



Ontario-Seneca-Yates- Cayuga-Wayne Board of Cooperative Educational Services

Payroll

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Report Highlights

Ontario-Seneca-Yates-Cayuga-Wayne Board of Cooperative Educational Services

Audit Objective

Determine whether Ontario-Seneca-Yates-Cayuga-Wayne Board of Cooperative Educational Services (BOCES) officials accurately compensated employees.

Key Findings

Although BOCES officials compensated employees we reviewed in accordance with collective bargaining agreements (CBAs) and employment contracts, 40 employees received unearned wages totaling \$25,948 of which \$19,985 was not recouped.

In addition, it cost BOCES approximately \$111,000 annually for time spent in the review, approval and manual entry into the financial system of the timesheets utilized by certain bargaining units/departments.

Key Recommendations

- Review payroll processes for efficiency improvement opportunities.
- Work with collective bargaining units to revise BOCES' pay schedule or frequency to eliminate the prepayment of unearned salaries/wages or establish a recourse method to recoup unearned salaries/wages.
- Continue with their efforts to recover unearned salary payments.

Officials generally agreed with our recommendations and indicated they plan to initiate corrective action.

Background

The BOCES, more commonly known as the Wayne-Finger Lakes BOCES, is a public entity serving 25 component school districts and other participating school districts. BOCES is governed by a nine-member Board of Education (Board) elected by the boards of the component school districts. The Board is responsible for the general management and control of BOCES' financial and educational affairs.

The District Superintendent is BOCES' chief executive officer and is responsible, along with other administrative staff, for BOCES' day-to-day management and for regional educational planning and coordination. The District Superintendent also serves the State as a representative for the New York State Commissioner of Education.

The Assistant Superintendent for Administration oversees BOCES' business operations, including payroll.

Quick Facts

2022-23 Total Appropriations	\$176 million
2021-22 Payroll Expenditures	\$52 million
Employees	1,597

Audit Period

July 1, 2020 – December 13, 2022

Payroll

How Should BOCES Officials Ensure Employees Are Paid Accurately?

Officials from a BOCES should establish an effective payroll system that provides assurance that payroll transactions are appropriately supported, authorized by management and accurately paid. A board approves the amounts to be paid to employees through CBAs, individual employee contracts and board-established rates.

Furthermore, leave accruals represent time off earned by employees for time worked. A BOCES board is responsible for ensuring that employee leave benefits are accurately accounted for so that employees accrue and use only the leave to which they are entitled.

Payroll authorizations should be segregated from payroll processing and check distribution. Individual payroll amounts should be traceable to authorization documents and supported by time and attendance records. Any changes in employment status or salary and wage rates should be properly authorized, approved and documented to support the changes.

An efficient payroll system minimizes processing time and enhances accuracy by limiting manual entries to the extent possible and requires compensating control tasks be performed in a timely manner to ensure payroll is accurate at the time of payment. A formal process should be in place to routinely review the system for inefficiencies and implement improvements. Manual processing of employee payroll data unnecessarily introduces the potential for error, exposing a BOCES not only to direct errors in payroll, but also to unintentional compliance issues.

The Payroll Processing System Was Inefficient

BOCES staff covered by the School Support Personnel CBA prepare manual timesheets, and information from these timesheets is reviewed/approved by a secretary and/or supervisor. This information is then manually input into the payroll system by department secretaries or the payroll/benefits specialists, resulting in a duplication of tasks and inefficiencies in the payroll process.

Similarly, support staff and non-certified staff¹ prepare manual leave requests, which are reviewed, approved and signed by supervisors, then manually entered into the payroll system by department secretaries. Manual timesheets and leave requests are physically delivered by courier (BOCES employees) from the various remote worksites to BOCES' administrative offices.

Because of the inefficiencies identified, we obtained weekly estimates of time spent by relevant staff (secretaries, payroll/benefits specialists and supervisors) on manual time sheet review, approval and entry into the payroll system for

¹ Non-certified staff includes job titles that are not required to have a teaching certification to qualify for the position.

nearly 600 employees in the School Support Personnel CBA. Of the 19 staff who perform such tasks, we determined that staff spend approximately 170 hours per biweekly pay period (4,420 hours annually) on manual timesheet review, approval and recording. This results in an annual cost to BOCES of approximately \$111,000. If BOCES worked to eliminate or reduce manual timesheets, these costs could either be reduced or re-allocated to other functions within BOCES.

