

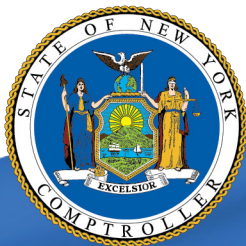
# Herricks Union Free School District

## Overtime

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**AUGUST 2019**

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OFFICE OF THE NEW YORK STATE COMPTROLLER  
Thomas P. DiNapoli, State Comptroller

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# Report Highlights

## Herricks Union Free School District

### Audit Objective

Determine whether District officials properly approved and monitored overtime for custodial employees.

### Key Findings

District officials:

- Did not preapprove and adequately monitor overtime for custodial employees.
- Paid overtime to 10 custodial employees totaling \$35,017 or 43 percent of total overtime paid to these employees, primarily for non-emergencies. However, with appropriate scheduling some of these overtime payments could have been avoided or reduced.
- Paid \$29,135 in overtime to employees who substituted for other employees absent on their scheduled workdays. More than 40 percent of these absences were preapproved and with appropriate scheduling these overtime payments could have been avoided or reduced.

### Key Recommendations

- Adopt payroll policy with clear guidelines and procedures for overtime work, including preapproval of overtime.
- Consider scheduling employees to substitute for those employees whose absences are preapproved to reduce overtime cost.

District officials agreed with our recommendations and have initiated or indicated they planned to initiate corrective action.

### Background

The Herricks Union Free School District (District) is located in the Town of North Hempstead in Nassau County. The District serves the hamlets of Albertson, Herricks, Garden City Park, Manhasset Hills and Searingtown and the Villages of North Hills and Williston Park.

The District is governed by the Board of Education (Board) composed of five elected members. The Board is responsible for managing and controlling financial and educational affairs. The Superintendent of Schools (Superintendent) is responsible, along with other administrative staff, for day-to-day management. The Superintendent is also responsible for drafting and administering the budget, assisted by the District Treasurer. The Board is responsible for finalizing and adopting the budget.

#### Quick Facts

Employees	879
Enrollment	4,000
2017-18 Expenditures	\$112.4 million
2018-19 Appropriations	\$115.1 million
Total Overtime Paid During the Audit Period	\$898,634

### Audit Period

July 1, 2017 – October 31, 2018

# Overtime

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## How Should District Officials Control Overtime?

While overtime pay may be an expected cost of doing business, it must be carefully monitored and controlled to help minimize costs. Overtime should be incurred only when circumstances arise and cannot be avoided.

Adequate controls for overtime include the adoption of a written payroll policy and procedures that dictate how and when overtime may be incurred and what constitutes adequate documentation of time worked. The policy should require written justification and preapproval of overtime. Preapproval should be obtained in all instances where overtime can be planned in advance, such as for a school program or the second day of an emergency event. Additionally, district officials should monitor the budget periodically to ensure that appropriations are available for overtime.

## Officials Did Not Properly Approve and Monitor Overtime

The District generally pays overtime worked at time and one-half of the employee's regular hourly rate. If an employee is required to work on a Sunday, the overtime pay is double the employee's regular hourly rate.

District officials did not establish a written policy or procedures to ensure that all overtime hours worked were preapproved, adequately recorded and incurred only when necessary. Existing controls over the payroll overtime process did not require preapproval. As a result, officials would ask an employee to work overtime when another employee was absent from work.

District officials use an overtime payment claim form (form) to document overtime hours worked. However, this form was not prepared and approved until after the work was performed. The form requires the following information: employee name, date the overtime was worked, reason for the overtime or the employee whose absence required replacement, time in and out and the total overtime hours earned. The form also requires a direct supervisor and the Director of Facilities' signatures and approval by the Assistant Superintendent for Business (Assistant Superintendent). The Assistant Superintendent then submits the approved form to the payroll department.

Additionally, officials did not adequately monitor the budget to ensure that sufficient appropriations were available for overtime costs paid to custodial employees. The budget for custodial employees' overtime was exceeded in each of the last three years, by \$192,608 in 2015-16, \$138,456 in 2016-17 and \$90,171 in 2017-18. During the period July 1, 2017 through June 30, 2018, officials paid \$763,633 in overtime, including \$490,171 (64 percent) paid to 45 custodial employees.<sup>1</sup>

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<sup>1</sup> Includes custodial employees and cleaners

We reviewed overtime payments earned by 10 custodial employees who worked in the facilities department (department) totaling \$82,187 (22 percent) during this period. We found no evidence of documented preapproval for any of these overtime hours worked.

