



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

WILLIAM C. THOMPSON, Jr.
Comptroller

**Audit Report on Compliance of the
New York City Department of City Planning
With Comptroller's Directives Relating to
Payroll and Timekeeping**

ME02-129A

May 30, 2002

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

**Audit Report on Compliance of the
New York City Department of City Planning
With Comptroller's Directives Relating to
Payroll and Timekeeping**

ME02-129A

EXECUTIVE SUMMARY

Background

The Department of City Planning (City Planning) has been in operation since 1938. Its principal goals are to encourage housing and economic development, improve the City's quality of life and preserve its neighborhoods, and streamline the land-use regulatory process. The Department is responsible for the City's physical and socioeconomic planning, including land-use and environmental reviews.

The Director of City Planning, who also serves as the Chair of the City Planning Commission, is responsible for overall planning, direction, and coordination of policy. The Director advises the Mayor, the Borough Presidents, and the City Council on all matters related to the development and improvement of the City.

City Planning headquarters are at 22 Reade Street, Manhattan. It also has an office in each of the other four boroughs, as well as a Transportation Unit at 2 Lafayette Street, Manhattan. According to the adopted budget for fiscal year 2001, City Planning's budget totaled \$16,719,219. Of this total, the Personal Services budget was \$14,992,296 for 277 employees and the Other than Personal Services budget was \$1,726,923.

Objectives, Scope, and Methodology

The objective of this audit was to determine whether City Planning is in compliance with applicable Comptroller's Directives relating to payroll and timekeeping. The scope of this audit was Fiscal Year 2001 (July 1, 2000, to June 30, 2001). We conducted our tests using payroll and timekeeping records from the third quarter (January

1–March 31, 2001) of the fiscal year. To gain an understanding of City Planning’s payroll and timekeeping processes, we interviewed City Planning officials and conducted a walk-through of its payroll and timekeeping operations. We also requested the written procedures City Planning follows in its payroll and timekeeping processes. We reviewed City Planning’s response to Comptroller’s Directive 1, *Agency Evaluation of Internal Controls*, regarding payroll and personnel management. In addition, we compared City Planning practices to Comptroller’s Directive 13, *Payroll Procedures*. Based on the information gathered and our understanding of City Planning’s procedures, we developed a detailed audit plan to determine whether City Planning complies with the Comptroller’s directives relating to Payroll and Timekeeping.

Our Audit Tests are discussed in detail on pages 2 and 3 of this report.

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 City Comptroller’s audit responsibilities as set forth in Chapter 5, § 93, of the New York City Charter.

Results in Brief

City Planning has an adequate internal control system in place for its payroll and timekeeping functions. Specifically, City Planning ensured that:

- payroll changes were properly processed and recorded in PMS;
- jury duty service was properly recorded, and that it properly collected any jury duty pay its employees received;
- paychecks were distributed to the appropriate bona fide employees; and
- undistributed paychecks and payroll stubs were stored in a secure facility following payroll distribution.

However, we did find weaknesses in City Planning’s procedures. Some of the specific problems we found include that City Planning:

- lacks evidence that its payroll and timekeeping units properly review personnel changes;
- lacks evidence that PMS Employee Update and New Appointment Forms were approved;
- does not ensure supervisory approval of time sheets;
- does not properly record employees’ time in PMS; and
- did not require its employees to sign for direct-deposit earning statements.

Recommendations

The audit resulted in seven recommendations, all of which are listed below.

City Planning should ensure:

- that all pertinent information, such as last day worked and last day paid, is entered on the Personnel Change Form;
- that all units indicate their reviews of the changes by properly signing the Personnel Change Form;
- that signatures indicating proper approval appear on all PMS Employee Update and PMS New Appointment forms;
- that all time sheets are reviewed and signed by the supervisors;
- that the work unit timekeeper and the work unit supervisor review and authorize the time recorded on the time sheets and the ETRs;
- that the central timekeeping unit reviews and verifies the accuracy of the time recorded in PMS; and
- should continue to ensure that its employees sign for their payroll stubs.

Agency Response

The matters covered in this report were discussed with officials from City Planning during and at the conclusion of this audit. A preliminary draft report was sent to City Planning officials and discussed at an exit conference on May 6, 2002. On May 9, 2002, we submitted a draft report to City Planning officials with a request for comments. We received a written response from City Planning on May 22, 2002. City Planning agreed with the audit's recommendations, stating that "steps will be taken to implement each of the auditor's recommendations."