Unearned Wages Were Not Always Recouped

We reviewed annual salaries and wages paid to 50 employees during our audit period and found that all were paid in accordance with CBAs, individual employment contracts and annual salary notices. However, one employee had a negative salary amount in May 2022 that was due to the employee paying back unearned salary.

BOCES administrators develop a pay frequency calendar each year that is input into the financial system by the payroll department. In accordance with CBAs, employee salaries are then annualized equally over a 10 or 12-month biweekly pay schedule based on this calendar. Therefore, the first paycheck of the fiscal year for 12-month employees and school year for 10-month employees typically includes several days of salary that the employee did not earn. If an employee works through the end of the fiscal year in June, then the unearned salary will be reconciled automatically. However, because BOCES does not pay employees on a lag, if an employee leaves BOCES employment prior to the end of the fiscal year then BOCES officials must reconcile the employee's salary and adjust the employee's final paycheck for any unearned amount outstanding.

During our audit period, some employees did not provide the requisite notice when separating from employment, which resulted in BOCES officials not being able to adjust final paychecks accordingly, so the employees were billed for unearned salary that was paid. For fiscal years 2020-21 and 2021-22, BOCES officials invoiced 40 employees a total of \$25,948 for unearned salaries, of which \$5,963 was repaid. As of November 2022, \$19,985 remained unpaid.

Officials Did Not Always Ensure That Leave Accruals Were Accurate

Depending on which contract or CBA an employee is covered by, they are typically eligible to earn vacation time, sick time and personal time. The payroll/benefits specialists are responsible for tracking leave accruals in the financial system, and the use of leave accruals is either tracked when employees request to use accruals electronically via the payroll system, or when manual timesheets for certain employees are entered into the system by administrative staff.

We reviewed the leave accruals for 15 employees who were authorized to earn vacation time to determine whether leave benefits were accurately accrued and

used in accordance with respective CBAs, contracts or policies. Of these 15, we identified accruals for two employees in which discrepancies occurred.

- One employee's accruals were improperly calculated in the payroll system resulting in four unearned vacation days, two in 2020-21 and two in 2021-22.

This employee also recorded one-half day sick leave on a manual timesheet which was never entered into the payroll system and deducted from their leave balance.

- One employee accumulated a negative sick leave balance of 8.14 days and a negative vacation leave balance of 4.35 days that went undetected. This employee subsequently left BOCES employment without notice and had no other leave balances to draw from.

Per CBA terms, employees' vacation accruals are available from the beginning of the fiscal year. However, the CBA also states that should an employee leave prior to the end of the fiscal year this leave will be prorated, and the employee will owe back the value of any unearned vacation used. The CBA also states that sick leave is accrued monthly. However, officials stated this employee was able to charge sick leave in excess of available accruals due to the manual nature of requesting and tracking accruals.

BOCES officials were recouping the value of the negative leave accruals through a payment plan worked out with the former employee.

When accruals are not properly tracked, BOCES risks not accurately compensating employees when leave time is used or paid out. BOCES officials made the appropriate corrections to accruals when notified of the discrepancies identified during the audit.

Officials Did Not Ensure Adequate Segregation of Duties Over Payroll Processing

BOCES officials did not adequately segregate payroll duties or establish sufficient compensating controls over the payroll process.

- The Board approves new positions, authorizes employee hiring and approves employee compensation through CBAs, contracts, Board policies and resolutions.
- The human resource department handles initial employee processing, including entering new employee information into the financial system.
- The payroll department receives completed payroll documentation to confirm information accuracy and activate the employee, and payroll/benefits specialists enter employee deductions in the system.

However, the payroll department also has access in the payroll system to adjust salaries and rates, which this department will typically make if the adjustments occur mid-year. This is problematic as without adequate segregation of duties between payroll processing and authorizations, changes to salaries/rates could occur without the proper authorizations and approvals. As such, BOCES officials have limited assurance that employees are compensated accurately.

