
Thomas P. DiNapoli
COMPTROLLER



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**OFFICE OF THE
NEW YORK STATE COMPTROLLER**

**DIVISION OF STATE
GOVERNMENT ACCOUNTABILITY**

**SUNY - STONY BROOK
UNIVERSITY**

**CONTROLS OVER
SELECTED PAYROLL
PRACTICES**

Report 2007-S-67

AUDIT OBJECTIVE

Has Stony Brook University established adequate controls over payroll changes and overtime?

AUDIT RESULTS - SUMMARY

We found that certain aspects of Stony Brook University (Stony Brook) controls over payroll changes were not adequate. As a result, Stony Brook incurred payroll overpayments for 335 employees totaling \$414,236 during the year ended March 31, 2007. Because of late reporting of changes, some terminated employees continued to sign for and pick up payroll checks they were not entitled to. Further, in certain instances, improper payroll overpayments might have been the result of deliberate abuse. We also determined that appropriate actions, including referral to the State Attorney General, were sometimes not taken to recover overpayments timely and/or in their entirety. Stony Brook had 237 employees with an outstanding balance (resulting from payroll overpayments) totaling \$234,254 as of July 31, 2007.

From April 1, 2005 through March 31, 2007, Stony Brook's overtime expenditures totaled about \$20.5 million for over 626,000 hours of overtime. In general, we concluded that controls over overtime were adequate. However, we also noted that large retroactive overtime payments were made to two employees we selected because of errors in processing overtime indicated on their time sheets. In addition, we believe that significant overtime payments resulted from questionable scheduling practices, and we concluded that appropriate summary documentation was not maintained to support large overtime adjustments. We also identified questionable amounts of overtime. For example, during one two-week pay period, a calculations clerk

worked 121.5 hours of overtime. Thus, this employee worked almost 200 hours during the period (or an average of 14 hours per day for two weeks).

Our report contains eleven recommendations to improve controls over Stony Brook's payroll and related overtime processes. In their response to our draft report, SUNY and Stony Brook officials agreed with our recommendations. They indicated the specific actions that they have taken or will be taking to implement them.

This report, dated January 18, 2008, is available on our website at: <http://osc.state.ny.us>.

Add or update your mailing list address by contacting us at: (518) 474-3271 or
Office of the State Comptroller
Division of State Government Accountability
110 State Street, 11th Floor
Albany, NY 12236

BACKGROUND

Stony Brook's campus includes the Stony Brook University Hospital (Hospital) and the Long Island Veteran's Home (Vet's Home). Stony Brook, the largest single-site employer on Long Island has 12,872 full and part-time employees (3,072 academic, 4,598 non-academic and 5,202 hospital). According to Stony Brook officials, payroll expenditures totaled about \$578 million for the year ended March 31, 2007. Annually, Stony Brook issues about 318,000 paychecks and payroll advices.

The New York State Payroll system (PayServ) is maintained by the Office of the State Comptroller (OSC). Agencies submit payroll information to OSC where paychecks are calculated and produced. PayServ produces the same bi-weekly paychecks unless changes are entered to the system.

Therefore, the accuracy of PayServ depends on the effectiveness of each agency's system update functions. The State Accounting System User Procedure Manual (Manual) defines the internal controls over key payroll processes. Additionally, OSC Payroll Bulletin 470 (Bulletin 470) establishes general policies and procedures for the prompt recovery of overpayments. Bulletin 470 also refers to the State Division of the Budget Policy and Reporting Manual (DBPRM) which details procedures for referring uncollected debts to the Attorney General (AG) for further collection efforts.

Stony Brook's State Payroll Unit (Payroll) is responsible for the accurate and timely processing of payroll in PayServ including new appointments, terminations, and other payroll-related transactions. Payroll is also responsible for the collection of overpayments. Each program unit is responsible for reporting timely to the Offices of Human Resources (OHRs) within the University, Hospital and Vet's Home any changes that affect an employee's compensation. The OHRs review and approve the changes prior to submitting them to Payroll.

Stony Brook's Payroll Check Distribution Unit maintains a record of authorized signatories for paycheck distribution. The signatory is responsible for the timely distribution of paychecks and advices to employees and communicating any concerns to Payroll. The signatory should return any undelivered paycheck to Payroll, Hospital Timekeeping or the Vet's Home Finance Office if an employee does not work in the department, has resigned, or is otherwise not entitled to a paycheck for another reason.