The full text of City Planning's comments is included as an addendum to this report.

Table of Contents

INTRODUCTION..... 1
Background..... 1
Objectives 2
Scope and Methodology..... 2
Agency Response..... 3

FINDINGS AND RECOMMENDATIONS..... 4
Evidence Lacking that Payroll and Timekeeping Units Properly Review Personnel Changes..... 4
Recommendations:..... 5
No Evidence that PMS Employee Update and New Appointment Forms Were Approved..... 5
Recommendation:..... 6
City Planning does not Ensure Supervisory Approval of Time Sheets 6
Recommendation:..... 6
City Planning does not Properly Record Employees’ Time in PMS..... 6
Recommendations:..... 7
City Planning did not Require its Employees to Sign for Direct Deposit Earning Statements 7
Recommendation:..... 8

ADDENDUM

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

**Audit Report on Compliance of the
New York City Department of City Planning
With Comptroller's Directives Relating to
Payroll and Timekeeping**

ME02-129A

INTRODUCTION

Background

The Department of City Planning (City Planning) has been in operation since 1938. Its principal goals are to encourage housing and economic development, improve the City's quality of life and preserve its neighborhoods, and streamline the land-use regulatory process. The Department is responsible for the City's physical and socioeconomic planning, including land-use and environmental reviews. City Planning is also responsible for land-use analysis to support zoning map proposals; special permits under the Zoning Resolution; changes in the City map; the acquisition and disposition of City-owned property; selection of sites for public facilities; urban renewal plans; and landmark and historic district designations. The Department provides technical and planning information to government agencies, public officials, and community boards.

To carry out its responsibilities, City Planning reviews environmental assessments for proposed development projects and conducts reviews of land-use applications. The land-use applications go through an extensive review process, the Uniform Land Use Review Procedure (ULURP). Once City Planning certifies a ULURP application as complete it is forwarded to the appropriate community board, then to the Borough President, and then to the City Planning Commission for consideration.

The Director of City Planning, who also serves as the Chair of the City Planning Commission, is responsible for overall planning, direction, and coordination of policy. The Director advises the Mayor, the Borough Presidents and the City Council on all matters related to the development and improvement of the City.

City Planning headquarters are at 22 Reade Street, Manhattan. It also has an office in each of the other four boroughs, as well as a Transportation Unit at 2 Lafayette Street, Manhattan. According to the adopted budget for Fiscal Year 2001, City Planning's budget totaled \$16,719,219. Of this total, the Personal Services budget was \$14,992,296 for 277 employees and the Other than Personal Services budget was \$1,726,923.

Objectives

The objective of this audit was to determine whether City Planning is in compliance with applicable Comptroller's Directives relating to payroll and timekeeping.

Scope and Methodology

The scope of this audit was Fiscal Year 2001 (July 1, 2000, to June 30, 2001). We conducted our tests using payroll and timekeeping records from the third quarter (January 1–March 31, 2001) of the Fiscal Year. To gain an understanding of City Planning's payroll and timekeeping processes, we interviewed City Planning officials and conducted a walk-through of its payroll and timekeeping operations. We also requested the written procedures City Planning follows in its payroll and timekeeping processes. We reviewed City Planning's response to Comptroller's Directive 1, *Agency Evaluation of Internal Controls*, regarding payroll and personnel management. In addition, we compared City Planning practices to Comptroller's Directive 13, *Payroll Procedures*, to determine whether City Planning complies with the directive.

To evaluate City Planning's internal controls we conducted detailed interviews with the payroll and timekeeping staff. We conducted in-depth reviews of their records and compared them to Payroll Management System (PMS) records.

To determine whether City Planning accurately reviews and records employees' time in PMS, we randomly selected 50 employees and reviewed their time records for the quarter January 1–March 31, 2001. We compared the time sheets, leave time use slips, and leave time earned slips to PMS. In addition, when the time sheet and leave balance disagreed, we compared the Employee Time Records (ETR)¹ to PMS and to the time sheets. To determine whether time earned and used was properly authorized, we reviewed time sheets and other documents for proper signatures.

To determine whether payroll changes were properly authorized, we reviewed the personnel change forms for all those employees who were hired, promoted, or terminated during the January 1–March 31, 2001 quarter. We compared those records to the PMS Payroll Register to ensure that the payroll changes were properly processed and recorded.

