State of New York
Office of the State Comptroller
Division of Management Audit

DIVISION FOR YOUTH

INDUSTRY SCHOOL AND OATKA RESIDENTIAL CENTER RESOURCE CONSOLIDATION AND SELECTED MANAGEMENT PRACTICES

REPORT 95-S-93

H. Carl McCall

Comptroller

State of New York
Office of the State Comptroller

Division of Management Audit

Report 95-S-93

Mr. John A. Johnson
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Dear Mr. Johnson:

The following is our report on consolidating resources and other selected management practices at the New York State Division for Youth's, Industry School and Oatka Residential Center.

This audit was done according to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution and Section 8, Article 2 of the State Finance Law. We list major contributors in Appendix A.

Office of the State Comptroller
Division of Management Audit

January 16, 1997

Executive Summary

Division for Youth
Industry School and Oatka Residential Center
Resource Consolidation and Selected Management Practices

Scope of Audit

The Division for Youth (Division) operates the Industry School (Industry) and the Oatka Residential Center (Oatka). These are two limited secure residential facilities for male youth that are next to each other on a 1,500 acre site in Monroe County. The facilities provide intensive rehabilitation programs for juvenile delinquents under a controlled and restrictive environment. Industry serves an average of 128 residents whose ages range from 13 to 18 years, and Oatka serves an average of 102 residents who are between 11 and 16 years old. The Division expends about $11 million annually to operate the two facilities, which employ about 300 people.

Our audit addressed the following questions about facility operations:

! Is there potential for consolidating operations at these facilities?

! Is management ensuring that they pay employees only for time worked?

! Does management ensure a safe and secure environment at the facilities?

Audit Observations and Conclusions

Our audit determined that opportunities exist for consolidating Oatka and Industry food services, administration and education, and for improving the efficiency of maintenance and training functions. In addition, facility managers need to strengthen controls to ensure that employees are paid only for time worked, and to improve compliance with procedures intended to ensure a safe and secure environment at the facilities.

We examined the feasibility of consolidating certain operations at these two facilities to increase operating efficiency and economy. The consolidation of education, food services, administration, maintenance and training functions could increase the facilities' operating efficiency and decrease their total expenditures for personal service costs. We calculated that, by consolidating the above operating areas, Division management could conceivably reduce annual personal service costs at these facilities by more than $860,000, including fringe benefits. We recommended that the Division formally evaluate the potential cost savings and program impacts of such a consolidation to increase the economy and efficiency of operations. (See pp. 5-9)

We found shortcomings in the accountability and control systems over the time worked by employees at both facilities. Our tests of about 12 percent of employees for limited time periods showed that those employees were paid almost $9,500 for time that could not be documented as having been worked. As a result, we concluded that management lacks a reliable record of employee attendance and a sound basis for authorizing payroll expenditures. When our tests found that almost 6 percent of time sheet entries were not supported by other documentation, facility management investigated and found that 8 employees were overpaid $1,075 for false time sheet entries. We believe these conditions exist primarily because facility management did not place a high priority on time and attendance controls or effectively monitor their operation. As a result, we believe that similar discrepancies may exist throughout both facilities' payroll records, and that payroll fraud, waste and abuse could occur without timely detection. (See pp. 11-13)

Management at both facilities permits many employees to regularly work through their daily meal breaks and leave work early. We question the propriety and need for this practice among staff with no direct youth supervision responsibilities. We estimated that Industry and Oatka pay more than $135,000 annually for meal breaks for such staff. (See p. 14)

Facilities are required to report unusual incidents (UIs) to a central office hotline, and to submit follow-up reports within three days. We found that Oatka failed to report 4 of 33 UIs occurring during the three months ended June 30, 1995, and that Industry failed to submit follow-up reports for 7 of 61 UIs reported during the 1994-95 fiscal year. We also found that facility managers were not effectively monitoring employee backgrounds for reports of criminal behavior or unsafe driving. (See pp. 15-18)

Response of Division Officials

Division officials appreciate the recommendations and suggestions where the Division can improve its operations. They further indicated that they have already begun to enact many of the recommendations made in the report. However, they expressed concern about what they considered to be broad implications which are drawn from limited observations that appeared in the draft report. Additionally, they do not concur with the proposed level of savings which is cited in the report, nor the statements inferring that management lacks reliable payroll records or effective procedures for monitoring employees backgrounds.

While our report identified specific potential consolidations and eliminations, we understand there may be alternatives and other opportunities that could result in a different level of saving. The purpose of our report is not to develop the plan for consolidation, rather it is to stimulate discussion on possible approaches. We also identified serious control deficiencies in the overall systems in place at the facilities. As such, the occurrences would not necessarily be isolated or limited to only those areas and time frames we tested. The observations we made identified opportunities to save money and make operations more efficient and effective.

Contents

Introduction

Background

The Division for Youth (Division) operates residential facilities to provide for the care and rehabilitation of youth assigned to its custody by the courts. The Industry School (Industry) and the Oatka Residential Center (Oatka) are two limited secure residential facilities located next to each other on a 1,500 acre site in Monroe County. Both facilities, which are characterized by restrictive construction, hardware and procedures, provide intensive rehabilitation programs for juvenile delinquents under a controlled and restricted environment. Oatka serves male youth, with ages ranging from 11 to 16 while Industry serves male youth with ages ranging from 13 to 18. Oatka also operates a 10-bed satellite group home and an evening reporting center for 15 youths. Facility populations, staffing and expenditures are summarized below:

	Oatka	Industry	Total
Average daily residential population	102	128	230
Number of employees at 6/30/95	133	161	294
Facility expenditures (millions) in 4/1/95 - 3/31/96	$5.2	$6.2	$11.4
Personal service costs represent 82 percent of total facility expenditures.			