AUDIT FINDINGS AND RECOMMENDATIONS

Overpayments

According to the Manual, agency personnel offices are responsible for processing and maintaining records of any payroll changes. Procedures to process and document terminations should be established to ensure timely deletion from the payroll. Independent checks over personnel and payroll changes should be made to ensure that reports of authorized payroll changes have been acted upon promptly. The Manual also requires agencies to maintain complete and accurate records of employee attendance and leave accruals. Additionally, the Manual states that payroll checks should be distributed by a responsible business office employee who is not otherwise connected with any of the steps of payroll preparation. Undelivered checks should be returned to the business or finance office for safekeeping.

Bulletin 470 provides policies and procedures for the prompt recovery of overpayments. Agencies are responsible for taking appropriate measures to ensure overpayments are recovered in full as soon as possible. Agencies must immediately notify the employee in writing of the amount overpaid and the method of recovery. Bulletin 470 also refers agencies to the DBPRM which establishes policies and procedures for the collection of non-tax debt. The DBPRM directs agencies to implement and maintain a structured, consistent, and timely process to effectively collect past-due debt, including referral to the AG. For example, the DBPRM requires agencies to refer to the AG debt exceeding \$1,000 that has remained uncollected for 121 days or more.

PayServ records indicate that Stony Brook incurred overpayments for 335 employees

totaling \$414,236 during the year ended March 31, 2007. According to PayServ records Stony Brook had 237 employees with an outstanding balances totaling \$234,254 as of July 31, 2007. To determine why the overpayments occurred, we selected a judgmental sample of the 20 employees with the largest initial overpayment balances during our audit period. Our sample consisted of 12 terminated employees, five active employees and three employees on leave. The overpayments made to these employees totaled \$109,029. As of July 31, 2007, Stony Brook recovered \$38,232 of this amount, and the outstanding balances owed by the 20 employees totaled \$70,797.

For one employee, we determined that the overpayment was due to a clerical error. However, the other 19 cases occurred because program units did not report payroll changes (i.e., terminations, leaves without pay, reduced work schedules, etc.) timely to the OHRs. Therefore, PayServ was not updated timely. For five of the employees we reviewed, the University and the Hospital continued to distribute payroll checks to them for periods subsequent to their termination. Two examples are detailed as follows:

- An animal caretaker in the Division of Laboratory Animal Resources (DLAR) resigned on March 24, 2006. However, this employee's resignation letter (dated March 24, 2006 and addressed to her immediate supervisor) was not forwarded to OHR timely. Therefore, the employee's termination date was not conveyed to Payroll timely, and the termination was not entered into PayServ until July 11, 2006 (more than three months after the employee resigned). Although no timesheets were submitted for the employee for periods subsequent to March 24, 2006,

paychecks continued to be generated for the employee for several months after the employee resigned. Moreover, the employee's supervisor instructed DLAR staff to mail the unearned payroll checks to the employee (which indicates that this may be an instance of deliberate abuse). In total, the terminated employee was overpaid \$3,993, net of unused vacation accruals and other adjustments. Further, as of August 8, 2007 (after we began our audit), there was no evidence on file that Stony Brook had notified the employee of the overpayment or that any actions to recover the overpayments had been taken. In addition, this debt (which remained uncollected for over a year) was not referred to the AG, as required by the DBPRM.

- A nurse at the Hospital was terminated June 29, 2006. However, Payroll was not notified of the termination until November 17, 2006 (more than four months after the termination). Moreover, check distribution records indicated the nurse continued to sign for and pick up payroll checks totaling \$11,594 after termination. Adjustments for unused leave accruals reduced the net amount of the overpayment to \$7,364. Payroll notified the employee of the overpayment and requested repayment in a letter dated March 16, 2007. However, as of the time of our audit, the employee had not repaid any of the balance (\$7,364) owed to Stony Brook. Further, the employee had not responded to Stony Brook's formal request (of June 28, 2007) for payment of the liability. Nonetheless, Stony Brook officials did not refer the matter to the AG, as required by the DBPRM,

until October 9, 2007 (after we brought the matter to Stony Brook's attention).

