. An Administrative Assistant took ½ a day sick leave on December 6, 2005. Although the leave was listed on the timesheet and a leave slip was prepared, the leave was not posted to NUHRS.

The lack of segregation of duties of the timekeeper (who maintains the timesheet and ensures leave slips are prepared) and the payroll clerk (who enters leave time taken into NUHRS) may have been a material cause of these exceptions. When the tasks are performed by separate individuals it provides a check on each other's work to catch mistakes or omissions. The same employee performed these two functions at OHIA.

## **Procedures and Controls Relating to Leave Time**

### **Audit Finding (2):**

1. The instructions listed on the back of each timesheet require that the authorized timekeeper attest to the accuracy of the employees' daily attendance record by initialing the timesheet daily. We found that the timekeeper does not initial the timesheets on a daily basis. In 2004, the OHIA timekeeper did not initial the timesheets at all, while in 2005 and 2006 the timesheets were initialed inconsistently, sometimes daily, sometimes weekly and sometimes not all.
2. Instances were noted where timesheets were not signed by a supervisor timely. For example, the timesheet for the pay-period ending January 6, 2005 was not signed by a supervisor until February 14, 2005. Another timesheet for the period ended January 22, 2004 was not signed until April 13, 2004. These delays for supervisory approval are excessive and the passage of time may make discrepancies in recorded time more difficult to resolve.
3. The timekeeper also functions as the payroll clerk, entering leave time taken into NUHRS. An effective system of internal controls requires the segregation of duties. A similar internal control weakness was cited in our prior audit of EDV for the Commission on Human Rights which is no longer part of the vertical. This weakness permitted the Human Rights timekeeper to input everyone's leave into NUHRS but her own. EDV officials indicated in their corrective action plan that they intended to segregate these duties at each EDV department but have not implemented the recommendation in this department. Having separate individuals perform the timekeeping and payroll clerk functions significantly decreases the risk that errors and/or irregularities might occur and go undetected and uncorrected in a timely manner.
4. In a test of 106 Employee Request and Authorization for Leave forms prepared from January 2004 through June of 2006, 38 instances were noted where the forms were missing one or more of the following required signatures:
  - supervisor – to evidence approval of the leave;
  - timekeeper – to indicate that the leave was posted to the timesheet; or the
  - payroll clerk – to evidence the posting of the leave into NUHRS.These exceptions occurred primarily in 2004 and 2005, with improvement in compliance noted during 2006.
5. According to Ordinance 543-1995, an employee may be excused without charge to vacation leave, sick leave or personal leave upon satisfactory evidence to the department for absences relating to court attendance or official investigations. An Executive Assistant to the Deputy County Executive was reported as being on authorized absence for three days due to an official investigation. The Employee Request and Authorization for Leave form was not signed by the supervisor, timekeeper, or payroll clerk or posted to NUHRS. We also found that there was no documentary evidence on file to support the absence.

## **Flextime**

### **Audit Finding (3):**

Two full-time OHIA employees selected for testing had been authorized by a Deputy County Executive to work flextime in accordance with the guidelines for Ordinance Employee Timesheets issued by the Office of the County Executive on December 8, 2004. These guidelines permit employees to work flexible hours as long as the hours are “balanced” within each pay period to meet or exceed the employee’s minimum required bi-weekly hours. Extra hours worked cannot be carried over into the next pay period and are forfeited. We found that OHIA did not always require its employees to work the required number of hours or require them to use leave time when they did not.

We noted the following exceptions in our review of these employee’s time and attendance records:

- An Administrative Assistant worked only 66 hours and 55 minutes during the period January 20, 2006 through February 2, 2006, 35 minutes less than required. For the pay-period of March 3, 2006 through March 16, 2006, the same employee worked 15 minutes less than required. No leave time for the 50 minutes was entered in NUHRS.
- An Executive Assistant working a reduced schedule, worked 2½ hours less than required during the pay-period November 25, 2005 through December 8, 2005. No leave time for the 2½ hours was entered in NUHRS.