A director and two assistant directors manage each facility. The Division's central office management and staff are responsible for overseeing and assisting facility management. During our audit fieldwork, Division management replaced the facility director at Oatka. We were told that this change was not related to our audit.

Audit Scope, Objectives and Methodology

We audited the Division’s resource consolidation efforts, as well as selected Division payroll and security practices, for the period April 1, 1993 through November 30, 1995. The objectives of our performance audit were to determine whether there is potential for consolidating certain operations at the Industry and Oatka facilities, whether facility employees are paid only for time worked and whether facility managers follow Division guidelines to ensure a safe and secure environment. To accomplish our objectives, we reviewed applicable policies, procedures, rules and regulations; interviewed facility and Central Office management and employees; and reviewed relevant Division and facility records.

We did our audit according to generally accepted government auditing standards. Such standards require that we plan and do our audit to adequately assess those operations of the Division, Industry and Oatka which we include in our audit scope. Further, these standards require that we understand management's system of internal controls and compliance with those laws, rules and regulations that are relevant to those operations which are included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operating records and applying such other auditing procedures as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments, and decisions made by management. We believe that our audit provides a reasonable basis for our findings, conclusions, and recommendations.

We use a risk-based approach when selecting activities to be audited. This approach focuses our audit efforts on those operations that we have identified through a preliminary survey as having the greatest probability for needing improvement. Consequently, by design, finite audit resources are used to identify where and how management can make improvements. Little audit effort is devoted to reviewing operations that may be relatively efficient or effective. As a result, our audit reports are prepared on an "exception basis." This report, therefore, highlights those areas needing improvement and does not address activities that may be functioning properly.

Response of Division Officials

Draft copies of the matters presented in this report were provided to Division officials for their review and comment. Division officials appreciate the recommendations and suggestions where the Division can improve its operations. They further indicated that they have already begun to enact many of the recommendations made in the report. However, they expressed concern about what they considered to be broad implications which are drawn from limited observations that appeared in the draft report. Additionally, they do not concur with the proposed level of savings which is cited in the report, nor the statements inferring that management lacks reliable payroll records or effective procedures for monitoring employees backgrounds.

While our report identified specific potential consolidations and eliminations, we understand there may be alternatives and other opportunities that could result in a different level of saving. The purpose of our report is not to develop the plan for consolidation, rather it is to stimulate discussion on possible approaches.

A copy of their complete response is attached as Appendix B to this report.

Within 90 days after final release of this report, as required by Section 170 of the Executive Law, the Director of the Division for Youth shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons therefor.

Consolidation of Facility Operations

In 1984, the State Comptroller recommended (Report 84-S-44, issued October 10, 1984) that Division officials determine the feasibility of consolidating three senior administrative jobs at Oatka and Industry to avoid duplication of effort. Then, Division officials responded that such consolidations were not possible because there were vast differences in programs and job duties at Oatka, a 40-bed secure facility, and at Industry, a 100-bed limited secure center. During our current audit, we found that Oatka and Industry are still operating independently of one another for the most part, despite the fact that both are now limited secure facilities. They do use a common business office and medical services unit - operations Division officials stated they were merged as a result of budget negotiations in the 1980s. Facility managers told us that their maintenance departments also share staff when necessary.

While an agency's managers always have the responsibility of ensuring that resources are used efficiently and effectively, it is particularly important to meet this responsibility when all levels of government are faced with budget constraints and reductions. However, we found that Division and facility managers had not analyzed the costs and benefits of further consolidating operations at Oatka and Industry. Division officials were unable to explain why they had not done so, but ventured that it might be a good idea to perform such an evaluation.

Thus, we examined the feasibility of consolidating certain operations at these two facilities, and evaluated the resulting potential for increased operating efficiency and economy. The consolidation of five additional operating areas (education, food services, administration, maintenance and training) could potentially increase the facilities' operating efficiency and decrease their total expenditures for personal service costs. Staffing changes or reductions associated with consolidation could be achieved through redeploying staff or decreasing staff numbers through attrition. The method used would impact both the amount of the potential costs savings and the time it would take the Division to realize the savings. We calculated that, by consolidating the above operating areas, Division management could potentially reduce annual personal service costs at these facilities by more than $860,000, including fringe benefits.

In their response to this audit, Division officials stated that they are analyzing the potential for some degree of consolidation but disagree that $860,000 could be realized in savings. According to Division officials, the only practical areas of consolidation of functions which would have potential staff savings would be the elimination of one Assistant Director position and the elimination of one head cook. They further stated that since our review, one teacher position and two vocational supervisor positions had been eliminated.

They also stated that at least three cook positions may be able to be eliminated if the kitchens at the Industry facility were consolidated. A further discussion of the Division's views on consolidation follows each section of our proposed areas for consolidation.

Education Programs

Oatka and Industry have similar autonomous education programs employing two academic program supervisors, two vocational program supervisors, 18 teachers, seven vocational instructors and a teaching assistant. Based on current job salary rates, academic education salaries and fringe benefits total more than $1,097,000 annually and vocational education salaries and fringe benefits total more than $457,000 annually.

If Division management consolidated the education programs, it is feasible that one academic education supervisor and one vocational education supervisor could manage the program. Eliminating these two positions would potentially save more than $112,000 annually. In addition, teachers could conceivably be deployed more efficiently by consolidating resident populations with similar educational needs. Division standards recommend an optimum class size of 12 students for most academic classes and eight students for vocational classes. We analyzed class schedules and rosters and determined that the combined average academic class size at Oatka and Industry is 9.8 students, and the combined average vocational class size is 7.5 students. A consolidated academic program would require two fewer teachers if the overall average academic class size were increased from 9.8 to 11, and other workload variables were held constant. Reducing the education staff by two teacher positions would save more than $105,000 annually. Our analysis also found that the number of vocational instructors could not be reduced even if the overall average class size were increased to the standard of eight students.