We identified several weaknesses in Stony Brook's payroll controls which contributed to the overpayments. Specifically, most of the overpayments occurred because program units did not report changes in employment status to OHR or Payroll timely. In addition, we determined that:

- Independent checks (including internal audits) of personnel and payroll changes have not been conducted to ensure that payroll changes have been reported and acted upon promptly;
- Payroll did not conduct timely comparisons of paycheck distribution records to time and attendance sheets to determine if employees were entitled to paychecks; and
- Program units mailed undelivered checks to employees. Undelivered checks were not returned to Payroll for verification that they were, in fact, owed to employees.

We also concluded that Stony Brook needs to improve the consistency and effectiveness of efforts to recover overpayments. For the 20 employees we reviewed, automatic payroll deductions were effected for five active employees and one employee on leave with pay. Stony Brook officials told us that payroll deductions will commence for two other employees on leave without pay when they return to work, and one terminated employee remitted the overpayment in full. Consequently, recovery efforts for these nine employees have been successful or have reasonable potential for success.

However, in the remaining 11 cases, there has been limited recovery activity and/or the recovery plans in place have not been actively monitored. These recovery efforts pertain to overpayments made to former employees who will likely not be employed again by Stony Brook in the near future. For example, one former employee has a repayment agreement with Stony Brook, but this employee is behind schedule in making repayments. About two years after the employee's termination, \$9,889 (of the original \$11,870 to be repaid) is still outstanding. This balance should be considered for referral to the AG. Moreover, there was no documentation in the files of eight other employees (who owed a total of \$27,483) regarding the amounts they owed and/or the plans to repay those debts. For two other employees, Stony Brook requested repayments that were substantially less than the amounts of the overpayments. For one employee, Stony Brook requested a repayment of \$315 when the employee actually owed \$5,448. For the other, Stony Brook sent a request for \$351 when the employee actually owed \$3,772.

In addition, as noted previously, Bulletin 470 and the DBPRM require agencies to refer uncollected debts to the AG under certain circumstances. However, Stony Brook had not referred any uncollected overpayment cases to the AG between January 10, 2006 and the start of our audit fieldwork (in July 2007). As previously noted in this report, Stony Brook officials referred a case to the AG after we brought the matter to their attention. Stony Brook should ensure that outstanding debts for payroll overpayments are referred to the AG timely to help optimize the chance of recovering the overpayments.

Stony Brook officials acknowledged the need to strengthen their payroll controls. They indicated that they will: improve existing procedures to minimize the occurrence of

overpayments; reinforce with departments the procedures for reporting payroll changes timely and for returning undistributed paychecks; monitor departments' compliance with payroll policies and procedures; ensure documented and timely recovery of any outstanding overpayments; and refer uncollected overpayments to the AG in accordance with Bulletin 470 and the DBPRM.

Recommendations

1. Formally remind the program units to process changes in employees' work status to OHR timely to help ensure timely updates of PayServ. Issue further reminders periodically, as necessary.
2. Periodically, conduct independent checks of personnel and payroll changes. Such checks should be conducted by staff (for example, internal auditors) not otherwise connected with the payroll process.
3. Compare payroll check distribution records to time and attendance sheets received by Payroll periodically to ensure employees are submitting appropriate time records and are entitled to receive paychecks.
4. Strengthen controls over the distribution of payroll checks to ensure payroll checks are distributed only to employees who are entitled to them.
5. Develop and implement a formal, structured process for the timely recovery of payroll overpayments.
6. Ensure that re-payment requests to recipients of overpayments include the correct amount of the outstanding balances owed. Maintain complete,

accurate and current records of all overpayment recovery activity for each employee with unpaid balances.

7. Refer uncollected overpayments to the AG for further collection action in accordance with the DBPRM.

Overtime

The Fair Labor Standards Act requires that overtime-eligible employees be compensated at one and one-half times their regular rate of pay for any hours worked in excess of 40 hours per week. At Stony Brook, Public Employees Federation members are paid overtime for any hours worked in excess of 80 hours during a bi-weekly pay period (primarily to accommodate the varying shifts worked by nursing staff). Civil Service Employees' Association employees are paid overtime rates for any hours over 40 in a one week period. For the year ended March 31, 2007, Stony Brook's overtime expenditures totaled \$20,511,030, for 4,345 employees who were paid for 626,694 overtime hours. Approximately 75 percent of overtime expenses are incurred at the Hospital. The University Time and Attendance Office (Time and Attendance) and the Hospital Timekeeping Department (Timekeeping) are responsible for reviewing employee timesheets and clearing them for further processing. Both units forward the timesheets to Payroll where payroll changes are input directly into PayServ.