We classified the overtime earned by these employees into the following three categories: non-emergencies, substitutions and snow removal or emergencies.

**Figure 1: Overtime Analysis**

Category	Amount	Hours	Days	Percentage of Total Overtime
<b>Non-Emergencies</b>	\$35,017	692	87	43%
<b>Substitutions</b>	\$29,135	594	74	35%
<b>Snow Removal or Emergencies</b>	\$18,035	314	39	22%
<b>Total</b>	<b>\$82,187</b>	<b>1,600</b>	<b>200</b>	<b>100%</b>

The non-emergency overtime worked was primarily for routine cleaning, summer time cleanup, dance show and Friday night recreation. The total paid for snow removal or other emergencies was primarily for overtime worked for snow removal and the remainder was for unforeseen circumstances, which appeared to be for unavoidable reasons.

Officials paid overtime for substitutions because employees substituted for other employees who were absent on their scheduled workdays. We reviewed the total hours worked for employee substitution to determine whether the replaced employees' absences were preapproved and recorded. All the absences reviewed were properly recorded. However, we found that more than 40 percent of these absences were preapproved and those that were not preapproved were for sickness or other absences that would not have preapproval.

If officials could have scheduled employees' work hours to cover some non-emergency events, such as dance shows and Friday night recreation that were planned well in advance, and substitutes for those employees whose absences were preapproved, overtime payments may have been avoided or reduced.

Because officials did not establish written guidance relating to overtime and require employees to obtain written preapproval for working overtime, they cannot be certain that the District is not incurring unnecessary overtime costs.

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## What Do We Recommend?

The Board should:

1. Adopt a payroll policy with clear guidelines and procedures for overtime work, including preapproval of overtime. The policy should also address the approval of overtime for emergencies and unforeseen circumstances when written preapproval cannot be obtained and scheduling to cover for employees who are absent from work.

District officials should:

2. Ensure that the overtime budget is periodically monitored.
3. Consider scheduling employees work hours to cover non-emergency events and as substitutes for those employees whose absences are preapproved, to reduce overtime cost.

# Appendix A: Response From District Officials

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### Office of the Superintendent

Fino M. Celano, Ed.D.  
Superintendent of Schools  
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August 15, 2019

Ira McCracken, Chief Examiner  
Office of State Comptroller  
NYS Office Building, Room 3A10  
250 Veterans Memorial Highway  
Hauppauge, NY 11788

Dear Mr. McCracken,

The Herricks Union Free School District has reviewed a draft Report of Examination of Overtime conducted by the Office of the State Comptroller (OSC) for the period of July 1, 2017 – October 31, 2018. This document serves as the School District's response and Corrective Action Plan to the draft report.

The Board of Education and School District Administration wishes to thank your office for conducting the detailed examination of internal controls over overtime. The School District is pleased that the report reflects that the Board of Education, School District Administration and business office staff worked cooperatively with your audit team. The School District appreciates the input from the Office of the State Comptroller and will follow the recommendations offered in the report as we continue our efforts to ensure that best practices are implemented in all aspects of School District procedures and operations.

As reflected in the audit report, the District requires the use of a detailed overtime payment claim form to document all overtime hours worked. This form requires the following information be documented: employee name, date the overtime was worked, specific reason why the overtime was needed or name of the employee whose absence required a replacement, time in and out, and total number of overtime hours earned. As indicated in the audit report, each completed form is required to have (and in fact, does have) an approved signature by both the Director of Facilities and the Assistant Superintendent for Business. Only signed and approved overtime payment claim forms are processed for payment through the payroll department. The District has already put into place a pre-approval process whereby the Director of Facilities and Assistant Superintendent must approve overtime hours in advance of the work. Of course, this preapproval process is implemented wherever practicable, and may not be possible in certain emergency situations, such as a snowstorm, which requires staff to work overtime hours for snow removal, or unanticipated employee absences. Guidelines regarding these overtime procedures are documented in memo form and distributed to staff members.

In the cases of overtime paid to complete the work of staff members who are absent due to illness, the District would like to emphasize that, as indicated in the audit report, all absences which required overtime coverage were properly recorded and documented in the District's employee attendance monitoring system. The District has already begun the process of hiring per diem substitutes to cover for absent employees, which will reduce the amount of overtime needed in this category.

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Another measure the District has put into place to reduce overtime costs was a review and revision of our custodial/maintainer hours, operations and routines. These changes, resulting in more efficient operations, were an outgrowth of a comprehensive facilities department review that was conducted by the District in the Spring of 2018, in collaboration with the New York State School Facilities Association.