In their response Division officials stated that neither the Industry School nor Oatka Residential Center currently have vocational education supervisor positions. They further stated that the elimination of one education supervisor position would not be feasible given the size of the combined student population.

Division officials also stated that the reduction of one teacher position resulted in an average academic class size of 14. This is contrary to our calculations which indicates that the elimination of two teacher positions would result in an average academic class size of 11. Division officials did not provide the details of their calculations or any other information that would refute our calculations based on Division standards for optimum academic and vocational classes.

Additionally, Division officials stated that the Industry and Oatka schools are not large enough to consolidate both student bodies into a single school program without significant capital costs. Because, the two schools were located in a close proximity to each other (walking distance), we believe that it would be viable to use both buildings.

Food Services

Oatka and Industry have separate menus and food service systems employing two head cooks and fourteen cooks. Based on current job salary rates, food service salaries and fringe benefits for both facilities total more than $632,000 annually. Industry's ten cooks work at six kitchens in the residential cottages and at a central kitchen/dining hall in the school building. Oatka's four cooks work at a central kitchen/dining facility. Oatka also provides meal service for one satellite cottage and for the Rochester group home. Industry and Oatka share a common storehouse, but have separate food ordering and inventory operations.

Under a consolidated food service operation, one head cook should be able to manage all menu planning, food ordering and staff supervision duties. Division staff told us that one head cook manages a similarly configured food service operation for 345 residents at the Tryon Residential Center. Based on current job salary rates, the elimination of one head cook position would potentially save more than $47,000 annually. It is also likely that facility management could realize improved efficiency in storehouse and business office operations by eliminating duplicative food purchasing and warehousing activities.

Division managers should also consider several other options for a consolidated food service. For example, management might be able achieve significantly greater economy and efficiency by centralizing Industry's seven kitchens and using the Department of Correctional Services' (DOCS) cook/chill dining system. The DOCS cook/chill system generally requires only one or two cook positions per kitchen because most of the food preparation work is done offsite at a meal production center. The DOCS system also provides management services which replace most facility menu planning, meal ordering and inventory control functions. We believe that one facility cook/chill food service with two central kitchens might require only one head cook (for supervision and quality assurance) and four other cooks. Therefore, reducing the food services staff by nine cook positions could save more than $345,000 annually, or 54 percent of combined food service salaries and fringe benefits. The DOCS cook/chill system should also help lower food costs by reducing waste during food preparation.

Division officials agreed that the elimination of a head cook was a viable option. Further, they stated that, through the consolidation of the kitchens at the Industry facility, three cook positions may be able to be eliminated depending on the final configuration of dining rooms as well as the logistics of daily transportation of residents from distant cottage to a central dining site. Division officials also stated that while it was highly unlikely that additional positions could be eliminated, they would continue to evaluate other food service options such as cook/chill.

Facility Administration

A facility director and two assistant directors manage each facility. Based on current job salary rates, these management salaries and fringe benefits cost more than $507,000 annually. We believe that it is possible for one facility director with two assistant directors to manage both Oatka and Industry if they were consolidated into one 220-bed, limited-secure facility. Division central office staff told us that one facility director and three assistant directors already manage the 345-bed Tryon Residential Center which provides both secure and open access programs and houses both males and females. Reducing administrative staff by one director and two assistant director positions through consolidation could result in potential savings of more than $253,000.

Division officials have eliminated one Assistant Director position. They believe that further consolidation would make it more difficult to achieve the agency's objective of individualized and specialized services to youth. They based this on the fact that the two facilities would be located about one mile apart and as a result programmatic and supervision activities would have to occur at two location. We based our analysis on the staffing configuration in place at the Tryon facility which has a similar layout.

Facility Maintenance Operations

Industry employs a maintenance supervisor and ten maintenance workers. Oatka employs five maintenance workers without a supervisor. Based on current job salary rates, maintenance salaries and fringe benefits total more than $630,000 annually. Because the Division does not have maintenance staffing standards for residential facilities with more than 25 beds, we did not identify any obvious opportunities to reduce maintenance staffing needs through a consolidation. Also, the facility directors told us that they already share maintenance staff on an as needed basis.

However, a consolidation might yield other management improvements and general efficiencies. Industry's maintenance supervisor should be able to enhance Oatka's maintenance program by contributing additional knowledge and supervisory skill. Management could also schedule continuous shift coverage more efficiently with a larger consolidated workforce, which might avoid situations currently requiring overtime expense.

Staff Training Function

We did not identify an opportunity to reduce personal service costs by consolidating staff training because each facility has one part-time staff training coordinator. However, one training coordinator suggested two other potential benefits from consolidating: a larger pool of trainers available for setting up classes, and access to employee trainers with different perspectives which could lead to more and better idea sharing.

Recommendation

1. Evaluate the costs, benefits and program impacts of consolidating some or all operations at Industry and Oatka. Staffing changes or reductions associated with consolidated could be achieved through redeploying staff or decreasing staff through attrition.

Payroll Practices

Our audit found significant deficiencies in the systems of accountability and control over the time worked by employees at both facilities. Our tests of about 12 percent of 300 employees for limited time periods showed that those employees were paid almost $9,500 for time that could not be documented as having been worked. As a result, we concluded that management lacks a reliable record of employee attendance and a sound basis for authorizing payroll expenditures. Further, based on the problems we found, we believe that the problems we identified may not be limited to either the employees or the payroll periods we tested and that the potential for fraud and abuse may exist at both facilities.