We selected a judgmental sample of 25 employees (10 University and 15 Hospital) who incurred the highest overtime hours between April 1, 2005 and March 31, 2007. For the selected employees, we reviewed manual timesheets, maintained at both Time and Attendance and Timekeeping, in support of the overtime records. In general, we found that overtime was properly supported and

authorized. However, we also concluded that Stony Brook should improve procedures to limit and document large overtime adjustments. In addition, officials should strengthen procedures to limit and follow-up on unusually large amounts of overtime use.

We found that two employee's timesheets were incorrectly processed for lengthy periods before they were corrected by Timekeeping or Time and Attendance. Retroactive adjustments were then required to properly compensate the employees for overtime. In one instance, for example, a support technician in the University was paid 292 hours of overtime in one paycheck. This was the result of adjustments for pay periods from October 2004 through May 2006. We found insufficient documentation to indicate how the mistake was discovered, why the adjustment was necessary, and how the calculation was made. In addition, accruals written at the bottom of the timesheets were unclear and illegible. According to the Time and Attendance supervisor who made the adjustments, the employee had not been compensated for overtime worked during that period, although the hours were correctly indicated on the timesheets. At our request, the supervisor recalculated the adjustment and demonstrated to us that the employee was properly compensated (\$5,218) for overtime worked. However, documentation should have been maintained to summarize the data used to make the adjustment.

We also found that, in some cases, overtime is the result of questionable scheduling practices. According to the Director of Timekeeping, Stony Brook allows nurses to work 10-12 hour flexible shifts to help retain them. Consequently, they are permitted to work more than 40 hours in one week of the bi-weekly pay period and less than 40 hours in the other. In one instance, a Licensed Practical Nurse (LPN) worked 60

hours in the first week and 20 hours in the second week of the payroll period. She was not compensated for overtime in the first week, nor did she charge accruals for lost time in the second week. She continued to work similar schedules for more than a year. Timekeeping reviewed and adjusted each timesheet submitted during the year to appropriately compensate the LPN for overtime and to adjust her accruals for lost time. After all the required adjustments were made, the LPN was paid a net amount of \$1,889 in overtime. At our request, the Timekeeping Director re-reviewed each timesheet and demonstrated that the adjustments were correctly calculated. Again, however, there was no documentation available to summarize the adjustment calculations prior to our review.

We also noted other questionable amounts of overtime in both the University and the Hospital facilities. We determined 11 of the 25 employees in our judgmental sample worked more than 75 overtime hours during one or more pay periods. For example, during one two-week period, a calculations clerk worked 121.5 overtime hours. Thus, this employee worked almost 200 hours during the period (or an average of 14 hours per day). We also noted that a supply technician worked 115.75 hours of overtime hours in one pay period (and again averaged nearly 14 hours per day). In addition, two nurses at the Vet's Home were paid among the highest amounts of overtime to employees statewide. During the year ended March 31, 2006, one nurse was paid \$64,239 for 1,222 hours of overtime while the other was paid \$62,239 for 1,167 hours of overtime. Vet's Home officials told us that they were aware of these high overtime earners. They added that there is a shortage of nurses in the facility, and therefore, overtime is unavoidable.

Although timesheets indicated that unusual schedules created questionable needs for overtime, there was no evidence that Timekeeping followed-up to verify the propriety of the overtime. Additionally, there was no evidence that Timekeeping and Time and Attendance reviewed employees' hours for reasonableness. Payroll officials told us they do not question the amount of overtime when processing timesheets. They rely on the immediate supervisor to determine if the amount of overtime worked by an employee is reasonable. As long as the timesheet is signed by a supervisor, the timesheet is processed and the overtime is paid. Consequently, there is limited detailed assessment of the propriety of overtime costs outside of the program areas responsible for incurring them.

