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October 30, 2008

Mr. Joseph V. Bavaro, CFO
Premier Home Health Care Services, Inc.
360 Hamilton Avenue, Suite 120
White Plains, NY 10601

Re: Limited Audit of Premier Home Health Care Services, Inc. Compliance with the Nassau County Living Wage Law

Dear Mr. Bavaro:

A limited compliance audit was performed of contract #CQSS07000135 between Premier Home Health Care Services, Inc. ("Premier") and Nassau County. The objective of this audit was to determine whether Premier was in compliance with the Nassau County Living Wage Law ("the Law") and the related Rules. The period of review was calendar year 2007, the term of the contract. Certain tests were also performed to review subsequent transactions. To accomplish our objective, we reviewed Premier's pertinent books and records and interviewed personnel.

Based on our limited audit, our findings and recommendations are as follows:

Audit Finding (1):

Living Wage Rate:

Premier did not provide compensation in the amount required by the Law. The Law requires that "Employers shall pay their employees no less than the living wage for each hour they perform County work and either provide them benefits or supplement their hourly wage rate by an amount no less than the benefits supplement rate."¹ During the audit period, the living wage was \$9.50 per hour and the benefits supplement rate was \$1.50 per hour, aggregating \$11.00 per hour. As Premier did not provide any benefits, it was required to pay a combined hourly rate of \$11.00.

¹ "Nassau County Living Wage Law," Nassau Co. Misc. Laws, Title 57, § 3(a) (2007). The Law and the related Rules can be found on the Comptroller's website, at <http://www.nassaucountyny.gov/agencies/Comptroller/LivingWage/index.html>.

Our testing disclosed that some of the covered employees were not paid the mandated rate in 2007. Upon a comprehensive review, the extent of the underpayments in 2007 was determined to be \$15,683. We advised Premier to make the appropriate disbursements and they informed us that the underpaid employees were paid the \$15,683 on September 5, 2008. Premier's calculation of \$15,683 in underpayments, as well their calculations of amounts due to employees for compensated days off (*see Audit Finding (2)*) will be included in the scope of an audit of Premier's 2008 compliance with the Law.

An analysis of Premier's underpayment report shows that the underpayments occurred over most of 2007 and that 70 employees were impacted for varying periods of time. This is clearly indicative of inadequate internal controls with regard to the pay rates of covered employees.

Audit Recommendations:

Premier should ensure that all employees are paid according to the Law, and proper adjustments are made for the underpaid employees.

Audit Finding (2):

Compensated Days Off:

Premier did not comply with the Law's requirement for compensated days off for its covered employees. The Law mandates that employers shall provide "no fewer than twelve paid days off per year for sick leave, vacation or personal necessity at the employee's request. Full-time employees shall accrue such leave at a rate of one day per month of full-time employment. Part-time employees who work twenty or more hours per week shall accrue such leave in increments proportional to the rate of accrual for full-time employees."²

Premier provided cash compensation for accrued leave on a quarterly basis; however, its methodology for calculating accrued hours was not compliant with the Law. Each quarter, the hours worked were computed and employees were then compensated for any unused leave based on the average number of weekly hours worked per month. As stated above, the Law requires that part-time employees who work twenty or more hours per week are entitled to accrue proportional leave. Under Premier's methodology of averaging hours, employees who worked twenty or more hours in any single week were not consistently provided with their eligible compensatory hours for that week.

The vacation policy that Premier provided to us during the audit did not specify entitlement of compensated time off for covered employees. We were advised that employees were informed verbally of their entitlements under the Law. In absence of a written policy, we could not determine if all the rights available to the employees under the Law were properly communicated to them.

² "Nassau County Living Wage Law" at § 3(b) (2007).

Audit Recommendations:

Premier should:

- a) institute internal controls over payroll to ensure that employees are consistently paid at the proper wage rate;
- b) institute a formalized policy and practice for accrual of, and payment for, compensated days off which is fully compliant with the Law;
- c) communicate the policy in writing to the employees so that they are aware of their entitlements under the Law; and
- d) review its leave accrual computations for 2007 and take corrective action where there were underpayments. This review should be formally documented and retained because a test of its accuracy will be included in the scope of our audit of compliance for the 2008 contract.

Response from Premier Home Health Care:

We acknowledge the audit findings and recommendations indicated within the letter at this time.

We are undertaking measures to ensure employees are consistently paid at the proper rate as well as being properly compensated for days off.

We will incorporate the compensated days off policy into our field employee handbook so that employees are aware of their entitlements under the Law.

We will review our 2007 accrual computations and take the necessary corrective action where there were underpayments.

Auditor's Follow-up Response:

We concur with the corrective actions being taken by Premier. Premier's review of its 2007 wage payments and leave accrual computations and evidence of the corrective actions taken should be formally documented and should be made available to us when we perform our compliance audit for the 2008 contract.

Sincerely,



Aline Khatchadourian
Deputy Comptroller for Audits and Special Projects