### **Audit Recommendations:**

The following recommendations relate to OHIA Audit Findings 1, 2, and 3:

1. Employee Request and Authorization for Leave forms should be completed, reviewed, and approved promptly for all absences.
2. Leave time taken should be entered into NUHRS promptly for all employees.
3. Adjustments should be made for prior absences not entered in NUHRS. Department officials should consult with the County Attorney’s Office regarding recovery of monies from employees who have left county service.
4. The timekeeper should initial the timesheet each day to attest to its accuracy.
5. Supervisors should promptly review and sign and date the timesheet.
6. To strengthen internal controls, OHIA officials should segregate the duties of timekeeper and payroll clerk.
7. Timekeepers and supervisors should ensure that leave time taken by employees who worked a reduced schedule is charged to NUHRS.

8. All authorized absences should be supported by appropriate documentation, in accordance with Section 3.22 of Ordinance No. 543-1995. The Executive Assistant to the Deputy County Executive should provide evidence justifying the three-day absence for court attendance or official investigations, or be charged three days leave time.

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The matters covered in this report have been discussed with officials of the EDV and OHIA during this audit. On May 25, 2007 we submitted a draft report to the EDV and OHIA with a request for comments. The EDV and OHIA's comments, received on October 2, 2007 are included as an addendum to this report.

cc: Aline Khatchadourian, Deputy Comptroller for Audits and Special Projects

OFFICE OF HOUSING AND INTERGOVERNMENTAL AFFAIRS RESPONSE  
AND AUDITOR'S FOLLOW-UP

As noted in the audit findings memorandum ("Audit Findings"), EDV/OHIA management has successfully implemented many corrective actions to address the findings identified during the course of the Limited Scope Financial Review conducted in the 2003/2004 timeframe, including noted material time and leave exceptions. EDV/OHIA management, in response to the current audit findings, has and will implement additional corrective actions to enhance our current level of compliance with timekeeping procedures.

Audit Recommendations -- In regard to the Audit Recommendations, please note the following:

1. Department Heads, Managers, Supervisors and Employees have been reminded that all Employee Request and Authorization for Leave forms must be completed, submitted, reviewed and approved for all absences in a timely manner. A formal written reminder will be issued to affected staff by month end.
2. Additional action steps (e.g. scheduled management reviews) will be implemented to ensure that NUHRS entries are completed in a more timely manner.
3. Adjustments for noted prior absences have been completed where appropriate. In addition, as recommended, this office has consulted with the County Attorney's Office regarding recovery of funds from the affected former employee. A letter has been sent to the individual requesting reimbursement and the affected individual is scheduled to meet with Department representatives during the week of October 8, 2007 to review the documentation and, hopefully, secure the requested reimbursement.
4. The timekeeper has begun to initial the timesheets on a more consistent basis. However, as was raised during the audit fieldwork, there is still a concern as to what the initials signify (see below – response to Audit Finding 2-1). This matter has been referred to the Administration, via the Office of Human Resources, for further research and consideration.
5. Supervisors, Managers and Department Heads have been reminded to promptly review, sign and date all timesheets. A formal written reminder will be issued to affected staff by month end.
6. EDV/OHIA officials have already addressed this issue and have implemented an appropriate segregation of the duties of the timekeeper and payroll clerk. Formal written procedures will be issued to affected staff by month end.
7. The timekeeper and supervisors will ensure that time taken by employees on a reduced schedule are posted to NUHRS.
8. Authorized absences are, and will continue to be, supported by documentation. In regard to the specific instance involving the current Executive Assistant to the Deputy County Executive, please see below – response to Audit Finding 2-5.

Audit Findings -- In regard to the specific Audit Findings, please note the following:

1-1. Re: Former Executive Assistant to the Deputy County Executive – A letter has been sent to this former employee requesting reimbursement of the overpayment for 'accrued but unused' time. The affected individual is scheduled to meet with Department representatives during the week of October 8, 2007 to review the documentation and, hopefully, secure the requested reimbursement.

