



# Rye City School District

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Payroll

2024M-2 | June 2024

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# Report Highlights

## Rye City School District

### Audit Objective

Determine whether Rye City School District (District) officials ensured overtime was properly budgeted, approved, monitored, recorded, and paid.

### Key Findings

Although overtime was properly approved and monitored, District officials did not properly budget, record or pay overtime. District officials did not budget for approximately \$600,000 of incurred overtime, and generally recorded it as salaries. As a result, residents are not being made aware of what the District expects to incur in overtime costs and the budgets are not transparent regarding overtime.

We analyzed the overtime paid to 15 employees with the highest overtime charges for their positions for the audit period and reviewed all of their time records and payments totaling \$428,220 and determined officials:

- Recorded \$409,391 as salaries, which precluded officials from monitoring overtime expenditures because they did not know how much overtime was being paid. The District also lacked overtime monitoring policies and procedures.
- Paid six employees \$2,097 in overtime wages without proper supporting documentation to determine the purpose of the overtime worked. Therefore, officials paid overtime without knowing why the additional payroll costs were incurred.
- Improperly paid an employee \$239 for overtime they did not work.

### Key Recommendations

- Develop realistic overtime budget estimates.
- Develop overtime policies and procedures and monitor overtime costs.

District officials disagreed with certain aspects of our findings but indicated they have initiated corrective action. Appendix B includes our comments on the District's response letter.

### Audit Period

July 1, 2021 – January 31, 2023

### Background

The District is located in the City of Rye, Westchester County. It is governed by a seven-member Board of Education (Board) responsible for the general management and control of financial and educational affairs.

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

Employees' immediate supervisors are responsible for scheduling overtime. Immediate supervisors and central administration department staff are responsible for approving overtime.

#### Quick Facts

Overtime for the Audit Period	
Total Overtime Wages Paid	\$607,036
Total Overtime Reviewed	\$428,220
Employees	
Paid Overtime	56
Reviewed in Audit	15

# Overtime

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The District's employee handbook states that overtime can only be authorized in advance by the employee's supervisor prior to working the overtime hours. The District's Collective Bargaining Agreement for Department employees states that overtime will be paid for work performed before and after an employee's regular work hours. The District generally pays overtime worked at time and one-half of the employee's regular hourly rate.

## **How Should District Officials Ensure Overtime Was Properly Budgeted, Approved, Monitored, Recorded and Paid?**

The Board is responsible for developing adequate budgets, including overtime budgets, by estimating appropriations based on known needs and historical trends. Department heads should monitor their overtime budget use and request reasonable overtime appropriations when developing the budget.

Written pre-approval of overtime should be obtained in all instances where overtime is planned, such as for a school program or the second day of an emergency event, using a written authorization form. In emergency situations, supervisors could verbally pre-approve overtime to be incurred and follow up with the written form. Overtime logs that indicate the date, time of day and purpose of overtime, combined with proper authorization, provide an acceptable method of documenting overtime. In addition, employees' timesheets should be reviewed and approved prior to payment.

Therefore, it is important to establish and distribute written policies and procedures that address how and when overtime may be incurred, and the documentation necessary to support the time worked. Further, the procedures should include:

- Documenting the requests and approvals of overtime before overtime work is performed,
- Ensuring overtime pay is accurately paid, and
- Ensuring that overtime is monitored to determine whether the overtime costs are reasonable and whether alternatives to overtime are available to reduce such costs.

Department heads and supervisors should regularly review available documentation (e.g., budget to actual reports, overtime request forms) to effectively monitor the use and cost of overtime.

## **District Officials Did Not Budget for Overtime**

The District has not budgeted for overtime or ensured that sufficient appropriations were available for overtime costs. For example, we analyzed the District budget status report and found that there was no budget line allocated for

overtime. As illustrated in Figure 1, our review determined that the District facilities overtime salaries had zero budgeted amount while the facilities substitute salaries had \$280,000 budgeted but only \$831 was expended during the period under review.

**Figure 1: Selected Budget Salary Lines vs. Actual Facilities Overtime Expenditures**

Budget item	2021-22	2022-1/31/23	Total
<b>Facilities Overtime Salaries</b>	\$0	\$0	\$0
<b>Facilities Substitute Salaries</b>	\$110,000	\$170,000	\$280,000
<b>Total Budgeted</b>	<b>\$110,000</b>	<b>\$170,000</b>	<b>\$280,000</b>
<b>Actual Expenditures for Facilities Substitute Salaries</b>	\$831	\$0	\$831
<b>Actual Expenditures for Facilities Overtime (General Salaries)</b>	\$437,772	\$123,903	\$561,676
<b>Total Expenditures</b>	<b>\$438,603</b>	<b>\$123,903</b>	<b>\$562,507</b>
<b>Budgeted Overtime and Substitute Salaries vs. Actual Facilities Overtime (General Salaries)</b>	<b>(\$328,603)</b>	<b>\$46,097</b>	<b>(\$282,507)</b>

According to the Assistant Superintendent for Business, the overtime budget line was allocated to the Substitute lines instead of the normal overtime lines. Further, when we reviewed the Substitute line, we found that, despite approximately \$563,000 in facilities overtime expenditures being incurred during the audit period, only \$280,000 was budgeted for in the facilities substitute line and only \$831 of overtime was expended from this budget line. Therefore, overtime costs could not be attributed to the Substitute line as the Assistant Superintendent for Business indicated, but rather to general salary lines.

