



Erie 1 BOCES

Part-Time Temporary Employee Payroll

2022M-167 | March 2023

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Report Highlights

Erie 1 BOCES

Audit Objective

Determine whether the Erie 1 Board of Cooperative Educational Services (BOCES) Board of Education (Board) and officials properly paid part-time temporary employees (PTEs).

Key Findings

The Board and officials did not properly approve or monitor agreements for PTEs. Without adequate controls over PTEs, the Board cannot be assured that PTEs are being employed and compensated as the Board intended. The Board and officials did not:

- Ensure employment agreements were pre-approved; 128 of the agreements we reviewed were approved by the Board after the employee began work.
- Properly monitor hours worked by PTEs. Two PTEs worked in excess of the total Board-authorized time and were therefore paid in excess of their Board-authorized salaries.
- Ensure employees completed a timesheet or provided adequate documentation to support hours paid; six of the 26 PTEs reviewed did not maintain timesheets.

Key Recommendations

- Adopt clear and comprehensive written payroll and personnel policies and procedures governing PTEs and identify the individuals responsible for implementing controls and monitoring for compliance.
- Require agreements to be approved prior to the employee's start date.
- Ensure PTEs complete and submit signed timesheets to support hours worked.

BOCES officials agreed with our findings and recommendations and indicated they have initiated or planned to initiate corrective action.

Background

BOCES primarily provides educational and support services to 19 component school districts in Erie County. BOCES is governed by a seven-member Board, whose members are elected by the boards of the component school districts.

The Board is responsible for the general management and oversight of the financial and educational affairs. The District Superintendent (Superintendent) is the chief executive officer responsible, along with other administrative staff for BOCES' day-to-day management.

The Board and Executive Director of Administration and Operations (Director) approve all requests for PTEs and every incidental employment agreement (IEA). The Director is responsible for overseeing the Business Office and the employees responsible for processing payroll and ensuring PTEs are paid in accordance with their IEAs.

Quick Facts

Full and Part-time Employees	1,068
Part-time Temporary Employees	132
Total Employees	1,200
2021-22 Payroll Expenditures	\$66.3 million
2021-22 IEA Payroll Expenditures	\$1 million

Audit Period

July 1, 2020 – July 7, 2022

PTE Payroll

BOCES hires PTEs for various purposes including training, consulting, workshops, staffing the teacher center and providing security at BOCES' campuses. Individual employment agreements are used to establish the terms of employment and compensation for each PTE. BOCES refers to these agreements as IEAs.

How Should BOCES Ensure PTEs Are Paid Accurately?

A board should authorize and approve the hiring and appointment of PTEs and establish the rate of pay and the maximum number of hours to be worked in written employment agreements or by board resolution. Additionally, a board is responsible for establishing internal controls over payroll and personnel processes by adopting written payroll and personnel policies. These policies should require officials to implement procedures for monitoring and verifying that PTEs do not work more time than authorized or are paid more than the approved maximum.

BOCES officials should ensure written procedures for requesting PTEs which require Department heads to submit a request form using an electronic approval system are followed. The Director and subsequently the Board approve the form that is electronically submitted. The requesting department must provide all the information necessary for an IEA including:

- The term (i.e., date range) of employment,
- The hourly or daily rate,
- The total number of hours or days,
- The maximum amount of pay, and
- A description of the work to be performed, among other information.

Once an IEA is approved by the Board, BOCES' written procedures specify that the employee's information, including pay rate and maximum pay, should be entered into the payroll system by a Human Resources coordinator. The agreement and employment paperwork (e.g., tax forms, copies of identification, etc.) should then be filed with the Human Resources department. In order to reduce the risk that fictitious employees could be added to the payroll, PTEs should not be added to the payroll until all the relevant documentation has been received and employment eligibility has been verified.

The payroll clerk should ensure that payroll payments to PTEs are processed using the correct number of hours worked and the approved rate of pay based on the original timesheet, a copy of the IEA, and a form documenting approval from the PTE's supervisor. A senior account clerk is assigned to review the payroll

...[A] board is responsible for establishing internal controls over payroll and personnel processes. ...

clerk's work and to ensure that all employees, including PTEs are being paid accurately. In addition, the Executive Director of Human Resources is responsible for certifying the accuracy and validity of the payroll register.

Employment Agreements Were Not Always Properly Approved

The Board did not always approve IEAs prior to PTEs starting employment with BOCES. We reviewed all 282 IEAs active from July 1, 2020 through March 30, 2022 totaling \$3.2 million and found that 128 IEAs totaling \$1.8 million were not approved by the Board until after the employee's effective start date. Additionally, 48 IEAs totaling \$519,400 were approved and the PTEs began employment without all required employment paperwork available. This paperwork is essential for ensuring an individual is eligible to be employed by BOCES, processing payroll tax deductions and withholdings and preventing unauthorized or fictitious employees from being added to the payroll.