We also believe that Industry and Oatka management may be inappropriately paying for meal breaks for employees whose duties do not involve direct youth supervision during meal times. We found that such payments amount to $135,000 annually.

In their response, Division officials provided a detailed action plan showing that the payroll practices in effect at these facilities would undergo comprehensive change in order to correct the deficiencies that we identified in the report.

Controls Over Time Worked

Management is responsible for establishing a system of time and attendance controls to provide reasonable assurance that management compensates employees only for time worked. The Office of the State Comptroller has established time and attendance control guidelines for all State agencies. Guidelines state that each employee should maintain a daily record of actual hours worked unless the agency has specifically exempted the employee from keeping such records. The daily records are intended to serve as the official record of employee attendance, and as the basis for authorizing payroll expenditures.

Division policy requires that all facility employees complete standard four-week time sheets, recording daily the times at which they report to and leave from work. Designated supervisors are responsible for reviewing the time sheets and certifying their accuracy. Such supervisory review and certification are key to ensuring an accurate record of employee attendance.

However, our audit found deficiencies in management's accountability for time worked at both facilities. We examined the supporting documentation for the time records for a sample of 30 employees for two pay periods. Because of the high number of deficiencies we found, we expanded our review by examining the time records of six employees (one employee from the original sample, plus five additional employees) for 26 pay periods. We found that about six percent of the time recorded on all the time sheets we tested was not supported by other facility documentation, such as log book entries. In total, these employees were paid almost $9,500 for time that could not be documented as having been worked.

Managers at both facilities told us that they were surprised at the number of time sheet discrepancies we found. However, a major factor contributing to these deficiencies is the managers' failure to monitor the effectiveness of their systems for controlling time and attendance. Although both facilities had established control procedures designed to document and verify time worked, facility managers had delegated all control responsibility to line supervisors without ensuring that supervisors actually carried out these responsibilities. Therefore, supervisors for whom this control task was a low priority did not verify the accuracy of records that provide the accountability for time worked. For example, the Director at Industry told us that he had been aware that one supervisor had weak controls, but that he had not taken steps to determine the extent of the control problems. This supervisor was responsible for many of the exceptions we identified.

Inadequate time and attendance controls and accountability for time worked also creates a significant risk that payroll waste, fraud and abuse may occur. In fact, one of the six Industry employees whose time sheets we tested for a one-year period often recorded that he worked his full scheduled shift when he did not do so. He was often late for work or left work early; on two other occasions, he was absent for the entire day. We also identified two occasions when an Industry facility log book appeared to have been altered to indicate that another employee worked during a shift when he was absent. Industry management responded immediately by beginning an investigation into the cause and source of the apparent alterations.

Eight employees who were absent on 16 occasions had inappropriately recorded hours worked on their time sheets. Facility directors confirmed that the employees should have charged leave credits for these absences and were overpaid for 66.5 hours with a direct salary cost of $1,075. In at least one instance, another employee was paid for eight hours of overtime work to cover the absent employee's scheduled shift.

We question the validity of another 489 hours of recorded work time which is not supported by facility time logs.

- Facility logs did not document that employees were present on 28 (eight-hour) shifts, with a salary cost of $3,798.

- Facility logs recorded 130 absences of 60 minutes or more although the time was recorded as worked on employee time sheets. These discrepancies, with a salary cost of $3,248, included 57 late arrivals, 59 early departures, nine shifts with both a late arrival and an early departure, and five departures and returns during the shift.

- Facility logs recorded 369 late arrivals which were not recorded on time sheets. The late arrivals for scheduled shifts averaged 13 minutes each (one was 57 minutes), and totaled 81.75 hours, with a direct salary cost of $1,377. Late arrivals for scheduled shifts can also create a need for overtime expense because staff must remain on duty until the late employee arrives.

Finally, we identified obvious time sheet errors and omissions, which had not been detected by supervisors when they reviewed and certified time sheets. For example, one employee did not record a departure time on two dates, one employee accounted for only nine of ten required days worked in a payroll period, and one employee accounted for only seven hours worked during an eight-hour shift. Five time sheets had obvious mathematical errors in the employees' computations of their official paid leave balances. The nature of these errors suggests that the supervisory reviews were cursory or non-existent.

After our initial review, facility management provided evidence that employees had worked at different dates and times for 704.75 recorded time sheet hours. Other facility records supported these hours. We did not include these audit exceptions in questioned hours reported previously, but they do represent additional opportunities to improve controls. The facility directors told us that they permitted supervisors to change employee schedules and authorize shift exchanges among employees. However, in most cases, the supervisors did not have a record of the changes authorized, and had to reconstruct each employees' actual work schedule from facility log books. One Industry supervisor told us that some of the questioned hours were probably due to unidentified schedule changes and compensatory time off arrangements which he approved for his staff. However, he did not give us with any written evidence that the questioned hours were worked.

Paid Meal Breaks

State employees are normally scheduled for a 30-minute unpaid meal break during each work shift. Agencies may allow certain employees to remain on duty during their meal break if the responsibilities of their positions require such an arrangement. Under these conditions, the meal break is considered time worked and the employees are either paid for the extra work or allowed to leave work earlier. The Division requires that employees with direct youth supervision responsibilities use this arrangement.

Some Division employees have continuous youth supervision responsibilities, and are required to remain on duty with the residents for continuous eight-hour shifts. However, management at both facilities also permits many other facility employees who do not have continuous direct care responsibilities to regularly remain on duty during meal breaks and leave work earlier. These employees include cooks, nurses, counselors, recreation staff and psychologists. Neither Division nor facility managers have adequately defined the conditions which require such employees to remain on duty during their meal break. Industry and Oatka pay more than $135,000 annually for meal break-related salary expense for employees who are not Youth Division Aides. We question why these employees remain on duty during daily meal breaks, and suggest that the facility could better use the related salary expense to pay for actual time worked.

