



Farmingdale Union Free School District

Payroll

2024M-22 | June 2024

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Report Highlights

Audit Objective

Determine whether Farmingdale Union Free School District (District) officials properly monitored, approved and controlled overtime.

Key Findings

District officials did not properly monitor, approve and control overtime. Officials also did not ensure all overtime payments were necessary and properly supported. As a result, there is a significant risk that employees may have been paid for unnecessary overtime work that could have been avoided with adequate planning. We determined that the Board of Education (Board) and District officials:

- Did not establish adequate overtime controls or adopt written policies and procedures to ensure overtime was incurred only when necessary and unavoidable. They also did not ensure all overtime was preapproved and monitored.
- Paid 20 employees \$167,034 for nonemergency overtime work, including routine job duties and planned events, without written preapproval.
- Did not budget for overtime separate from other payroll expenditures. As a result, District officials did not have adequate information to properly monitor the overtime budget and expenditures.

Key Recommendations

- Adopt a policy with clear guidelines and procedures for overtime work.
- Ensure all nonemergency overtime is preapproved in writing and properly documented.
- Properly budget for and monitor overtime.

District officials agreed with certain aspects of our report and indicated they planned to initiate corrective action.

Audit Period

July 1, 2021 – April 30, 2023

Background

The District is located in the Town of Babylon in Suffolk County and the Town of Oyster Bay in Nassau County. The District is governed by a seven-member Board, which is responsible for the general management and control of the District's financial and educational affairs.

The Superintendent of Schools is the chief executive officer and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction.

The Assistant to the Superintendent for Business (ASB) oversees the business office, which processes payroll. Department administrators and supervisors are responsible for approving overtime.

Quick Facts

Overtime	
Total Overtime Paid	\$2 million
Overtime Reviewed	\$173,243
Employees	
Paid Overtime	273
Reviewed	20

Overtime

What Is an Effective Process to Approve, Control and Monitor Overtime?

While overtime pay may be an expected cost of doing business, it must be carefully monitored and controlled. Overtime should be incurred only when circumstances arise and cannot be avoided. Overtime not only impacts and increases a school district's (district's) current payroll costs but can also increase an employee's future pension benefit. As a result, overtime payments increase the amount owed by the district, annually to the State, for its share of the cost of the district's employees' retirement benefits. It is important to have adequate controls for overtime, which include the establishment and distribution of written policies and procedures that address how and when overtime may be incurred, and the documentation necessary to support time worked.

While the need for certain overtime can be difficult to anticipate, routine work for other events should be planned in a cost-effective manner. As such, officials should use a written authorization form to obtain preapproval of overtime when it is planned, such as for school programs. In emergency situations or when there are unexpected/unplanned events, such as when someone calls in sick and coverage is needed, supervisors could verbally approve overtime to be incurred and follow up with the written form. When the events that cause overtime are analyzed, management may be able to take alternative action without using overtime, such as adjusting schedules or staffing.

District officials should budget and account for overtime separately from regular pay and monitor the budget and review available documentation (e.g., budget to actual reports and overtime request forms) to ensure appropriations are available for overtime to effectively monitor the use and cost of overtime.

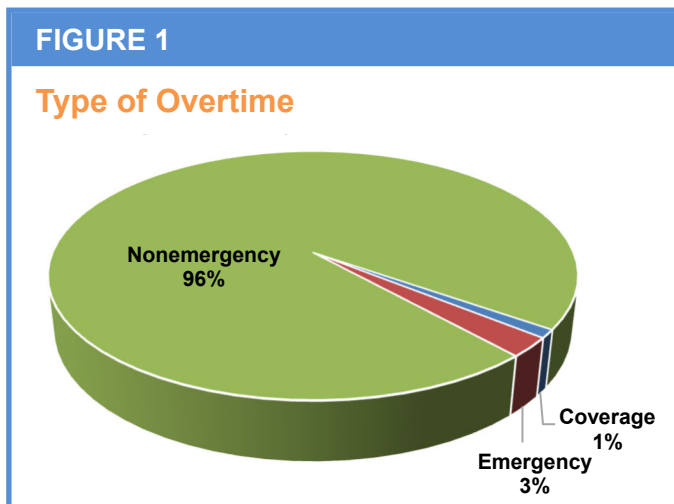
Overtime Was Not Properly Approved, Controlled or Monitored

District officials did not establish written overtime policies and procedures, such as an overtime request form, to ensure overtime hours worked were preapproved, adequately documented and incurred only when necessary. While some departments developed informal procedures, other departments had no procedures to document preapproval of overtime. The ASB stated that although the District does not have formal procedures requiring written preapproval of overtime, some departments have developed their own informal procedures. However, this practice provides no evidence that overtime was preapproved, documented, planned in the most cost-effective manner and limits officials from analyzing overtime costs or confirming overtime was necessary.