The Director told us that this occurred because there are many steps in the approval process and the departments that requested PTEs generally did not allow enough time to obtain Board approval prior to when the PTE was needed to begin employment.

The Board's involvement in determining whether to authorize an IEA and approve the compensation terms prior to appointment is essential for communicating the Board's intentions to other BOCES officials and provides transparency to the public and other interested stakeholders. Without prior Board approval, individuals could be working and getting paid without the Board's knowledge or approval.

Payroll Payments for PTEs Were Not Always Properly Monitored

We reviewed the supporting documentation for 226 payroll payments to PTEs totaling \$385,222,¹ and identified three instances totaling \$16,213 (4 percent) in which two PTEs worked more hours than the approved maximum in the IEA as follows:

- Two payroll payments totaling \$12,838 were made to a PTE who worked almost 20 days over the maximum allowed.
- Another PTE was paid \$3,375 for working 13.5 days over the maximum allowed.

For these employees, an additional IEA was approved authorizing the additional days worked, but not until after the time had already been worked. Although the payroll system notifies the payroll clerk when a PTE's hours worked exceeds the

¹ Refer to Appendix B for information on sample selection.

authorized maximum, BOCES does not have an adequate control in place to notify the employee's supervisor or the payroll clerk prior to the employee working and submitting timesheets. When the payroll clerk received the notice from the system, she contacted the employee's department head to notify them that a new IEA was needed. Therefore, these new IEAs were prepared and authorized after the PTEs had already worked more time than the Board authorized.

BOCES has written internal control guidelines titled "internal control narratives" which describe various controls that should be in place over payroll and personnel processes, but the narratives were not distributed to BOCES employees and were not adopted by the Board because they were only intended to outline the processes for the external auditors. Neither the auditors nor BOCES officials made sure that the internal controls described were actually in place or implemented. Furthermore, the guidelines did not outline a process or procedure for monitoring and reviewing the accuracy of payments to PTEs. Had the Board adopted adequate policies and BOCES officials implemented written procedures requiring supervisors of PTEs to properly monitor days worked by PTEs, updated IEAs could have been approved by the Board in advance.

When BOCES officials allow individuals to work prior to obtaining authorization from the Board, the Board's authority over payroll and personnel decisions is diminished. Furthermore, without clear, pre-approved employment terms, the Board cannot provide sufficient oversight or ensure PTEs are being employed as it intended.

PTEs Did Not Prepare Timesheets or Adequate Support for Hours Worked

PTEs were generally paid accurately, at the approved pay rate and for the correct number of hours or days worked, according to their timesheets. However, of the 26 PTEs we reviewed,² we found that six employees with wage payments totaling \$124,666 were not maintaining timesheets as follows:

- Four employees paid monthly provided no support for hours worked during the month.
- Two individuals employed as workshop presenters were paid at an hourly rate based on the number of attendees at their workshops. Although the employees provided a list of attendees to support their rate of pay, they provided no support for the number of hours they worked.

The Director told us that even though the "internal control narratives" require that every PTE covered by an IEA complete a timesheet, the narratives were

² Ibid.

not distributed to BOCES employees and officials did not ensure that PTEs completed timesheets.

Without properly approved timesheets, BOCES officials cannot ensure PTEs are being paid accurately. The Board is ultimately responsible for establishing adequate internal controls through the adoption of written policies and BOCES officials, such as the Superintendent and Director are responsible for implementing and monitoring compliance with the policies the Board has adopted.

What Do We Recommend?

The Board should:

1. Adopt clear and comprehensive written payroll and personnel policies and procedures governing PTEs and identify the individuals responsible for implementing controls and monitoring for compliance.
2. Require IEAs to be approved prior to the employee's start date and that IEAs authorizing additional time be approved before the maximum hours is reached.
3. Disseminate written policies to employees and require appropriate officials to monitor for compliance.

The Director and BOCES officials should:

4. Comply with any written payroll and personnel policies adopted by the Board.
5. Ensure the proper documentation, including all employment verification documentation is obtained and retained prior to allowing PTEs to work.
6. Develop and implement comprehensive written procedures for processing and monitoring payroll payments to PTEs to ensure they are accurate, properly supported and authorized.
7. Require employee supervisors or department heads to monitor hours worked and salary paid to PTEs and obtain Board approval prior to allowing PTEs to work more than the IEA approved maximum.
8. Ensure PTEs complete and submit signed timesheets to support hours worked.