Recommendations

2. Fully investigate the time sheet discrepancies we identified and take action to recover overpayments.

3. Fully investigate employee absences associated with overpayments and take appropriate disciplinary action where warranted.

4. Strengthen internal controls over employee time and attendance by:

   • formally assessing risks and designing appropriate control techniques,

   • communicating control directives and responsibilities to all employees, and

   • monitoring the system of controls to ensure that it remains effective.

5. Determine which employees should be allowed to get paid for meal breaks; establish policies and procedures which limit paid meal breaks to such employees.

Safety and Security Practices

The Division is responsible for ensuring the safety and well-being of youth entrusted to its custody, and also for safeguarding State assets. To accomplish these goals, Division officials have issued policies and procedures designed to identify and reduce safety and security risks. We identified shortcomings in facility practices for identifying and reporting unusual incidents, and for monitoring employee backgrounds for reports of criminal behavior or unsafe driving. Consequently, the Division does not have reasonable assurance that all unusual incidents are properly handled, that only appropriate individuals continue to be employed at these facilities, and that the safety of youth and staff is assured.

In their response, Division officials stated that they would take comprehensive action to address the deficiencies cited in this report.

Unusual Incident Reporting

Unusual incidents are those incidents likely to have a serious negative impact at or beyond the local program level. They include incidents that adversely affect the health, safety, or security of residents, staff or community or incidents that have a significant impact on facility or agency operations. Division policies cite the following as examples of reportable unusual incidents: deaths, injuries to residents or employees that require medical attention, crimes committed by residents or employees, the introduction of contraband into a facility, suicide threats or attempts, serious allegations of child abuse or maltreatment and uses of physical force that injure a resident or employee, regardless of how serious the injury may be.

Division policy requires facility staff to immediately report all unusual incidents to a central telephone hotline and to submit a written follow-up report on the incident within three days. The unusual incident reporting system provides a means of promptly communicating important information about safety and security conditions at the facilities to responsible Division managers.

During the three month period ended June 30, 1995, Oatka reported 29 unusual incidents and Industry reported 25 unusual incidents. We examined selected logs and other records at both facilities and identified four more unusual incidents which Oatka staff did not report during this period: two suicide threats made by residents, and two allegations of abuse made by residents against facility staff members. We also reviewed eight monthly operations reports to Division management and noted that two criminal arrests of off-duty employees were not reported as unusual incidents. The facility director later included the two arrests in his monthly operations report to Division management. However, by failing to immediately report all such incidents to central office and to submit timely follow-up reports, facility managers are not ensuring that such events were properly investigated.

We compared both facilities' unusual incident records to central office records for the 1994-95 fiscal year. We found that the facilities had records of six unusual incidents that were not recorded by central office. Division officials told us that it was not clear why the six unusual incidents had not been recorded at central office, but they noted that there had been problems with their telephone system. We noted that the central office telephone hotline system does not provide any routine confirmation to facility staff to verify that reports have been registered correctly.

Industry reported a total of 61 unusual incidents to the hotline during the 1994-95 fiscal year. We found that Industry management did not submit the required written reports for seven of these 61 unusual incidents. We noted that neither central office staff nor Industry management has effective procedures to ensure that a written report is filed for every reported incident.

Monitoring Employee Arrests and Driver Safety

Division policies require that facility employees be fingerprinted and screened for a criminal record before they are hired, and that employees immediately notify facility management of any subsequent arrest for a felony or misdemeanor crime. Division central office staff send the fingerprints of prospective employees to the Division of Criminal Justice Services (DCJS) which records the prints on its computerized system and searches for any criminal history. The Division and DCJS have an agreement under which DCJS staff also notify Division officials about the subsequent arrest of any registered employee.

We identified five facility employees who had not been fingerprinted and screened for criminal histories or registered through the DCJS system. Therefore, facility managers lack standard assurances that these employees have no undisclosed criminal histories. In addition, DCJS staff would not notify Division officials if one of these employees were arrested. Central office managers told us that central office staff are responsible for ensuring that all facility employees have been fingerprinted, and that facilities have no control over this process.

According to DCJS records, four facility employees were arrested off-duty for misdemeanor crimes during the two year period ended September 30, 1995. However, only one of the employees promptly informed management about the arrest. In two cases, the employees never told management of their arrests; DCJS staff eventually notified Division officials. In the fourth case, an employee did not report the arrest for three weeks, but did notify facility management before DCJS staff did. The three employees each claimed that they did not report their arrests because they were confused about the arrest reporting requirements. Management did not sanction the three employees for failing to report their arrests. We conclude that facility management may not have effectively communicated the reporting requirements to employees. Therefore, management lacks assurances that facility employees will promptly report criminal arrests.

DFY policies establish driver safety standards for employees in positions that may involve transporting youth or driving on official business. Employees are required to immediately notify facility management of traffic convictions or restrictions on their driving privileges. Facility managers are required to review each employee's driving record with the Department of Motor Vehicles (DMV) every three months and to prohibit job-related driving by employees who do not meet Division standards.

Management at both facilities had adequate procedures to restrict driving by the employees identified as not meeting Division standards. However, Industry managers did not periodically review employee driving records. Oatka managers began reviewing employee driving records in May 1995 after an internal audit found that they had not been aware of the fact that five employees had suspended or revoked driver's licenses. However, Oatka managers were still not checking for compliance with Division standards regarding excessive conviction points for employees who transport youth. As a result, facility management was not aware that they should have disqualified several more employees from driving. Three Industry Youth Division Aides did not have valid drivers' licenses and one Oatka Youth Division Aide should have been prohibited from transporting youth because of excessive conviction points. We also noted that none of these employees had reported their license suspensions or traffic convictions to management.