For payroll processing, upon completion of overtime, employees are required to submit a timesheet containing the date, overtime hours worked, and description of work performed to receive payment. The employee, direct supervisor and

department administrator must sign the timesheet certifying the overtime was worked and submit it to payroll for processing.

During the audit period, the District paid 273 employees a total of \$2 million for overtime worked. We selected 20 employees who were paid \$635,868 for overtime worked and reviewed four months of overtime payments made to the 20 employees totaling \$173,243, which accounts for 27 percent of the overtime they earned.¹ Ninety-six percent of this overtime totaling \$167,034 was for nonemergency routine job duties and planned events, such as sporting events, maintenance and payroll processing, that could have been preapproved in writing and planned in a more cost-effective manner (Figure 1). We determined that all 20 employees were paid for nonemergency overtime totaling \$149,616 without written preapproval.



Operations and Maintenance (O&M) – We selected nine O&M employees, including custodial, grounds and maintenance titles, who were paid \$286,876 for overtime worked during our audit period. We reviewed \$82,703 in payments made to these employees for overtime worked, including \$78,269 of nonemergency overtime. The O&M department had an informal process requiring an employee’s direct supervisor to email the Supervisor of O&M (Supervisor) to approve overtime work. We reviewed emails provided by the Supervisor to determine whether nonemergency overtime was requested and approved prior to work and determined that \$62,729 (80 percent) of the overtime paid did not have emails requesting the overtime. The Supervisor told us he scheduled some of the overtime worked by these employees for projects that were done at times when students were not in the buildings, so there would not be an email or other documentation of preapproval.

¹ Refer to appendix B for information on our sampling methodology.

However, although the District's collective bargaining agreement (CBA) allows for scheduling an employee's workweek to include weekend hours without overtime, the nine O&M employees were paid \$51,541 for overtime worked on Saturday and Sunday. Some of this nonemergency overtime may have been avoided if District and O&M officials considered alternative options, such as adjusting work schedules (as allowed by the CBA) or scheduling part-time workers. In addition, timesheets for five O&M employees totaling \$3,350 were not approved by the employee's supervisor after the overtime was worked.

Business Office – Three Business Office employees were paid \$65,274 for overtime worked during our audit period, and we reviewed \$18,057 in overtime paid to these employees. Business Office officials did not require overtime work to be preapproved by a supervisor. Attendance records for Business Office officials and staff included a weekly sign-in sheet that listed the employee's name and columns for the time in and out each weekday (Monday through Friday). Employees were required to initial the sign-in sheet, but did not have to record their time in and out. After overtime is worked, employees were required to fill out an overtime time sheet. Although all overtime reviewed was for nonemergency routine job duties, none of the overtime was preapproved in writing. In addition, none of the timesheets submitted for overtime worked were signed by a Business Office administrator to certify the employees worked the overtime for which they were paid.

Furthermore, although their standard work schedule was 7 a.m. to 3 p.m., the three Business Office employees were paid \$10,186 for 174 hours in overtime worked starting before 3 p.m., which was during their regular work hours. This included overtime starting as early as 12:45 p.m. The ASB told us these employees often come in early. However, there is no documentation to show the employees started work early because the employees did not indicate time in/out on the sign in sheets or on the overtime timesheets. Therefore, officials cannot be certain of the hours worked because the overtime paid is not supported.

Security Department – The District's security aides work under the direction of the Director of Facilities. We reviewed overtime worked by three security aides, including two hourly security aides and one contractual security aide. Hourly security aides are entitled to overtime after working 40 hours in a week, and contractual security aides are paid for overtime if they work outside their normal work schedule. The three security aides were paid \$132,566 for overtime worked during our audit period, and we reviewed \$43,031 in overtime paid to these employees. Security Department officials did not have a formal process to preapprove overtime worked by security aides. However, if weekend or holiday coverage was needed, the supervisor was supposed to send an email to the Director of Facilities a day or two before the work event with the work schedule. We reviewed the emails to determine whether \$41,256 of nonemergency overtime worked by the three security aides was requested and approved prior to work.

We determined that the emails did not specify how much of the scheduled time would result in overtime, and that \$39,379 (95 percent) of the overtime worked was not captured in the emails. In addition, timesheets for one employee totaling \$9,466 for overtime worked were not signed by the employee's supervisor, and timesheets for the three security employees totaling \$7,080 were not signed by the Director of Facilities to certify the overtime hours worked.

