

# AUDIT REPORT

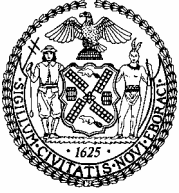


CITY OF NEW YORK  
OFFICE OF THE COMPTROLLER  
BUREAU OF MANAGEMENT AUDIT  
**WILLIAM C. THOMPSON, JR., COMPTROLLER**

## **Audit Report on the Payroll, Timekeeping, and Other Than Personal Services Expenditures of the New York City Office of Emergency Management**

*MG06-075A*

**May 24, 2006**



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 audited the Office of Emergency Management (OEM) to determine whether OEM complied with applicable personnel, payroll, timekeeping, and small-procurement policies and procedures.

OEM serves as the City's liaison with the U.S. Department of Homeland Security, and oversees the City's compliance with federal preparedness and emergency-response requirements. Audits such as this provide a means of ensuring OEM and other city agencies comply with policies and procedures established for the effective and efficient use of City resources.

The results of our audit, which are presented in this report, have been discussed with OEM officials, and their comments were considered in the preparation of this report.

I trust that this report contains information that is of interest to you. If you have any questions concerning this report, please e-mail my audit bureau at [audit@comptroller.nyc.gov](mailto:audit@comptroller.nyc.gov) or telephone my office at 212-669-3747.

Very truly yours,

A handwritten signature in cursive script that reads "William C. Thompson, Jr.".

William C. Thompson, Jr.

WCT/ec

**Report:** MG06-075A  
**Filed:** May 24, 2006

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

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Payroll, Timekeeping, and  
Other Than Personal Services Expenditures  
of the New York City  
Office of Emergency Management**

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**AUDIT IN BRIEF**

This audit of the Office of Emergency Management (OEM) determined whether OEM complied with applicable personnel, payroll, timekeeping, and small-procurement policies and procedures established by the agency, and those set forth in the Comptroller's "Internal Control and Accountability Directives," City leave regulations for managerial and non-managerial employees, and Procurement Policy Board (PPB) Rules. The Office of Emergency Management (OEM) was established in 1996 to coordinate the City's efforts to resolve emergency incidents. On January 1, 2002, OEM was elevated to departmental status following a referendum amending the City Charter. In Fiscal Year 2005, OEM trained a total of 7,500 government employees, city residents, and individuals in the private and non-profit sectors. OEM's actual expenditures totaled \$9,104,070, including \$3,925,122 for Personal Services (PS) and \$5,178,948 for Other Than Personal Services (OTPS).

**Audit Findings and Conclusions**

OEM generally adhered to the requirements of the applicable personnel, payroll, timekeeping, and small-procurement policies and procedures established by the agency itself, and those set forth in Comptroller's Directives #6, #13, and #24, as well as City leave regulations, and PPB rules. New hires were approved by OEM management and other authorized individuals in compliance with agency procedures, funding, and budgetary requirements.

However, we found minor weaknesses in OEM's timekeeping and purchasing practices which have resulted in related deficiencies. Specifically: some employees did not follow City leave regulations regarding lunch, did not take the required lunch break, worked through their lunch periods, and charged the time as paid overtime or compensatory time earned. Employee

Time Reports (ETR) were not approved by the authorizing supervisor. Also, OEM improperly paid sales tax on goods and services purchased within New York State.

**Audit Recommendations**

To address these issues, the audit made the following three recommendations. OEM should:

- Ensure that all employees take a lunch break in accordance with established OEM guidelines.
- Ensure supervisory approval of all Employee Time Reports.
- Comply with Comptroller’s Directive #6, §2.7 and refrain from paying sales taxes for goods and services valued more than \$25.00.

**Agency Response**

OEM agreed with the audit’s recommendations.

## **INTRODUCTION**

### **Background**

The Office of Emergency Management (OEM) was established in 1996 to coordinate the City's efforts to resolve emergency incidents. On January 1, 2002, OEM was elevated to departmental status following a referendum amending the City Charter. OEM coordinates and supports multi-agency responses to complex emergency conditions and ensures that City government is ready to deal with emergencies that affect the health and safety of the citizens. In addition, OEM operates the City's Emergency Operations Center and makes recommendations to the Mayor about the City's emergency response capabilities. The agency is also the City's liaison with the U.S. Department of Homeland Security and oversees the City's compliance with federal preparedness and emergency-response requirements. Further, through education and outreach programs, OEM prepares City residents and the private and non-profit business sectors for emergency situations. To this end, in Fiscal Year 2005, OEM trained a total of 7,500 government employees, city residents, and individuals in the private and non-profit sectors.

In Fiscal Year 2005, OEM's actual expenditures totaled \$9,104,070, including \$3,925,122 for Personal Services (PS) and \$5,178,948 for Other Than Personal Services (OTPS).