Central office officials told us that both facilities were engaged in a pilot project to develop a new process for reviewing employee DMV driving records. In addition, procedures enabling facility management to comply with the existing driving record review policy need improvement. The facility directors also told us that they had placed little emphasis on complying with the record screening requirement because they believed that an effective backup notification system existed between the Division's central office and DMV.

Recommendations

6. Oatka facility management should ensure that they report all unusual incidents to the central office telephone hotline.

7. Industry facility management should ensure that facility staff submits the required written follow up reports for all unusual incidents.

8. Effectively communicate to all employees the requirements that they immediately report a criminal arrest, traffic conviction, or loss of driving privileges.

9. Order criminal history background checks for the five facility employees we identified and improve central office procedures to ensure that they properly screen all employees.

10. Develop control procedures that enable facility management to comply with the Division's driving record review requirements.

Major Contributors to This Report

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August 22, 1996

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New York State Comptroller

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Dear Mr. McCall:

I have reviewed the Draft Audit Report 95-S-93 regarding Resource Consolidation and Other Management Practices at the Industry and Oatka Residential Centers. The Division for Youth is committed to and engaged in continuous improvements in facility operations in all areas. I wish to thank you and your staff for your efforts to assist us in enhancing our operations.

I must, however, continue to express my concern with the broad implications which are drawn from the limited observations that appear in this Draft Audit Report. I do not concur with the proposed level of savings which is suggested in the report, nor the statements inferring that management lacks reliable payroll records or effective procedures for monitoring employees' back-grounds.

Nevertheless, I appreciate the many useful recommendations and suggestions in areas where the Division can improve its operations. I have already begun to enact many of the constructive recommendations identified in this audit.

Please feel free to contact me if you have any questions or wish to discuss this further.

Sincerely,

John A. Johnson

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cc: J. Natoli
P. Woodworth

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Appendix B

INDUSTRY AND OATKA RESIDENTIAL CENTERS
CONSOLIDATING RESOURCES AND OTHER MANAGEMENT PRACTICES

RESPONSES TO RECOMMENDATIONS

1. **Evaluate the costs, benefits and program impacts of consolidating some or all operations at Industry and Oatka. Staffing changes or reductions associated with consolidation could be achieved through redeploying staff or decreasing staff through attrition.**

The Division is analyzing the potential for some degree of consolidation of the Industry-Oatka campuses. We do not, however, agree with the amount of savings, as calculated by the auditors, that would result from a consolidation. The audit proposes $862,000 in savings through consolidation and elimination of the following staff positions:

A.	1 Education Supervisor and 1 Voc Ed Sup	$112,000
B.	2 Teachers	105,000
C.	1 Head Cook	47,000
D.	9 Cooks	345,000
E.	1 Director and 2 Assistant Director	253,000

Following is our analysis to date of the result of consolidation and related savings.

A. Eliminate 1 Education Supervisor and 1 Voc Ed Supervisor

Neither Industry School nor Oatka Residential Center currently has a Vocational Education Supervisor in its staffing pattern. Therefore, there is no position to eliminate at either facility.

The audit's proposed consolidation of the Industry and Oatka education programs would create a program for 220-240 youths. According to current Civil Service standards such a program would require an Education Director (SG-22) and an Education Supervisor (SG-19) to oversee a combined student population of 240. Since current staffing at these facilities is two (2) Education Supervisors (SG-19), implementation of this consolidation, even if operationally feasible, would result in an increase in staffing costs rather than a decrease.

Additionally, neither current physical location is large enough to consolidate both student bodies into a single school program without significant Capital costs.

While our analysis indicates there would be no cost savings associated with the consolidation of these Education programs, we are currently reviewing these programs to determine if there would be any significant programmatic benefits associated with some degree of consolidation.

B. Eliminate 2 teacher positions and increase class size

The 96-97 budget has already eliminated one (1) Teacher position and increased class size at Oatka and Industry. The resulting ratio of teacher to resident at Industry is 1:14 and at Oatka 1:14.3. The audit's suggested savings associated with a reduction in teachers through consolidation of education programs has already been realized within the current budget. No further reduction in teacher positions is proposed at this time.

C. Eliminate 1 Head Cook

Our analysis shows that elimination of a Head Cook is a realistic option. Head Cook responsibilities can be consolidated into one (1) position and the projected savings in costs associated with the elimination of this position can be realized without disruption of food service activities.

D. Eliminate 9 Cooks

While construction of a central kitchen at Industry School is expected to be completed in 1997 there are no Capital plans at this time for a central dining facility. Our analysis indicates that the capacity for central dining at Industry is the major factor in reducing the number of cook positions necessary to operate the food service program at this facility, not consolidation. Under the current configuration the facility provides breakfast and dinner at each cottage and lunch in three (3) small dining areas in the school building. Additional central dining arrangements will be pursued at Industry School with an eye toward reductions in food service staff.

The final number of cook positions which will be required to staff the central kitchen at Industry will depend on the final configuration of dining rooms, as well as the logistics of daily transportation of residents from distant cottages to a central dining site. Any final savings which may accrue to a reduction in cook positions may be partially offset by additional staff needed to transport residents to and from the dining area for daily meals. However, it is highly unlikely that we will be able to eliminate nine (9) cooks. A more realistic number would be three (3), depending upon the efficiency of the food service areas available to the facility.

