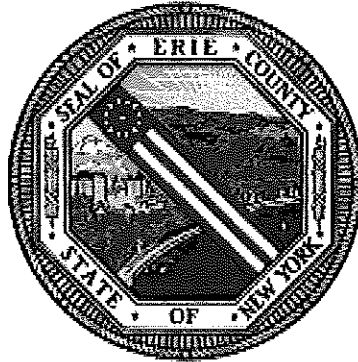

REPORT TO THE ERIE COUNTY LEGISLATURE
92 FRANKLIN STREET
BUFFALO, NEW YORK 14202

July 2009

ERIE COUNTY DEPARTMENT OF MENTAL HEALTH
AUDIT OF PAYROLL TRANSACTIONS
FOR THE PERIOD JANUARY 1, 2007 – DECEMBER 31, 2008



MARK C. POLONCARZ

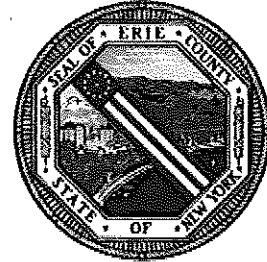
ERIE COUNTY COMPTROLLER

Michael R. Szukala
Deputy Comptroller - Audit & Control

**HON. MARK C. POLONCARZ
ERIE COUNTY COMPTROLLER'S OFFICE
DIVISION OF AUDIT & CONTROL
95 FRANKLIN STREET
BUFFALO, NEW YORK 14202**

July 27, 2009

Honorable Members
Erie County Legislature
92 Franklin Street, 4th Floor
Buffalo, New York 14202



Dear Honorable Members:

The Erie County Comptroller's Office has completed an audit of the Erie County Department of Mental Health ("Mental Health"), for the period January 1, 2007 through December 31, 2008.

We conducted our audit in accordance with 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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our objectives were to determine whether employee data was accurate, whether Mental Health was in compliance with County policies and procedures, and whether adequate internal controls exist over selected payroll transactions and activities.

During the audit period we believe that the internal controls in place were adequate to ensure that employees were properly paid for the time actually worked and that, with exception of a few minor errors, employees were not paid more than entitled.

SUMMARY OF FINDINGS:

1. Employee Leave – Time banks contained errors that caused balances to be both too high and too low. In addition, we found that employees sometimes submit leave requests months after the leave was actually taken.
2. Employee Overtime – Three employees were found to have received more compensatory time than entitled, one of which was for 33 hours.
3. Recording of Lunch Breaks – Some employees regularly do not record their lunch breaks, a violation of Erie County Personnel Policies and Procedures.

Details of the preceding findings may be found in the section entitled “AUDIT RESULTS AND RECOMMENDATIONS.”

REPORTING REQUIREMENTS:

A draft copy of this report was provided to Mental Health for their review. Their comments were considered in the preparation of this report

BACKGROUND:

The Department of Mental Health plans, administers and coordinates a countywide integrated system of comprehensive community based mental health, mental retardation, chemical dependency, and children’s system of care programs to address the treatment and recovery needs of at risk individuals. Services are provided on a contract basis by community based agencies, other county departments or directly by the Department’s Forensic Mental Health Division.

Budgeted personal service expense for program administration in 2007 was \$1,025,292 for 17 employees and in 2008 was \$1,079,392 for 18 employees.

AUDIT RESULTS AND RECOMMENDATIONS:

The findings discovered during audit testing were documented and communicated to Mental Health via Internal Audit Memoranda. Mental Health has initiated corrective action in response to these findings. The details of the significant findings are presented in this section.

- 1) *Employee Leave Testing* – a random sample of eight pay periods was tested consisting of four pay periods in each year of our two-year scope period. The testing was performed on all leave taken in those pay periods by all Mental Health employees which resulted in 613 total transactions.

Our testing revealed the following errors:

- One employee was charged for another employee's eight hours sick time which resulted in one employee being overcharged and one employee being undercharged for the same day of sick time.
- One employee was charged eight hours personal leave even though time records indicate she worked for eight hours.
- One employee was charged one hour sick time instead of five hours (or one hour sick and four hours of vacation or personal leave).
- One employee was charged one hour vacation time instead of two.
- One employee was charged eight hours summer compensatory time instead of four hours.
- One employee was charged one hour compensatory time instead of 0.83 hours.
- One employee was charged two hours sick time even though she was signed in for eight hours worked.
- One employee was charged four hours compensatory time instead of two.
- One employee was charged 0.75 hours FMLA Sick time instead of one full hour.
- One employee was charged eight hours Other Authorized Leave Unpaid when she actually worked those hours. The result was an underpayment to the employee of \$233.51.