Stony Brook officials agree that, in some cases, supporting documentation could have been more complete. The officials also stated Payroll will work with both Timekeeping and Time and Attendance to introduce a "Payroll Adjustment Transmittal" process so payroll adjustments will be more formally documented.

Recommendations

8. Establish a quality assurance function (including, but not limited to internal audit) to help ensure that overtime reported on timesheets is properly calculated and input to PayServ.
9. Maintain documentation summarizing the data used to calculate overtime adjustments. The documentation should also include the reason for the adjustment and authorization by an appropriate Stony Brook official.

10. Periodically review the propriety of the "flexible" work schedules used by staff, with focus on flexible schedules used in the Hospital. Advise Hospital officials of schedules that contribute to overtime that might not be necessary.
11. Instruct Timekeeping and Time and Attendance staff to follow-up with program supervisors when the amounts of overtime indicated on timesheets (such as the examples cited in this report) appear questionable or excessive.

AUDIT SCOPE AND METHODOLOGY

We conducted our audit in accordance with generally accepted government auditing standards. We audited selected payroll practices at Stony Brook University for the period July 1, 2005 through June 30, 2007. We reviewed the New York State Accounting System User Procedure Manual, related Payroll Bulletins, and policies and procedures established by Stony Brook. We interviewed officials in Payroll, Timekeeping, Time and Attendance and the three Offices of Human Resources (at the University, Hospital and Vet's Home). We analyzed overtime and overpayment data maintained by OSC's Bureau of Payroll Services on PayServ. We selected a sample of the 20 employees receiving the largest overpayments during our audit period to determine why these overpayments occurred and to assess the collection efforts to recover the overpayments. We reviewed documentation such as timesheets, payroll check distribution logs, sign-in sheets and collection letters. We also analyzed overtime records for Stony Brook for our audit period and selected a judgmental sample of the 25 employees with the highest amounts of overtime. We reviewed documentation available to support

the overtime, including adjustments from prior periods.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these functions do not affect our ability to conduct independent audits of program performance.

AUTHORITY

The audit was performed according to the State Comptroller's authority under Article V, Section 1, of the State Constitution; and Article II, Section 8, of the State Finance Law.

REPORTING REQUIREMENTS

We provided draft copies of this report to SUNY and Stony Brook officials for their review and formal comment. We have considered the formal comments from SUNY and Stony Brook in preparing this report and have included them as Appendix A. SUNY and Stony Brook officials agreed with our audit recommendations and indicated the steps that they have taken or will be taking to implement them. Further, Stony Brook had already recovered about \$25,000 of the overpayments we reviewed, after the completion of our audit fieldwork.

Within 90 days of the final release of this report, as required by Section 170 of the Executive Law, the Chancellor of the State University of New York 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.

CONTRIBUTORS TO THE REPORT

Major contributors to this report include Steven E. Sossei, Brian E. Mason, Ronald A. Pisani, Cynthia A. Herubin, Brianna M. Redmond, and Tracy N. Samuel.

APPENDIX A - AUDITEE RESPONSE



THE STATE UNIVERSITY of NEW YORK

Office of the
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Chief Financial Officer

University Auditor

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January 3, 2008

Mr. Brian E. Mason
Audit Manager
Division of State Government Accountability
Office of the State Comptroller
110 State Street, 11th Floor
Albany, New York 12236

Dear Mr. Mason:

In accordance with Section 170 of the Executive Law, we are providing our comments to the draft audit report on the State University of New York Stony Brook University - Controls Over Selected Payroll Practices (2007-S-67). We concur with the recommendations in the report and will use the report to further improve our processes and controls. Our comments follow:

Overpayments

The State University of New York Stony Brook University (Stony Brook) has over 10,000 active employees, issues about 318,000 paychecks and payroll advices annually, and has annual payroll expenditures of \$578 million. The report notes \$414,236 in overpayments or .07% of the total payroll for that year. Stony Brook has made a number of changes in its payroll process and is committed to preventing the overpayments from occurring.

For the overpayments that have occurred, Stony Brook has made significant progress in recovering them and making referrals to the Attorney General's Office. For example, as of December 13, 2007, Stony Brook has recovered 58 percent of the value of the sampled overpayments – up from the 35 percent at the time of the audit. Some of the overpayments have been fully recovered and collection is being pursued on the remaining ones. Our comments to the recommendations for overpayments follow:

Recommendation 1 – Formally remind the program units to process changes in employees' work status to OHR timely to help ensure timely updates of PayServ. Issue further reminders periodically, as necessary.