When adopted budgets do not reflect accurate overtime cost estimates, residents are not being made aware of what the District expects to incur in overtime costs and the budgets are not transparent.

### **District Officials Did Not Ensure Overtime Was Adequately Supported and Paid**

Although District officials monitored overtime properly, we found errors in the time records reviewed for seven of the 15 employees totaling \$2,336. We found that six employees were paid 35 hours in overtime, totaling \$2,097, without adequate or sufficient documentation being attached to their time records indicating the purpose and type of overtime work performed. In addition, one employee was paid \$239 for overtime he was not entitled to because he was paid at an overtime pay rate during normal working hours. Although time records were generally reviewed and approved by the respective employee’s immediate supervisor, we

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found that these errors were not discovered because the employee's immediate supervisor as well as the payroll clerk, did not effectively review overtime charges for accuracy.

According to the Assistant Superintendent for Business, the improper or inaccurate payments were made in error as a result of either the employee selecting the wrong job duty on their punch clock or forgetting to input the reason for overtime on their timecards. Because District officials did not ensure overtime was properly paid and accurately recorded, one employee was paid for overtime that he was not entitled to and six employees were paid for overtime without adequate or sufficient documentation. Also, without an adequate review process, the Board and officials cannot provide assurance employees are being paid accurately or as intended.

### **What Do We Recommend?**

The Board should:

1. Adopt a policy with clear guidelines and procedures for overtime work, including preapproval of overtime.

District officials should:

2. Develop realistic overtime budgets based on anticipated overtime and historic trends.
3. Implement procedures for supervisory review of hours worked to ensure the accuracy of overtime charges.
4. Recover overpayments identified in the report, if applicable.

# Appendix A: Response From District Officials

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## Rye City School District

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From: Eric A. Byrne, EdD  
Superintendent of Schools

Re: Response to Draft Audit dated April 12, 2024

Date: May 13, 2024

On behalf of the Board of Education President, Jane Anderson, and Assistant Superintendent for Business, Gabriella Perruccio, I would like to respond to the revised draft audit report dated April 12, 2024.

During our exit conference, we expressed concerns about the key finding that District officials did not properly budget, record, or pay overtime. We believe that the key finding is misleading. In actuality, the District has and continues to budget, monitor, record, and pay overtime with great accuracy.

See Note 1 Page 9
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The audit period identified in the draft report encompasses the entirety of the 2021-2022 school year and a portion of the 2022-2023 school year. 2021-2022 marked an unprecedented year that included continued aftermath from the COVID-19 pandemic, a declared State of Emergency during the first week of school due to Hurricane Ida, and over \$34M of major construction spread across all District school buildings.

The District operates 4 school buildings totaling 500,000 square feet during a 5 to 6-day-a-week operation depending on program and community demands and uses a 27-member unionized custodial crew (2 shifts per day). As is the case with many other organizations, following the COVID-19 pandemic, hiring *per diem* workers became increasingly challenging. Despite the disruptions and issues with hiring *per diem* workers, the District continued to operate with little to no disruption to the instructional, extracurricular, and local community programming it was and is expected to provide to its tax-paying residents.

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**District's response to the reported statement "District Officials Did Not Budget for Overtime"**

The District makes every effort to seek out and maintain a viable *per diem* workforce. As is the case with many other organizations, following the COVID-19 pandemic, this has become increasingly challenging. In the event that *per diem* workers are not available, the District must use its existing unionized labor workforce at a premium rate as dictated by labor law and contractual bargaining unit obligations to provide coverage when needed. Compensation for salary and additional hours (overtime) is both budgeted and recorded to the specified salary budget code associated with the individual fulfilling the obligation.

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Note 2  
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When compensating employees for overtime, payments are charged exclusively to the corresponding departments' salary codes. There is never a time when overtime payments are charged to non-salary codes or salary codes outside of the corresponding department. Overtime compensation for work performed by the existing unionized labor workforce is charged to the individuals' assigned department and building-specific budgeted salary code. Budgeted salary code descriptions have now been modified to indicate the inclusion of overtime.

It is also important to note that on the State-required District annual financial reporting on both the ST-3 and Transparency reports, overtime is not delineated in any way beyond total salary expenditures.

- The 2021-2022 budget was \$94,237,421, including \$52,419,347 in salaries and overtime; actual salary expenditures exceed budgeted wages by .8%. However, total annual expenditures were under budget by .44%.
- The 2022-2023 budget was \$99,477,734 including \$54,072,838 in salaries and overtime; actual salary expenditures exceeded budgeted wages by .2%. However, total annual expenditures were under budget by .56%.