To determine whether City Planning properly records employees' jury duty service, we reviewed the court receipts and the time sheets for all employees who were on jury duty during

¹ The ETR is a PMS form that is scanned and used to enter the time for each employee.

our test period and compared them to PMS. To verify that City Planning collects any jury duty pay that employees receive from the court, we obtained copies of payment records from City Planning's payroll unit.

To determine whether the payroll is distributed in accordance with Comptroller's Directive 13, we observed City Planning's payroll distribution. To determine whether checks and stubs were distributed only to bona fide employees, we verified the employees' identification cards as they received their checks and stubs, and compared their signatures on the PMS 319 report to the identification cards. We also determined whether undistributed checks and stubs were stored in a secure facility following the payroll distribution.

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 City Comptroller's audit responsibilities as set forth in Chapter 5, § 93, of the New York City Charter.

Agency Response

The matters covered in this report were discussed with officials from City Planning during and at the conclusion of this audit. A preliminary draft report was sent to City Planning officials and discussed at an exit conference on May 6, 2002. On May 9, 2002, we submitted a draft report to City Planning officials with a request for comments. We received a written response from City Planning on May 22, 2002. City Planning agreed with the audit's recommendations, stating that "steps will be taken to implement each of the auditor's recommendations."

The full text of City Planning's comments is included as an addendum to the report.

**OFFICE OF THE COMPTROLLER
NEW YORK CITY**

DATE FILED: May 30, 2002

FINDINGS AND RECOMMENDATIONS

City Planning has an adequate internal control system in place for its payroll and timekeeping functions. However, City Planning does not consistently follow its own procedures. City Planning also generally complied with Comptroller's Directive 1, *Agency Evaluation of Internal Controls*, and 13, *Payroll Procedures*. Some of our specific findings were as follows:

- Payroll changes were properly processed and recorded in PMS.
- City Planning employees' jury duty service was properly recorded, and City Planning properly collected any jury duty pay its employees received.
- Paychecks were distributed to the appropriate bona fide employees.
- Undistributed paychecks and payroll stubs were stored in a secure facility following the payroll distribution.

However, we did find weaknesses in City Planning's procedures, which are discussed in more detail in the sections below.

Evidence Lacking that Payroll and Timekeeping Units Properly Review Personnel Changes

During our test period, City Planning issued 38 "Personnel Change Forms" to initiate personnel changes. There is no evidence that the timekeeping or payroll units verified any of these changes.

Comptroller's Directive 13, § 3.0, states, "One of personnel's most important functions, adding new staff to the payroll, is a critical control point in the payroll process. Internal controls must be established to insure that new hires and other payroll transactions have been approved by agency management or other authorized individuals."

The City Planning Personnel Unit initiates the personnel change process by completing a "Personnel Change Form" for hiring, promoting, and terminating employees. The signed form is forwarded to the City Planning budget manager for review. The budget manager signs the form and forwards it to the timekeeping unit for review. Timekeeping reviews the form, and in the case of a terminated employee, the timekeeper verifies the last day worked, determines the employee's last day paid,² and enters it on the form. The Personnel Change Form is returned to the personnel unit. The personnel unit prepares either the PMS Employee Update Form or the PMS New Appointment Form, and updates PMS. Once PMS is updated the Personnel Change Form is forwarded to the payroll unit, which verifies that PMS has been properly updated for the change and files the form.

² The 'last day paid' is calculated on the basis of the final day of work, plus accrued leave balances.

None of the Personnel Change Forms we reviewed bore signatures from the timekeeping or payroll units. While the Personnel Change Form enables the timekeeping unit to record the last day worked and last day paid, those were not entered. We are unable to ascertain whether timekeeping or payroll had in fact reviewed the personnel changes. The Personnel Change Form is important because it serves as the basis for initiating changes to PMS and to verify that those changes are correctly entered in PMS. Thus, it is important that the Personnel Change Form be completely filled out and properly signed.

Recommendations:

1. City Planning should ensure that all pertinent information, such as last day worked and last day paid, is entered on the Personnel Change Form.

Agency Response: “The Personnel Change procedure has been modified so that timekeeping will inform personnel of the last day worked and the last day paid before the Personnel Change is issued. The information can then be included on the Personnel Change when it is issued.”