Technology Department – One Technology Department employee was paid \$35,657 for overtime worked during our audit period, and we reviewed \$6,475 in overtime paid to this employee. We determined that there was no preapproval for \$3,589 in overtime paid in October 2021 and October 2022. In October 2022, the Director of Technology instituted an online form to preapprove overtime work for Technology Department employees. The form required information including the employee's name, ID number, purpose of overtime work, date of overtime work, expected overtime hours and signature of the employee's supervisor. However, the form did not include the date of the request to work overtime or the date the form was approved. We determined that the Technology Department employee was paid \$549 in March and April 2023 without using the form.

The remaining four employees reviewed, who worked for various District departments, were paid \$115,490 for overtime worked during our audit period, and we reviewed \$22,976 in overtime paid to these employees. We determined that all overtime worked by the employees was for their routine job duties, and they did not obtain written preapproval for the overtime worked. The timesheets prepared after the overtime was worked were signed by their supervisors and administrators.

Furthermore, the Board and District officials did not budget and account for overtime separately from regular pay. Instead, overtime work was charged to the account codes for each department and/or building that included payroll for hourly and substitute employees. As a result, District officials did not have adequate information to properly monitor the overtime budget and expenditures. The Treasurer sent two reports each month to department administrators for these account codes, including a year-to-date budget to actual report and a list of employees charged to the codes. Because overtime charges were combined with other payroll amounts with the codes and the employee list did not include the amounts paid to employees, the actual amounts that were budgeted and expensed for overtime could not be determined from these reports. Therefore, the reports were inadequate to monitor and analyze overtime.

District officials did not establish written policies or procedures specific to overtime, including how and when employees may incur overtime, approvals needed and the documentation required to support the overtime worked. In addition, for the employees we reviewed, overtime was routinely not preapproved, documentation was not maintained to support the overtime work performed and

timesheets documenting overtime were not always approved by a supervisor and administrator as required. As a result, the District may have incurred unnecessary overtime costs.

What Do We Recommend?

The Board should:

1. Adopt a policy with clear guidelines and procedures for overtime work, including how and when overtime may be incurred, the approvals needed and the documentation required to support the overtime worked.

District officials should:

2. Ensure all nonemergency overtime is preapproved in writing, properly documented and monitored.
3. Consider alternatives to overtime, such as adjusting work schedules or scheduling part-time workers for nonemergency and planned events.
4. Budget and account for overtime separately from other payroll expenditures so that the cost of overtime can be monitored.
5. Provide department administrators with reports that include sufficient information to monitor overtime.

Appendix A: Response From District Officials



Farmingdale School District

MICHAEL MOTISI

*Assistant to the Superintendent for Business
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PAUL DEFENDINI

Superintendent of Schools

June 14, 2024

Mr. Ira McCracken
Office of the State Comptroller
NYS Office Building, Room 3A10
250 Veterans Memorial Highway
Hauppauge, New York 11788-5533

Dear Mr. McCracken:

The Farmingdale School District is in receipt of the Comptroller's Draft Report entitled "Farmingdale Union Free School District - Payroll." The district has a number of internal controls in place to protect and monitor overtime, and to ensure the appropriate expenditure of taxpayer funds. The district is in agreement with certain aspects of this report. We will begin to implement these recommendations during the 2024/25 school year as a way to further strengthen our already established internal controls.

If you have any questions, please do not hesitate to contact my office.

Very truly yours,

Michael Motisi
Assistant to the Superintendent for Business

MM/rf

cc: Board of Education
Paul Defendini, Superintendent
Bonnie Pampinella, School Business Administrator

Appendix B: Audit Methodology and Standards

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. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed District officials and department heads to obtain an understanding of the procedures for approving overtime.
- We reviewed the District's CBAs and Board-approved employment agreements to determine whether overtime payments were paid in accordance with the CBAs and agreements.
- We reviewed the total overtime payments for all employees and departments during our audit period to determine which employees and departments had the highest overtime charges.
- We used our professional judgment to select 20 employees who received overtime payments totaling \$173,243. Our sample included 18 of the 20 highest paid employees for overtime worked and two payroll clerks out of the 273 employees who received overtime payments during our audit period. We selected four months with the highest overtime payments and reviewed all available time records for the 20 employees in the selected months to determine whether the overtime was for routine work and calculated correctly.
- We reviewed overtime analysis reports for each department to determine information provided for monitoring overtime.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). 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 size of the relevant population and the sample selected for examination.

The Board has the responsibility to initiate corrective action. 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-a (3)(c) 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 next 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. The CAP should be posted on the District's website for public review.

Appendix C: Resources and Services

Regional Office Directory

www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/fiscal-monitoring

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/resources/planning-resources

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

www.osc.ny.gov/files/local-government/publications/pdf/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.ny.gov/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/academy

Contact

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<https://www.osc.ny.gov/local-government>

Local Government and School Accountability Help Line: (866) 321-8503

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