Appendix A: Response From BOCES Officials



February 24, 2023

Ms. Melissa A Meyers, Chief of Municipal Audits
Office of the NYS State Comptroller – Buffalo Regional Office
295 Main Street, Suite 1032
Buffalo, New York 14203-2510

Re: Report of Examination 2022M - 167

Dear Ms. Meyers:

Erie 1 BOCES would like to start out by thanking the New York State Comptroller's office and its auditors for the professional and open approach that was taken during the audit process. Our mission statement that reads "we commit to those we serve - students, staff and communities by understanding, anticipating, and responding to their needs" drives all that we do. We are deeply committed to providing responsive, high-quality services to the schools that we support. Utilizing a wide array and large number of part-time temporary employees ("PTEs"), each who brings a unique background, knowledge, and skillset to our organization because of the roles that they play, ensures that we provide the requested services needed by the districts. Employees that provide professional development, coordination, consultation, or administrative services support internal needs for our organization as well as provide services directly to our districts.

With regard to the findings noted during the audit, we agree that it is an opportune time to change and update our policies surrounding the hiring, onboarding, and payment of our PTEs. Our Board, component districts and other stakeholders should expect excellent services and tight internal control over all of our finances.

We agree with the finding that a number of the employee agreements were not always approved prior to the part-time temporary employee starting work. This occurred in many cases as we were trying to be responsive to the needs of our partners (the districts), while also considering the fact that our Board meets once a month. The Board has given the district superintendent/designee the ability to approve the hiring of the staff in between meetings, if necessary. However, we recognize that this is intended for a small number of instances and not as the normal practice. We will be addressing this in the corrective action plan ("CAP"). We would like to highlight the fact that **no** part-time temporary employees were **ever** paid until there was board approval. In this section it also called out that 48 of the PTEs were missing required employment paperwork. Since the audit was completed, we found paperwork for 37 of the employees and are missing paperwork for 9 of the 48. I would also like to explain that, at the time of the audit, we were in the process of digitizing all of our employment records and during the project we may

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have temporarily misplaced certain documents during the move and scanning of the records. We will address how we intend to remedy this in our CAP.

We agree on the need to develop better internal policies and controls on preparing timesheets. The challenge we face is that many of our PTE's do not provide services that lend themselves to a specific number of hours and instead are project-based or are performing an ongoing set of duties each month. Several of these employees were called out in the report. Examples of these include professional developers and sports coordinators. During the audit, the auditor suggested project-based contracts or annual contracts to address the issue, both of which would be more appropriate in tracking the work being performed and documenting how the individuals are being paid. Prior to the release of this audit, we implemented some of these changes. In our CAP we will be addressing this issue in determining the best approach to determine the completion of the work which may not always reflect a traditional timesheet. Rather such an employment agreement would define duties and work-based projects to be completed.

We agree with the finding that we need to develop better controls over the monitoring and approval of the PTE days and hours authorized, consistent with the agreements with the PTEs. We would like to again confirm that in the instances mentioned in the audit that **no** payments were **ever** made prior to supervisor and board approval including for hours worked over the original contracts. The internal control processes never allowed for salary payments to be made without the appropriate documentation of approval for the additional hours worked.

Erie 1 BOCES has reviewed the recommendations included in the draft report of examination and agrees to develop a CAP to meet these recommendations. As part of our CAP we have already started implementing some of the recommendations by working on placing the PTEs in our new human resource management program. This includes the ability to provide better record keeping with onboarding, electronic document management, and timekeeping of our employees.

Sincerely,

James Fregelette
Executive Director Administrative Services and Operations

CC: Dr. Michael Capuana, District Superintendent
Erie 1 BOCES - Departments of Finance and Personnel
[REDACTED] Office of the NYS Comptroller

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 reviewed written procedures and the "internal control narratives" and interviewed BOCES officials and employees to gain an understanding of the approval and payroll processes in place relevant for monitoring PTEs.
- We reviewed all 282 IEAs active from July 1, 2020 through March 30, 2022 totaling \$3.2 million to determine whether they were properly requested, approved and filed.
- We identified 92 PTEs paid between July 1, 2021 and March 30, 2022. Of these 92 we selected the 21 who had received pay exceeding \$10,000. Using our professional judgment, we selected five additional employees with different job descriptions and pay cycles below the \$10,000 threshold for a total of 26 employees. We reviewed the 226 pay packets totaling \$385,222 filed with the payroll clerk to verify that payrolls were properly supported, approved and filed.

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. The CAP should be posted to BOCES' website 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

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BUFFALO REGIONAL OFFICE – Melissa A. Myers, Chief of Municipal Audits

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