2. City Planning should ensure that all units indicate their reviews of the changes by properly signing the Personnel Change Form.

Agency Response: “Payroll and Timekeeping staffs have been instructed to sign the Personnel Change after completing their work relating to it.”

No Evidence that PMS Employee Update and New Appointment Forms Were Approved

During our test period, City Planning prepared 34 PMS Employee Update forms (for promotions and terminations) and four PMS New Appointment forms to process changes into the PMS system. There is no evidence that the personnel unit reviewed or approved any of these personnel changes as required by Comptroller’s Directive 13, § 3.0 which states, “One of personnel’s most important functions, adding new staff to the payroll, is a critical control point in the payroll process. Internal controls must be established to insure that new hires and other payroll transactions have been approved by agency management or other authorized individuals.”

The PMS Employee Update and the PMS New Appointment forms lacked the required signature of the manager or supervisor signature, and this indicates that the forms were not reviewed. Although we did not uncover any errors in the processing of these forms, there is the potential for incorrect entries for salaries or other information being entered in PMS. The PMS Employee Update and PMS New Appointment forms should have the proper signatures, attesting to the accuracy of the information on those forms and thus to the accuracy of information that goes into PMS.

Recommendation:

3. City Planning should ensure that signatures indicating proper approval appear on all PMS Employee Update and PMS New Appointment forms.

Agency Response: “The PMS data entry procedure will be modified so that a supervisor will approve and sign the ‘PMS Employee Update’ and ‘PMS New Appointment’ forms.”

City Planning Does Not Ensure Supervisory Approval of Time Sheets

During our test period we discovered 23 timesheets that were not authorized by the work unit supervisor. Comptroller’s Directive 13, § 4.2 states, “All daily attendance reports must be signed by the employee, certified by the timekeeper and approved by the timekeeper’s or Work Unit’s manager, supervisor....”

In one instance, a unit supervisor did not approve any of the 13 weekly time sheets for one of that work unit’s employees. When we inquired about this, City Planning officials told us that the supervisor refused to sign this particular employee’s time sheets. The supervisor has since been replaced, and the new supervisor is approving that employee’s time sheets. In another instance, a unit supervisor did not sign ten of the 13 weekly time sheets for his work unit. Since that supervisor did not properly review and sign those time sheets, there is no assurance that the information recorded on them is accurate. This can lead to errors in recording employees’ time in PMS. To ensure the proper recording of time in PMS, it is important that the work unit supervisors review and approve their employees’ timesheets.

Recommendation:

4. City Planning should ensure that all time sheets are reviewed and signed by the supervisors.

Agency Response: “Supervisors will be informed of the necessity to fully review, correct and sign time sheets for every employee who reports to them.”

City Planning Does Not Properly Record Employees’ Time in PMS

During our audit period there were 25 instances totaling 75.25 hours in which employees’ leave time balances were improperly reflected in PMS.

Comptroller’s Directive 13, § 4.6 requires that agencies, “employ independent monitoring and review procedures as part of their internal controls over the timekeeping function.” At City Planning, the work unit timekeeper prepares the ETR for each employee,

recording leave time used and compensatory time earned from the signed time sheets. The work unit supervisor reviews the ETR and forwards it with the time sheets to the Central Timekeeping Unit, which reviews the time sheet and the ETR before it is entered in PMS.

In our sample of 50 employees, we found 25 instances affecting 15 employees in which each employee's leave balance in PMS did not agree with the time recorded on the employee time sheets. In 22 of the 25 instances, the hours recorded on the ETR disagreed with the time sheet. In two instances the ETR correctly indicated the hours used, but the overriding no-exception box was marked. (PMS processes the ETR ignoring any other entries when the no-exception box is marked). In one instance the ETR was unavailable. In these instances the errors went undetected by the employee's work unit timekeeper, the employee's supervisor, and the central timekeeping unit. Overall, we cannot be sure that employee leave balances are accurately recorded in PMS or that employees are entitled to the paid time off they receive.

Since City Planning uses the central timekeeping unit as the independent monitor of the time sheets and the ETRs, it should ensure that a work unit supervisor reviews and authorizes all time records (time sheets and ETRs) before the central timekeeping unit reviews them and they are entered in PMS.

Recommendations:

5. City Planning should ensure that the work unit timekeeper and the work unit supervisor review and authorize the time recorded on the time sheets and the ETRs.