Note: Only two of the above ten errors were a result of mistakes made by Mental Health, the other eight were made during the data input process which is not performed by Mental Health.

During testing it was observed that employees sometimes submit leave requests well after the leave was taken. While this was not one of our tests, we found instances where requests were submitted five, six and seven months after the actual leave was taken. This practice is not uncommon and gives the appearance that leave is not always pre-approved as required by the Erie County Personnel Policies and Procedures, the Erie County Handbook and the CSEA Collective Bargaining Agreement

WE RECOMMEND that Mental Health make the appropriate adjustments to employee leave banks to correct the errors found, and reimburse \$233.51 to the employee that was underpaid. In addition, **WE RECOMMEND** that the department abide by the Erie County Personnel Policies and Procedures, Erie County Handbook and the CSEA Collective Bargaining Agreement and require that all leave requests be pre-approved.

- 2) *Overtime Testing* – There were 105 separate occasions where employees in Mental Health worked overtime. Using a random number generator, we selected 35 (33%) of these to test. During our scope period, all overtime was awarded to Mental Health employees through compensatory time earned and not paid in cash. The testing revealed that one employee received six hours compensatory time but did not earn any making her compensatory time balance 6 hours too high; a second employee received 35.25 hours while earning only 2.25 hours making her

compensatory time balance 33.0 hours too high; and a third employee received 3.75 hours while earning 3.5 hours making her compensatory time balance 0.25 hours too high.

Note: The three errors above were mistakes made during the data input process which is not performed by Mental Health.

WE RECOMMEND that Mental Health make the corrections necessary to the compensatory time balances for the three employees. If there is insufficient compensatory time to subtract, the remaining time should be taken from either the vacation or personal leave balance.

- 3) *Lunch Time Testing* – This testing was performed to determine the level of compliance with Chapter VI, Section 1 of the Erie County Personnel Policies and Procedures regarding the recording of lunch periods.

Our sample of 3,313 represented the daily time recordings of sixteen (16) employees over the calendar year 2008. In this sample, we discovered 1,169 (35%) instances where employees did not sign out for lunch. The majority of these occurrences were from five of the employees who recorded lunch 35% of the time or less.

Section 13.3 of the CSEA Collective Bargaining Agreement states that if an employee receives less than a one hour lunch break for nine consecutive months, he/she shall have the option of being paid \$275 or receive three compensatory days. If lunches are not recorded, it may be difficult for the County to prove that the employee did actually take these lunches. The County may also be subject to the consequences that may occur from the New York State Department of Labor with respect to Section 162 of the Labor Law which addresses lunch periods.

WE RECOMMEND that Mental Health comply with Chapter VI, Section 1 of the Erie County Personnel Policies and Procedures and require that all employees record their lunch breaks on a daily basis.

- 4) *Other Tests Performed* – Additional testing was performed to determine the following:
- a. New employees were hired at the correct step and received the appropriate leave accruals.
 - b. Employees that left county service were paid correctly for any unused leave time including compensatory, vacation and sick time, if applicable.
 - c. Employees that received mileage payments had all the necessary forms and receipts. Also, that the correct mileage rate was paid and that miles claimed appeared reasonable.
 - d. Whether any employees held other county positions, and if so, did their hours conflict.

This testing revealed no significant instances of non-compliance with County policy. Records were organized, well kept, and provided all the information necessary to complete the testing.

RESULTS OF EXIT CONFERENCE:

An exit conference was held on July 23, 2009 with the Commissioner of Mental Health and one member of his staff. The contents of this report were discussed. The Commissioner was generally in agreement with our findings. He added that the adjustments recommended in the report have been made as of pay period 15 for employees still employed by the county.

In accordance with the County's Audit Response System and Procedures, we request that the Commissioner prepare a written response to our office and the County Executive concerning the findings and recommendations. The final written response should be submitted to our office and the County Executive by August 21, 2009.

We also request that the Commissioner forward copies of the response to the Erie County Legislature and Erie County Fiscal Stability Authority by August 21, 2009.

ERIE COUNTY COMPTROLLER'S OFFICE

cc: Philip Endress LCSW, ACSW, Commissioner of Mental Health
Hon. Christopher Collins, County Executive
Gregory Gach, Director of Budget and Management
Erie County Fiscal Stability Authority