OFFICE OF HOUSING AND INTERGOVERNMENTAL AFFAIRS RESPONSE  
AND AUDITOR'S FOLLOW-UP

1-2. Re: Deputy Director -- The four days have been posted to NUHRS and the separation pay was adjusted accordingly.

1-3. Re: Director – This item was corrected during the course of the audit fieldwork according to the field audit staff.

1-4. Re: Executive Assistant to the Deputy County Executive – A leave slip has been prepared and the personal day has been posted to NUHRS.

1-5. Re: Administrative Assistant – The ½ sick day has been posted to NUHRS.

2-1. Re: Timekeeper Attestation/Initialing of Timesheet -- The issue of the timekeeper initialing the timesheets was raised during the course of the audit and was discussed with the field auditors. The concern expressed by this office was, and is, that by initialing the timesheet, the timekeeper is attesting to the accuracy of all of the individual employee entries. However, for various reasons, the timekeeper cannot reasonably be expected to definitively attest to the accuracy of this information. At best, the timekeeper attestation should be a *qualified attestation*, similar to the certification on the timesheet by the 'Authorized Signer', which states in part."...to the best of my knowledge". This concern has been discussed with representatives of the Office of Human Resources and will, hopefully, be raised to the Administration as a systemic issue which needs to be addressed.

2-2. Re: Timely Signing of Timesheets -- EDV/OHIA Management will reinforce its efforts to ensure that timesheets are signed in a timely manner. That stated, it should be noted that one of the timesheets cited in the Audit Findings dates back to January 2004. That particular time period was prior to the appointment of the current EDV/OHIA administration. Furthermore, that specific delay was likely a result of the fundamental absence of management at that time, given the resignations of both the previous Deputy County Executive and the OHIA Executive Director.

2-3. Re: Segregation of Duties -- As of August 2007, the recommended segregation of duties has been implemented, whereby one staff member functions as the timekeeper and another staff member serves as the payroll clerk. OHIA is moving the timekeeping and human resources function under the supervision of the OHIA financial unit. The Urban Accountant will supervise both the timekeeper and the payroll clerk. This will include regular management reviews of the timekeeping function.

2-4. Re: Missing Signatures – As stated in the Audit Findings, the noted exceptions occurred primarily in 2004 and 2005, with improvement in compliance during 2006. EDV/OHIA management will continue to strive for improvement in this matter.

2-5. Re: Excused Absence – The Director of OHIA determined that the employee's 3-day absence, consulting with Police Agencies conducting an investigation into a homicide which the employee witnessed, was to be considered an 'excused absence'. The Director of OHIA prepared and issued a memorandum at that time to be placed in the employee's personnel file. Unfortunately, at this time, that document cannot be located. Therefore, The Director will prepare a replacement memorandum and ensure that it is placed in the employee's personnel file, indicating that the absence was an 'excused absence'.

OFFICE OF HOUSING AND INTERGOVERNMENTAL AFFAIRS RESPONSE  
AND AUDITOR'S FOLLOW-UP

3-1. EDV/OHIA management will reinforce the 'flextime' guidelines with affected staff and make a more concerted effort to ensure that all employees work the minimum number of hours during a given pay period. In regard to the Administrative Assistant cited, the 'short' hours will be tracked until such time as they cumulatively reach a ¼-day increment, and at that time will be entered into NUHRS and deducted from the employee's accrued time. In regard to the Executive Assistant, the 2- ½ hours has been incorporated into the letter sent to this former employee requesting reimbursement.

We greatly appreciate the professionalism, courtesy and cooperation extended by the Audit staff during the course of the fieldwork, exit conference and the research and response phase.

**Auditor's Follow-up Response:**

*We concur with the corrective actions taken by EDV/OHIA. Since the date of their response we were informed that OHIA met with the former Executive Assistant to the Deputy County Executive and that he agreed with our finding regarding overpayment for accrued but unused time. OHIA is in the process of negotiating an appropriate repayment agreement.*