The Division is currently taking another look at the possibility of using the Department of Correctional Services (DOCS) cook/chill system. However, it must be emphasized that this system may not necessarily provide any staff savings. Under their current operation the number of cooks in DOCS facilities are supplemented by use of inmates who have skills in food preparation. The Division does not use residents to supplement staff to cook in its kitchens. It should also be recognized that the use of the DOCS cook/chill system requires a significant increase in paperwork and record keeping which results in more administrative duties for the cooks.

E. <u>Eliminate 1 Director and 2 Assistant Directors</u>

Administrative consolidation of Oatka and Industry would make it more difficult to achieve the agency's objectives of individualized and specialized services for youth. The physical plant layout of the Industry and Oatka facilities presents the following obstacles to administrative consolidation:

- o Approximately half the population of 240 residents and 250 staff will be physically located about a mile apart.
- o Neither facility is currently large enough to accommodate the combined resident population for any major programmatic activity at one location (education, recreation, cottage life, medical services, counseling, special services). As a result, supervision and observation of programmatic activities and staff performance must continue to take place at two (2) locations, resident records must be available at two (2) locations and consistent supervisory presence must be available at two (2) locations.

While consolidation may make some administrative activities appear to be more efficient, the dual location problem will actually have the opposite effect in critical performance areas. Consolidation into a single large facility with physically separate components will not eliminate the need for administrative activities and coverage in each location.

The Division has already eliminated one (1) Assistant Director position at the Oatka facility. This leaves one (1) Director and two (2) Assistant Directors at Industry and one (1) Director and one (1) Assistant Director at Oatka. The proposed consolidation, even if otherwise feasible, would require a Facility Director, a Director of Program, and three (3) Assistant Directors for support services and facility central security services. Thus, either configuration would require five (5) positions and result in little or no additional savings.

Consolidation Summary

According to the Division's analysis, the only practical areas of consolidation of functions which would have potential staff savings are in the elimination of one (1) Assistant Director position (which has already been accomplished) and one Head Cook. We will continue to review the advantages of further areas of consolidation in maintenance, staff training, food services, etc. At the same time, we will also continue to enhance our operations in conjunction with agency program objectives.

2. **Fully investigate the timesheet discrepancies we identified and take action to recover overpayments.**

3. **Fully investigate employee absences associated with overpayments and take appropriate disciplinary action where warranted.**

4. **Strengthen internal controls over employee time and attendance by:**
   --formally assessing risks and designing appropriate control techniques,
   --communicating control directives and responsibilities to all employees, and
   --monitoring the system of controls to ensure that it remains effective.

In an effort to address recommendations #2, #3 and #4, the Division has initiated a variety of actions in Central Office, Industry and Oatka respectively:

- o <u>Central Office</u> - The agency has formed an agency wide Task Force to perform a comprehensive and thorough review of its time and attendance policies, procedures and control systems. Specifically, the Task Force has the following objectives:

  - Review, update and revise policies where necessary;
  - Standardize procedures for the implementation of policies;
  - Establish a mechanism to ensure that procedures are being implemented;
  - Review facility structure and resource utilization to ensure implementation capability;
  - Develop a procedure for the delivery of agency-wide training in time and attendance policies and procedures.

- o <u>Industry School</u> - The facility has undertaken two (2) major actions:

First, attendance records and timesheets for all employees were audited for 1995. All discrepancies were charged to leave credits or unauthorized leave, whichever was appropriate. As a result, any tardiness or time off which had not been charged to leave credits or unauthorized leave was corrected.

Second, the following major revisions of time and attendance controls were made:

A. Attendance day sheets were redesigned to more clearly identify instances of tardiness/absenteeism.

B. A new system of attendance notices was put in place to document every instance of tardiness/absenteeism. A copy of the notice is being sent to the employee, the supervisor and a copy maintained in the facility staff file.

C. Supervisors are now required to maintain an attendance control sheet for each employee under their supervision. These are reviewed monthly by upper level administrators and all tardiness and time off must be documented.

D. Employees not working the standard 8-4, 4-12 or 12-8 shift are now required to call out at the beginning and end of their shift.

E. Employees have been instructed to fill out time records daily to reflect actual time worked.

F. Supervisors are required to document all shift changes made by employees.

G. A sample of employee timesheets is being audited each time period by non-supervisory staff in order to ensure supervisors are properly reviewing employee time records for accuracy.

H. The facility is working on development of a computerized attendance system capable of generating an attendance record for an employee, independent of supervisory review, which will serve as an audit tool to monitor supervisory implementation of attendance controls.

I. In addition, the Division is funding a Capitol Project which will install a gate with cameras at the entrance to the facility. The Central Services Unit (CSU) area will also be rehabilitated to allow for total control of staff and visitors entering the facility grounds. Staff tardiness and/or early departures will be recorded and submitted to administrators and supervisors for appropriate action.

o <u>Oatka Residential Center</u> - In conjunction with its existing date/time-stamped video recorder, which monitors all entry and exits at the facility, the following actions have been initiated to correct the problems cited and tighten internal controls for time records:

A. At the time of the audit, most of the responsibility for time sheet review was being done by clerical staff, while the supervisor signed off on the time record. Auditing of the time sheets is now being done by each employee's supervisor.

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B. On 1/24/96, all supervisors were formally trained by Employee Benefits Unit staff regarding individual supervisory responsibility for auditing and certifying the accuracy of time records.

C. Staff in each work location have designated mailboxes where time sheets are to be maintained. Time sheets will be checked daily by the supervisors to ensure that employees are accurately signing in and out daily.

D. Clerical staff perform a final review of the accuracy of time sheets prior to their submission to payroll.

E. All staff must work their bid shift, unless a change is authorized by a supervisor in order to meet facility needs. Actual time worked must be recorded on the time sheet and CSU must be notified of the schedule change by the supervisor.

F. Shift exchanges will only be authorized utilizing the agency's official form with actual shifts worked recorded on the time sheet.