UNIVERSITY CENTERS AND DOCTORAL DEGREE GRANTING INSTITUTIONS University at Albany • Binghamton University • University at Buffalo • Stony Brook University • SUNY Downstate Medical Center • Upstate Medical University • College of Environmental Science and Forestry • College of Optometry • NYS College of Ceramics at Alfred University • NYS College of Agriculture/Life Sciences at Cornell University • NYS College of Human Ecology at Cornell University • NYS College of Industrial/Labor Relations at Cornell University • NYS College of Veterinary Medicine at Cornell University UNIVERSITY COLLEGES SUNY Brockport • Buffalo State College • SUNY Cortland • Empire State College • SUNY Fredonia • SUNY Geneseo • SUNY New Paltz • SUNY Old Westbury • College at Oneonta • SUNY Oswego • SUNY Plattsburgh • SUNY Potsdam • Purchase College TECHNOLOGY COLLEGES Alfred State College • SUNY Canton • SUNY Cobleskill • SUNY Delhi • Farmingdale State College • Maritime College • Morrisville State College • SUNY Institute of Technology COMMUNITY COLLEGES Adirondack • Broome • Cayuga County • Clinton • Columbia-Greene • Corning • Dutchess • Erie • Fashion Institute of Technology • Finger Lakes • Fulton-Montgomery • Genesee • Herkimer County • Hudson Valley • Jamestown • Jefferson • Mohawk Valley • Montrose • Nassau • Niagara County • North Country • Onondaga • Orange County • Rockland • Schenectady County • Suffolk County • Sullivan County • Tompkins Cortland • Ulster County • Westchester

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SUNY Response – Stony Brook agrees with the recommendation and has already issued formal reminders to program units. These will be supplemented with other reminders, as necessary. We are also working to develop report card-type reports that will inform program unit heads (and senior management) of their performance and will follow up on the exceptions, as needed.

Recommendation 2 - Periodically conduct independent checks of personnel and payroll changes. Such checks should be conducted by staff (for example, internal auditors) not otherwise connected with the payroll process.

SUNY Response – Stony Brook agrees with the recommendation and audit staff will conduct audits to verify that payroll changes have been reported and acted upon timely, in accordance with applicable policies. In addition, the reports referenced in response to Recommendation 1 will assist in monitoring the performance of program units in this area.

Recommendation 3 - Compare payroll check distribution records to time and attendance sheets received by payroll to ensure employees are submitting appropriate time records and are entitled to receive paychecks.

SUNY Response – Stony Brook agrees with the recommendation and is in the process of issuing formal reminders to program units concerning the requirements for timely submission of employee time reports. Processes are also being established to ensure that check distribution records and employee time reports are being compared. The Timekeeping Units will work more closely with the Payroll Check Disbursement Unit to promote more effective monitoring and communication concerning missing employee timesheets. Once these processes are in place, we will disable direct deposit and hold payroll checks for employees whose time has not been certified.

Recommendation 4 - Strengthen controls over the distribution of payroll checks to ensure payroll checks are distributed only to employees who are entitled to them.

SUNY Response – Stony Brook agrees with the recommendation and is in the process of strengthening check distribution procedures. In addition, audit staff will conduct audits of the paycheck distribution process and return of undelivered checks, and have conducted five such reviews.

Recommendation 5 - Develop and implement a formal, structured process for the timely recovery of payroll overpayments.

SUNY Response – Stony Brook agrees with the recommendation. There is a collection process in place; however, we are strengthening and formalizing controls to ensure more consistent and timely collection activity and follow-up. In the future, we plan to have the Payroll Department continue to identify overpayments and establish repayment agreements. The Accounting Department will coordinate collection of overpayments as part of its existing processes for third-party billing and referral of

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delinquent student (and other) accounts to the Attorney General and collection agencies. Past due accounts will be referred for collection in accordance with the Division of Budget requirements. Overpayment activity will be integrated into the University's Human Resources and Finance systems. This will significantly increase internal control over the monitoring and reporting of overpayments.