As a result of the efforts on the part of the District, the total amount of overtime has been significantly reduced over the past four years.

School Year	Total Overtime Expenditures*	Decrease from Prior Year
2014-15	\$891,916	
2015-16	\$884,365	(\$7,550)
2016-17	\$776,607	(\$107,759)
2017-18	\$763,633	(\$12,973)
2018-19	\$575,159	(\$188,474)

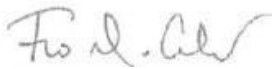
\*includes custodians, cleaners, maintainers, groundsmen and bus drivers.

In terms of the audit recommendations, the District has already begun the implementation of the following measures:

- Clear overtime procedures have been put in place, including an overtime-preapproval process. The District has also developed and refined procedures to address circumstances where written preapproval cannot be obtained, which does occur on occasion.
- The overtime budget has, and will continue to be monitored by the Director of Facilities and Business Office Staff throughout the fiscal year.
- The District has begun to utilize various work schedule shifts in order to better schedule regular employees to cover non-emergency special events. In addition, substitutes will be used for such events when possible in order to reduce overtime costs.

The School District wishes to extend our appreciation to the OSC for the opportunity to respond to the draft Report. We certainly support the audit process and welcome all efforts to improve District operations and efficiencies that will benefit our taxpayers.

Sincerely,



Fino M. Celano, Ed.D.  
Superintendent of Schools

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## Appendix B: Audit Methodology and Standards

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We conducted this audit 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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed District officials to obtain an understanding of the procedures for the approval of overtime.
- We reviewed the department's collective bargaining agreements to determine whether overtime payments were paid in accordance with the agreements.
- We reviewed the total overtime payments to all facilities department employees, operational and non-operational,<sup>2</sup> for the audit period.
- We reviewed the total overtime and double-time paid during our audit period for each employee in the department. We determined that the highest control risk was for the overtime paid to operational employees. We segregated the operational employees from the other department employees. We determined the population of the operations department was 45 employees. We randomly selected 10 employees for testing who earned overtime pay during non-business hours.
- We reviewed the overtime payment claim forms for our sample of 10 employees to determine whether the forms included the three required signatures. We classified and quantified the overtime and double-time earned by these employees into the following three categories: substitution, snow removal or emergencies and non-emergencies.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). 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.

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 relevant population size and the sample selected for examination.

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, pursuant to Section 35 of General Municipal Law, Section 2116-1(3)(c)

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<sup>2</sup> For budgetary and accounting purposes officials split the department employees into operational and non-operational cost centers. Operational employees (custodians and cleaners) worked within the school buildings, the non-operational employees worked District-wide.

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of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the 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. We encourage the Board to make the CAP available for public review in the Clerk's office.

## Appendix C: Resources and Services

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### **Regional Office Directory**

[www.osc.state.ny.us/localgov/regional\\_directory.pdf](http://www.osc.state.ny.us/localgov/regional_directory.pdf)

### **Cost-Saving Ideas** – Resources, advice and assistance on cost-saving ideas

[www.osc.state.ny.us/localgov/costsavings/index.htm](http://www.osc.state.ny.us/localgov/costsavings/index.htm)

### **Fiscal Stress Monitoring** – Resources for local government officials experiencing fiscal problems

[www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm](http://www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm)

### **Local Government Management Guides** – Series of publications that include technical information and suggested practices for local government management

[www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm](http://www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm)

### **Planning and Budgeting Guides** – Resources for developing multiyear financial, capital, strategic and other plans

[www.osc.state.ny.us/localgov/planbudget/index.htm](http://www.osc.state.ny.us/localgov/planbudget/index.htm)

### **Protecting Sensitive Data and Other Local Government Assets** – A non-technical cybersecurity guide for local government leaders

[www.osc.state.ny.us/localgov/pubs/cyber-security-guide.pdf](http://www.osc.state.ny.us/localgov/pubs/cyber-security-guide.pdf)

### **Required Reporting** – Information and resources for reports and forms that are filed with the Office of the State Comptroller

[www.osc.state.ny.us/localgov/finreporting/index.htm](http://www.osc.state.ny.us/localgov/finreporting/index.htm)

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### **Training** – Resources for local government officials on in-person and online training opportunities on a wide range of topics

[www.osc.state.ny.us/localgov/academy/index.htm](http://www.osc.state.ny.us/localgov/academy/index.htm)

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