Agency Response: "The Department will distribute guidelines and instructions to work unit timekeepers and their supervisors outlining the correct procedures for accurately transferring the information from the time sheets to the ETRs."

6. City Planning should ensure that the central timekeeping unit reviews and verifies the accuracy of the time recorded in PMS.

Agency Response: "Central timekeeping will review the work of the work unit timekeepers to verify the accuracy of ETRs and the time recorded in PMS."

City Planning Did Not Require its Employees to Sign for Direct Deposit Earning Statements

During our audit we noted that City Planning's employees did not sign for the receipt of their direct deposit earning statements (payroll stubs). Comptroller's Directive 13, § 7.1, which describes the payroll distribution process, states that "Employees must evidence receipt of their paycheck by signing the Paycheck Distribution Control Report." It does not comment separately on payroll stubs. However, Comptroller's Directive 1, *Internal Control Checklist*, § G.5d, asks if the agency requires its employees "to sign for their paychecks or payroll stubs for those receiving direct deposit." When we brought this to the attention of City Planning officials, they

told us that while they required employees to sign for their paychecks, they did not require employees who have direct deposit to sign for payroll stubs. However, they said they would institute a procedure immediately to have their employees sign for their payroll stubs. During our observation of City Planning's payroll distribution we noted that those employees who receive payroll stubs are now signing for them. Requiring employees to sign for their payroll stubs ensures that only the employee concerned receives the sensitive information that the payroll stubs contain.

Recommendation:

7. City Planning should continue to ensure that its employees sign for their payroll stubs.

Agency Response: "The Payroll unit is now having employees sign for their direct deposit stubs."



DEPARTMENT OF CITY PLANNING
CITY OF NEW YORK

Amanda M. Burden, A.I.C.P., Director
Department of City Planning

OPERATIONS

May 22, 2002

Roger D. Liwer
Assistant Comptroller For Audits
Office of the Comptroller
1 Centre Street, Room 1100
New York, New York 10007-2341

Dear Mr. Liwer:

In response to your office's audit of payroll and timekeeping at City Planning the following steps will be taken to implement each of the auditor's recommendations:

1. Recommendation # 1 is relevant only to actions which remove staff from payroll, such as terminations or unpaid leaves of absence. To implement the recommendation, the Personnel Change procedure has been modified so that timekeeping will inform personnel of the last day worked and the last day paid before the Personnel Change is issued. The information can then be included on the Personnel Change when it is issued.
2. Payroll and Timekeeping staffs have been instructed to sign the Personnel Change after completing their work related to it.
3. The PMS data entry procedure will be modified so that a supervisor will approve and sign the "PMS Employee Update" and "PMS New Appointment" forms.
4. The Department will distribute guidelines and instructions to all supervisors responsible for reviewing and signing time sheets. The supervisors will be informed of the necessity to fully review, correct and sign time sheets for every employee who reports to them.
5. The Department will distribute guidelines and instructions to work unit timekeepers and their supervisors outlining the correct procedures for accurately transferring information from the time sheets to the ETRs. They will be informed that they must submit accurate and complete ETRs to central timekeeping. The central timekeeping unit will more carefully scrutinize the work unit ETRs as they are submitted for errors and make corrections. Timely submission

David J. Zagor, Director
22 Reade Street, New York, N.Y. 10007-1216 Room 2W (212) 720-3650
FAX (212) 720-3219
nyc.gov/planning

of their time sheets by staff to their work unit timekeeper is critical to improving the accuracy of ETR entries. Accordingly, staff will be directed to submit complete and accurate time sheets to their work unit timekeeper by the Monday morning following the work week at the latest. Employees who plan to be on vacation at the beginning of the week when ETRs are being prepared will be required to submit their time sheets and an approved annual leave requests before they leave. This will allow the unit timekeeper to have accurate records from which to make ETR entries.

6. Central timekeeping will review the work of the work unit timekeepers to verify the accuracy of ETRs and the time recorded in PMS.
7. The Payroll unit is now having employees sign for their direct deposit stubs.

If there are any other issues raised by your audit that have not been addressed, please let me know.

Sincerely,


David J. Zagor

- c. Edward James
- Marcia Vale
- Sean Hennessy
- Helen O'Brien
- Linda Greenwald
- Cecelia Thornton-Houllier