### **Audit Objective**

The primary objective of this audit was to determine whether OEM complies with applicable personnel, payroll, timekeeping, and small-procurement policies and procedures established by the agency, and those set forth in the Comptroller's "Internal Control and Accountability Directives," City leave regulations for managerial and non-managerial employees, and Procurement Policy Board (PPB) Rules.

### **Scope and Methodology**

The scope of this audit was Fiscal Year 2005. To gain an understanding of OEM internal controls and processes over payroll, timekeeping and purchasing we interviewed OEM officials and obtained and reviewed OEM policies and procedures regarding payroll, timekeeping, and purchasing. In addition, Chapter 19-A of the City Charter was reviewed to develop an understanding of OEM's duties and responsibilities.

We determined whether OEM's policies and procedures complied with the requirements of Comptroller's Directive #6, "Travel, Meals, Lodging and Miscellaneous Agency Expenses," Comptroller's Directive #13, "Payroll Procedures," and #24 "Agency Purchasing Procedures and Controls," and PPB Rules, Chapter 3, §3-08, "Small Purchases" by performing the following audit procedures.

As part of our review of OEM payroll and timekeeping practices, we judgmentally selected the period September 26, 2004, through January 1, 2005 and reviewed the timekeeping records for all 17 full-time employees. Employee time sheets were reviewed for completeness and appropriate supervisory authorization and Employee Time Reports (ETR) were reviewed for

accuracy and proper approvals. We also determined whether Request for Leave of Absence forms were approved and filed for all annual and sick leave use, and whether overtime authorization was filed for all overtime worked.

Our testing included a review of leave request forms and weekly time sheets for all managerial and non-managerial employees to determine whether OEM maintained appropriate leave request documentation to support employee leave use. We also determined whether all leave-request forms were properly approved and signed by supervisors.

A printout was obtained from the Payroll Management System (PMS) containing payroll information—specifically, title, employment status, and compensatory time accrued—for all OEM employees during Fiscal Year 2005. The ETRs of the 17 sampled full-time employees were reviewed to determine whether all leave use was appropriately deducted from the employees' leave balances, and we compared the recorded use on the ETRs to PMS reports.

Further, we reviewed the personnel folders for all employees newly hired, promoted, and terminated in Fiscal Year 2005 to determine whether OEM followed its own personnel policies and had proper approvals, authorizations, and justifications for those actions. We checked whether terminated employees were properly removed from PMS.

A random sample of 40 of 589 OTPS voucher payments made during Fiscal Year 2005 (totaling \$107,434 of \$3,554,764) was selected for our review of OEM purchasing practices, and to determine whether expenditures were charged to the correct fiscal year, had supporting documentation, and were properly approved for payment. Further, to determine the accuracy of voucher amounts, each voucher was traced to the supporting invoices and purchase orders.

To assess OEM controls over purchases made using American Express (AMEX) procurement cards, the purchases made with City funds during Fiscal Year 2005 were reviewed. OEM had 296 charges totaling \$156,115 during this period. To determine whether charges had appropriate approvals and were properly documented, the auditors reviewed receipts and other supporting documentation. In addition, OEM travel expenses were reviewed to determine whether the agency followed U. S. General Service Administration rate guidelines for lodging.

The results of the above tests, while not projected to the respective populations from which the samples were drawn, provided a reasonable basis to satisfy our audit objectives.

We did not specifically evaluate the reliability and integrity of OEM computer processed data, since all payroll and purchasing functions are processed through PMS and Financial Management System (FMS). These information technology systems are reviewed by the City's external auditors as part of their audit of and attestation to the City's financial statements.

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 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 OEM officials during and at the conclusion of this audit. A preliminary draft report was sent to OEM officials on March 27, 2006, and discussed at an exit conference held on April 10, 2006. On April 20, 2006, we submitted a draft report to OEM officials with a request for comments. We received a written response on May 10, 2006. OEM stated:

“The Office of Emergency Management is in receipt of the Draft Audit Report. I accept, and have implemented, the recommendations contained therein.”

The full text of OEM’s response is included as an addendum to this report.



## **FINDINGS AND RECOMMENDATIONS**

OEM generally adhered to the requirements of the applicable personnel, payroll, timekeeping, and small-procurement policies and procedures established by the agency itself, and those set forth in the Comptroller's Directives #6, #13, and #24, as well City leave regulations, and PPB Rules.

New hires were approved by OEM management and other authorized individuals in compliance with agency procedures, funding, and budgetary requirements. OEM complied with New York City time and leave regulations reviewing employee time sheets for accuracy, and transferring the information to the ETRs. The ETRs, which are used to record the time employees worked, as well as charges to annual leave, sick leave, and other balances, were properly completed for the employees we reviewed, ensuring that OEM paid employees properly. We also determined that OEM employees who were terminated were appropriately removed from PMS and did not receive payment after leaving city service. Our review disclosed that promotions were duly authorized and properly updated in PMS.

Based on our review of OTPS payment vouchers we determined that the small-purchase limits were not exceeded. Purchases had the necessary approvals, had the appropriate supporting documents, were properly accounted for, were required for OEM daily operations, and were charged to the correct budget and object codes.