**District's response to the reported statement "District Officials Did Not Ensure Overtime was Adequately Supported and Paid"**

The District has a multilayered approval process for monitoring, recording, and paying additional work duties, including overtime. Additional work duties and overtime are reviewed in advance by an immediate supervisor and in most instances the department director and/or building-level administrator before any services are performed. The District utilizes an electronic timekeeping system for recording and submitting the request for payment of additional work duties and overtime. When submitting additional work duties and overtime for payment, the individual must include detailed information regarding the work performed. All electronic submissions are reviewed by the immediate supervisor and department director and/or a building-level administrator before the payroll department review and payment issuance.

- Additional work duties and overtime made up approximately 5.37% of the 2021-2022 annual salary expenditure of \$52,840,430, of which the audit findings identified \$239.44 or .008% of overtime that was improperly paid. The District has subsequently recouped the overpayment.
- The electronic timekeeping system is utilized to review approximately 63,000 hours of additional work duties and overtime of which the audit findings identified a total of 35 hours or .05% that lacked work performed specificity documentation, totaling \$2,096.40 or .07% in payments made to employees of overtime that was improperly paid during the 2021-2022 school year. The additional work identified was necessary, required,

See  
Note 3  
Page 9

See  
Note 3  
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reviewed, and approved, however, lacked the necessary labeling information when the 35 hours of time were entered into the timekeeping system.

**Management Response to Audit Recommendations:**

**Recommendation 1: Adopt a policy with clear guidelines and procedures for overtime work, including pre-approval of overtime.**

CAP: Management will update the District's payroll narrative to reflect current practices regarding the monitoring, recording, and payment of overtime.

Person Responsible: Assistant Superintendent for Business  
Implementation Date: Completed April 2024

**Recommendation 2: Develop realistic overtime budgets based on anticipated overtime and historic trends.**

CAP: Update the salary budget code title to include overtime to better illustrate the expenditure description.

Person Responsible: Assistant Superintendent for Business  
Implementation Date: Completed April 2024

**Recommendation 3: Implement procedures for supervisory review of hours worked to ensure the accuracy of overtime charges.**

CAP: The District currently has a multilayered approval process for monitoring, recording, and paying additional work duties including overtime. Additional work duties and overtime are reviewed in advance with an immediate supervisor and in most instances the department director and/or building-level administrator before any services are performed. The District utilizes an electronic timekeeping system for recording and submitting the request for payment of additional work duties and overtime. When submitting additional work duties and overtime for payment the individual must include detailed information regarding the work performed. All electronic submissions are reviewed by the immediate supervisor and department director and/or a building-level administrator before the payroll department review and issuance.

Person Responsible: Department Supervisors and Directors and the Payroll Department staff.  
Implementation Date: Current and ongoing practice already in place

**Recommendation 4: Recover overpayments identified in the report, if applicable.**

CAP: Recover the overpayment of \$239.44.

Person Responsible: Assistant Superintendent for Business  
Implementation Date: Completed July 2023

Based on the measures identified above, we believe the District has adequately responded to the recommendations of the Auditors.

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### Summary

The District accepted the Auditors' recommendations and has responded to them in a timely fashion. The District is committed to continuing to follow our current mechanisms to track requests for overtime with an accuracy rate of 99.992% as was demonstrated in the fiscal year of 2021-2022 and 100% accuracy of the portion reviewed in the 2022-2023 budget. While we continue to believe that the Key Finding is misleading, we believe we have satisfied the Auditors' recommendations.

See Note 1 Page 9
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## Appendix B: OSC Comments on the District's Response

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### Note 1

The results of our audit identified deficiencies within the District's budgeting, recording and payment of overtime throughout the audit period.

### Note 2

During the audit, District officials stated that overtime was budgeted in each department's substitute salary budget line. However, we reviewed the facilities substitute budget line and determined the amount recorded in this budget line was less than 50 percent of the actual overtime incurred for the facilities department and overtime worked was generally recorded to the regular salary lines.

### Note 3

Officials mischaracterized the audit's scope: as noted in the audit report, the audit examined a sample of overtime payments made to 15 employees. The audit did not examine the 2021-22 annual salary expenditure totaling \$52,840,430 or the 63,000 hours of additional work duties officials purport in their audit response.

## Appendix C: 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. 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, department heads and supervisors to obtain an understanding of the policies and procedures for the approval of overtime.
- We reviewed the District's collective bargaining agreements to determine whether overtime payments were paid in accordance with the 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 judgement to determine our sample size and selected 15 of the 56 employees receiving overtime payments. We selected these employees by identifying the employees who received the most overtime in the positions with the highest total overtime costs. We reviewed all the time records for the audit period for these 15 employees to determine if overtime worked was for routine work and if the overtime was calculated correctly. We also reviewed to determine if there was adequate supporting documentation for the overtime worked.
- We documented all the budget estimates listed on the 2021-22 and 2022-23 adopted budgets and then compared to the budget status reports and overtime reports.
- We calculated the avoidable non-emergency overtime charges at regular pay to determine potential cost savings.

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.

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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 D: Resources and Services

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