Recommendation 6 - Ensure that re-payment requests to recipients of overpayments include the correct amount of the outstanding balances owed. Maintain complete, accurate, and current records of all overpayment recovery activity for each employee with unpaid balances.

SUNY Response – Stony Brook agrees with the recommendation and will ensure repayment requests include the correct amount. Stony Brook will also maintain complete, accurate, and current records of overpayment recovery activity.

Recommendation 7 - Refer uncollected overpayments to the AG for further collection action in accordance with the DBPRM.

SUNY Response - Stony Brook agrees with the recommendation. As indicated in the response to Recommendation 5, the University Accounting Department will coordinate collection of overpayments as part of its existing processes for third-party billing and referral of delinquent student (and other) accounts to the Attorney General and collection agencies. Past due accounts will be referred for collection in accordance with the Division of Budget requirements.

Overtime

Overtime provides the State University of New York and other entities with the ability to deal swiftly and effectively with temporary variations in activity as well as with shortages of qualified personnel in the labor market to fill particular types of jobs (for example, certain health professionals). During the two year period covered by the audit, overtime expenditures as a percentage of total payrolls for Stony Brook (University, Hospital, and Veterans Home) were 1.9 percent. As would be expected, the two health care facilities' use of overtime is higher than the University, and they account for the majority (80 percent) of the total overtime expenditures. When viewed in the context of other similar organizations, the Stony Brook Hospital's use of overtime is comparable to other benchmarked hospitals. Nevertheless, Stony Brook agrees with the need to limit the use of overtime to those situations where it is necessary, and will take additional action to further improve its oversight.

Recommendation 8 - Establish a quality assurance function (including, but not limited to internal audit) to help ensure that overtime reported on timesheets is properly calculated and input to PayServ.

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SUNY Response – Stony Brook agrees with the recommendation and will require the Timekeeping Units' managers to review samples of timesheets processed by their staff to verify the accuracy of the calculations. In addition, audit staff will conduct independent testing of overtime payments.

Recommendation 9 - Maintain documentation summarizing the data used to calculate overtime adjustments. The documentation should also include the reason for the adjustment and authorization by an appropriate Stony Brook official.

SUNY Response - Stony Brook agrees with the recommendation. The Payroll Department is working with the Timekeeping Units to establish a more formal process for documenting payroll adjustments. Stony Brook is also developing a "Payroll Adjustment Transmittal" process that will require documentation to support the calculation of the adjustment, the reason for the adjustment, and the official authorizing the adjustment. In addition, audit staff will also conduct audits of the completeness and accuracy of documentation supporting large overtime adjustments.

Recommendation 10 - Periodically review the propriety of the "flexible" work schedules used by staff, with focus on flexible schedules used in the Hospital. Advise Hospital officials of schedules that contribute to overtime that might not be necessary.

SUNY Response – Stony Brook agrees with the recommendation. The situation discussed in the report was an isolated instance and was identified by the Hospital Timekeeping Unit, who processed the appropriate adjustment. The Timekeeping Units will formally notify supervisors and the appropriate Office of Human Resources upon becoming aware of scheduling practices that may result in unnecessary overtime. Although such notification was made in the past, it was an informal process via phone or e-mail that was not always documented in the employee file. Future communications of this type will be formally documented.

Recommendation 11 - Instruct Timekeeping and Time and Attendance staff to follow-up with program supervisors when the amounts of overtime indicated on timesheets (such as the examples cited in this report) appear questionable or excessive.

SUNY Response – Stony Brook agrees with the recommendation and notes that staff members have, and will continue to, make inquiries concerning significant overtime amounts. Nevertheless, we will reinforce the importance of this with the Timekeeping Units. In addition, the Timekeeping Units will be instructed to document the results of any inquiries with program supervisors and to refer any remaining exceptions to their own supervisor. Furthermore, the Hospital is in the process of updating its overtime policy, which will include general guidance to managers concerning the maximum hours an employee should be assigned or permitted to work over 24 hour and 7 day periods.

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Thank you for the opportunity to respond to the audit report. If you have any questions, please contact me at 518-443-5533 or michael.abbott@suny.edu.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Abbott".

Michael Abbott, CPA
University Auditor

Copy: Dr. Clark
President Kenny
Dr. Cline
Ms. Gray
Mr. Panico