G. Sr. Youth Division Counselors are now developing the schedules for their units, and approving leave for their employees. This should better enable them to track their employees' time, and more easily recognize time sheet errors.

H. All time sheets are checked for accuracy against logs, late notices, leave slips, etc., prior to receiving supervisory approval.

I. A memo was issued to all staff outlining general requirements and expectations for completion of their time sheets.

5. **Determine which employees should be allowed to get paid for meal breaks; establish policies and procedures which limit paid meal breaks to such employees.**

As part of the Central Office agency-wide Task Force's effort, this issue will be reviewed to determine which employees (title) will be eligible for paid meal breaks. Dialogue will be initiated with the employee unions and revised policy/procedures for employee meal breaks will be developed.

6. **Oatka facility management should ensure that they report all unusual incidents to the central office telephone hotline.**

7. **Industry facility management should ensure that facility staff submits the required written follow up reports for all unusual incidents.**

Both facilities have enhanced the procedures and recordkeeping for Unusual Incident Reporting (UIR) to ensure they are properly reported. All written confirmation reports are submitted to the agency's Central Communications Unit. A review of records reflects that to date all required UIR reports have been submitted. In addition, the following steps have been taken to improve the UIR reporting system:

o Agency-wide

- the UIR reporting policy has been revised and clarified to ensure more consistent UIR reporting of critical events.
- the Central Communications Unit has been formed, providing staff coverage for Hotline reports 24 hours a day, 7 days a week.
- the Central Communications Unit sends out reminders to facilities if they have not received a written response to a UIR called in to them.
- the UIR system is undergoing further improvements to allow direct electronic input into the UIR system from the facilities. This will result in better accountability of UIR reports to the Hotline as facility administrators may check to see if an incident was reported to the Hotline.

o Oatka - the current procedure is as follows:

- the Administrator on Duty (AOD) is responsible for ensuring that all information is relayed to the UIR hotline in a timely manner.

- after contacting the UIR Hotline, the AOD is responsible for completing the UIR form and insuring that the handwritten form is left for the facility personnel office to type the following business day.

- the facility personnel office staff type the UIR form and obtain a signature for distribution.

- the signed form is sent directly to the Central Communications Unit on the date indicated on the form.

o <u>Industry</u> - the procedure has been modified as follows:

- The facility has changed the "Day Sheet Report" so that each day the Director and Assistant Directors are reminded of UIRs called in during the past 24 hours, and they will follow-up to assure written reports are completed and submitted to Central office.

8. **Effectively communicate to all employees the requirements that they immediately report a criminal arrest, traffic conviction, or loss of driving privileges. Consider establishing as effective employee discipline policy to help ensure compliance.**

During the 24-month audit period, all staff at Industry and Oatka had been informed at least once of the requirement to immediately notify their facility director if they were arrested for a felony or misdemeanor. This would have occurred via one of the following mechanisms:

- In January 1994, all Division employees were issued and required to sign for receipt of a copy of the <u>DFY Employee Manual, Volume I.</u> The transmittal memo accompanying the Manual advised employees that they "must become familiar with the contents...", and directed them to "keep the Manual readily available to guide" them "in activities on the job."

- Since January 1994, all new Division employees are issued and required to sign for receipt of a copy of the aforementioned Manual.

- Mandatory pre-service training, provided by facility personnel to all new facility staff hired to work 50 percent or more, includes notification to the employee of the requirements for reporting arrests.

With regard to the matter of discipline for employees failing to self-report arrests, upon determining that a violation of agency policy has occurred, the facility manager is expected to make an inquiry into the matter to determine whether discipline is warranted. An assessment of the facts of each situation forms the basis for the facility manager's determination about whether to recommend formal disciplinary action. This approach was utilized in the cases cited by the auditors in which employees did not report their arrests.

In evaluating recommendations for disciplinary action for failure to report arrests, the Division's Labor Discipline Unit has found that employees frequently claim to experience confusion around legal terminology with respect to what constitutes an arrest reportable under agency policy. (An arrest for a violation does not have to be reported, whereas an arrest for a misdemeanor or felony must be reported.) In some other cases, employees cited advice from private counsel as contributing to confusion about what needed to be reported. In keeping with the Division's practice of progressive discipline, factors such as whether failure to report an arrest was the first policy violation, as well as the nature of the charge, are considered in determining an appropriate course of action. The Labor Discipline Unit reports that Notices of Discipline have been issued for failure to report arrests. However, in cases where other factors mitigate such action, counseling memos have been issued or informal action has been taken. The facility managers will continue to evaluate the need for discipline for failure to report an arrest on a case-by-case basis. Formal discipline will be recommended as warranted.

9. **Order criminal history background checks for the five facility employees we identified and improve central office procedures to ensure that they properly screen all employees.**

The agency has initiated fingerprinting and background checks for the five (5) facility employees whom we were unable to verify had been fingerprinted. Additionally, we have taken steps to develop a log and tracking system which will provide an ongoing and permanent verification of the fingerprinting process.

10. **Develop control procedures that enable facility management to comply with the Division's driving record review requirements.**

Despite the fact that employees have been notified of the requirement to self-report arrests, the Division believes that a periodic agency-wide reminder is in order.

The facilities will accomplish this by notifying all employees of the necessity to report to their supervisor all instances of suspension/revocation of driver's license and all arrests. The memo will be recirculated annually.

Future instances of failure to report these events will be followed by a recommendation for disciplinary action. An employee's failure to be aware of the requirements will no longer be accepted as an excuse for failing to properly notify the facility.

Both Industry and Oatka have arranged to do quarterly drivers abstract checks on all Central Services employees who daily transport residents in facility vehicles. All other employees will be screened annually.