What Do We Recommend?

The Board and BOCES officials should:

1. Work with collective bargaining units to revise BOCES' pay schedule or frequency to eliminate the prepayment of unearned salaries/wages or establish a recourse method to recoup unearned salaries/wages as necessary.

BOCES officials should:

2. Periodically review payroll processes for efficiency improvement opportunities.
3. Continue with their efforts to recover unearned salary payments.
4. Adjust the leave accrual discrepancies identified in the report.
5. Ensure that employees only accrue leave time that they are entitled to, in accordance with contracts, CBAs and/or policies, leave used is appropriately recorded and deducted from accruals, and leave accruals are verified prior to the end of each payroll period to ensure there are available balances or otherwise appropriate pay deductions are made.
6. Ensure payroll processing duties are appropriately segregated from personnel functions and authorizations.

Appendix A: Response From BOCES Officials

WAYNE - FINGER LAKES
Board of Cooperative Educational Services

**Administrative Offices
Regional Support Center**
Eisenhower Building
131 Drumlin Court
Newark, NY 14513-1863

Dr. Vicky Ramos, District Superintendent
Phone Number: 315.332.7284

May 8, 2023

To: Office of the State Comptroller

This letter is to confirm that the Wayne-Finger Lakes BOCES has received the Draft Findings for the Payroll audit. After discussion during the exit conference, the Wayne-Finger Lakes BOCES generally agrees with the recommendations to support the work that is occurring to ensure payroll efficiency and opportunities within the organization.

Thank you,

Dr. Vicma Ramos
District Superintendent

Philip Rose
Board President

Appendix B: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed BOCES officials and employees to gain an understanding of the payroll process.
- We reviewed Board resolutions and policies, contracts, CBAs and salary notices to determine what approved salaries, wages and authorized leave benefits for employees should be.
- We selected 50 employees to conduct payroll testing across the 10 groups/units that employees were classified in within the payroll system in order to determine the accuracy of compensation paid. We selected 50 percent of employees in the administrator groups (AA and AAA), 3 percent of employees in the EA (Educator's Association CBA), NONC (Non-Contract) and NONE (Temporary, Part-time) groups, 10 percent of the NREP group (which includes department supervisors and many business office staff), 1 percent of the Summer Co-Op group, 3 percent of the SS (Support Staff) group, 5 percent of the WADU (Administrators' Association CBA) group, and the District Superintendent. We used our professional judgment to select four of the 52 payroll dates in fiscal years 2020-21 and 2021-22 (15 percent), ensuring that all employees in the sample would be selected at least once. We recalculated the compensation for each employee based on source documents including timesheets, salary/wage notices, CBAs, contracts and Board policies.
- Using the same selection of 50 employees from the payroll testing, we identified 28 employees who were eligible to receive vacation leave per CBAs and contracts. We selected 50 percent of each unit/group for leave testing. We used a random number generator to select 15 employees for testing. We reviewed the leave records for these employees and the reports for 2020-21 and 2021-22 to determine whether all leave accruals and use occurred in accordance with CBAs and contracts.
- We reviewed a list, provided by the payroll clerk, of all employees who were invoiced during 2020-21 and 2021-22 for unearned/overpayment of salary.
- We summarized total hours estimated to be performed by BOCES staff on manual payroll review, approval and data entry. We determined each employee's annual salary to determine the total cost of their time spent on these activities, and the overall total cost to BOCES.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a

reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law, Section 2116-a (3)(c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review.

Appendix C: Resources and Services

Regional Office Directory

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

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

www.osc.state.ny.us/local-government/publications

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

www.osc.state.ny.us/local-government/fiscal-monitoring

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

www.osc.state.ny.us/local-government/publications

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

www.osc.state.ny.us/local-government/resources/planning-resources

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

www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/local-government/required-reporting

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

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Contact

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

www.osc.state.ny.us/local-government

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

ROCHESTER REGIONAL OFFICE – Edward V. Grant Jr., Chief of Municipal Audits

The Powers Building • 16 West Main Street – Suite 522 • Rochester, New York 14614-1608

Tel (585) 454-2460 • Fax (585) 454-3545 • Email: Muni-Rochester@osc.ny.gov

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