OEM made long distance and overnight travel arrangements, including airline and rail tickets, in accordance with established guidelines. Prior authorization and approval of all overnight travel by OEM officials was obtained from the Commissioner or Deputy Commissioner. In addition, lodgings for employees traveling on official City business were within the maximum rate guidelines established by the U.S. General Services Administration. OEM's emergency purchases of good and services using the AMEX procurement card were reasonable and necessary and properly documented.

However, we found minor weaknesses in OEM's timekeeping and purchasing practices. Specifically: some employees did not follow City leave regulations regarding lunch, ETRs were not approved, and in a few instances sales tax charges were improperly incurred. These are discussed in the following sections of this report.

### **OEM Controls Over Employee Time Sheets Needs Improvement**

Our review of OEM timekeeping records for the last quarter of calendar year 2004 revealed that some OEM employees were not following City leave regulations. Employees did not take the required lunch break, working through their lunch periods, and charged the time as paid overtime or compensatory time earned.

New York State Labor Law § 162 states that an employee who works a shift of more than six hours that extends the noonday meal period is entitled to at least 30 minutes off within that

period, for the meal period. In addition, the OEM personnel handbook, Chapter 4, “Time and Leave for Non-Managerial Employees,” states, “A one-hour lunch period should be taken between 12:00 and 2:00 p.m.” In one example, an employee was credited with 30 hours of additional time by not taking lunch. The employee was paid for seven hours of straight overtime, 14 hours at time and a half. Nine hours were used as leave time credited to compensatory time balances.

In another case a managerial employee worked through lunch on numerous occasions and used the time to reduce time charged to available leave balances on days the employee did not work. We checked the OEM personnel handbook for guidelines that addressed lunch periods for managerial employees, but found none. Consequently, we brought the practice of managers routinely working through lunch and using the time to reduce charges to their leave balances to the attention of OEM officials. OEM management immediately took action and issued a memorandum reminding managers, among other things, that they work 35 hours in a five-day work week; work Monday through Friday; take a one-hour lunch break after working five hours straight; and cannot use the lunch-break as the last hour of the day.

### **Recommendation**

OEM should:

1. Ensure that all employees take a lunch break in accordance with established OEM guidelines.

*OEM Response:* OEM “implemented the recommendations contained therein.”

### **ETRs are not Properly Signed and Approved**

OEM time and leave procedures require managerial and non-managerial employees to complete weekly time sheets that document hours worked, as well as leave time that may have been taken during the week. In addition, Comptroller’s Directive #13 requires that ETRs be verified and approved by the Work Unit’s supervisor. The time sheets are used as a basis for the completion of the ETR —the document used to update PMS.

Our analysis of 234 ETRs completed for the period under review, showed that none were signed and approved by the authorizing supervisor. ETR forms are designed to be signed and approved by supervisors to ensure employees are accurately reporting their hours worked and that PMS is updated with complete and accurate time and leave balances. The failure of OEM’s supervisors to sign ETRs means that an important safeguard to ensure that PMS is updated with accurate time and leave data is not being utilized.

**Recommendation**

OEM should:

2. Ensure supervisory approval of all Employee Time Reports.

***OEM Response:*** OEM “implemented the recommendations contained therein.”

**OEM Improperly Incurred Sales Tax Charges**

Comptroller’s Directive #6, §2.7, states that agencies and employees should not pay sales taxes on any item or service purchased in the State of New York on behalf of the City for official business purposes. Further, the directive states, “In no case may sales taxes be paid or reimbursed for an expenditure of \$25.00 or more.” During our review period we found that OEM executives paid \$227 in sales taxes on goods and services purchased within New York State on five separate occasions for goods and services valued more than \$25.00. In one instance, OEM used a local printer’s services and incurred \$198.35 in sales taxes. To avoid paying sales tax, OEM should have presented a Sales Tax Exemption Certificate or drafted a letter on agency letterhead to request the exemption.

**Recommendation**

OEM should:

3. Comply with Comptroller’s Directive #6, §2.7 and refrain from paying sales taxes for goods and services valued more than \$25.00.

***OEM Response:*** OEM “implemented the recommendations contained therein.”



**NEW YORK CITY OFFICE OF EMERGENCY MANAGEMENT**  
11 WATER STREET BROOKLYN, NEW YORK 11201

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**JOSEPH F. BRUNO**  
COMMISSIONER

**May 10, 2006**

John Graham  
Deputy Comptroller  
Audits, Accountancy & Contracts  
One Centre Street  
New York, NY 10007-2341

Dear Mr. Graham:

The Office of Emergency Management is in receipt of the Draft Audit Report. I accept, and have implemented, the recommendations contained therein.

Sincerely,

A handwritten signature in black ink, appearing to read "Joseph F. Bruno".

Joseph F. Bruno

JFB/rsd