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OFFICE OF THE STATE COMPTROLLER

June 28, 2010

Dr. Nancy L. Zimpher
Chancellor
State University of New York
State University Plaza
Albany, NY 12246

Re: Report 2010-F-22

Dear Chancellor Zimpher:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution; and Article II, Section 8 of the State Finance Law, we have followed up on the actions taken by officials of the Stony Brook University (Stony Brook) to implement the recommendations contained in our audit report, *Controls Over Selected Payroll Practices* (Report 2007-S-67).

Background, Scope and Objective

Stony Brook's campus includes the Stony Brook University Hospital (Hospital) and the Long Island Veteran's Home (Home). During the Fall 2009 semester, Stony Brook had 11,570 full and part-time employees, including 5,239 Hospital staff. Annually, Stony Brook issues about 328,000 paychecks and payroll advices.

Stony Brook's payroll is processed through the New York State payroll system (PayServ), which 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 their

respective operations any changes that may 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 distribution of paychecks and payroll advices to employees, and for communicating any concerns to Payroll. If an employee does not work in the department, has resigned, or is otherwise not entitled to a paycheck for any reason, the paycheck or payroll advice should be returned to the appropriate unit for further handling.

Our initial audit report, which was issued on January 18, 2008 and covered the period July 1, 2005 through June 30, 2007, examined the system of controls over the removal of individuals from the payroll. The objective of our follow-up was to assess the extent of implementation as of June 3, 2010 of the 11 recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

We found that Stony Brook officials have implemented all of the 11 prior audit recommendations.

Follow-up Observations

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.

Status - Implemented

Agency Action - During our review, we saw memorandums reminding program units to process employee work status changes to OHR in a timely and accurate manner. We also saw additional memorandums that provided periodic reminders.

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.

Status - Implemented

Agency Action - Our review found that Stony Brook's Human Resource Information Systems manager periodically conducted checks of personnel and payroll changes by comparing internal personnel and payroll records to PayServ records. Stony Brook officials advised us that they investigate any differences found during the comparison.

Recommendation 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.

Status - Implemented

Agency Action - We found that Stony Brook officials regularly compared check distribution records with time and attendance sheets to ensure that employees were submitting appropriate time records and were entitled to receive paychecks. During our follow up review, we also found that Stony Brook officials maintain a missing time sheet report. They use this report to determine which paychecks they should hold and which direct deposits they must cancel.

Recommendation 4

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

Status - Implemented

Agency Action - Stony Brook officials have developed comprehensive written policies and procedures for the distribution of payroll checks. Officials informed us that each department is assigned an authorized designee for paycheck pick up and disbursement. The designee is responsible for ensuring that paychecks/advices are distributed only to employees who are entitled to them. We also reviewed documentation indicating that Stony Brook officials provided training to all staff members.

Recommendation 5

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

Status - Implemented

Agency Action - During our review, we found that Stony Brook officials had developed and implemented formal procedures for the timely recovery of payroll overpayments. Officials told us that these new procedures allow them to detect and recover overpayments more efficiently.

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.*

Status - Implemented

Agency Action - Our review found that for the five employees we sampled, Stony Brook officials had maintained complete, accurate and current records of all overpayment recovery activity. The re-payment requests sent included the correct amount of the outstanding balances owed.

Recommendation 7

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

Status - Implemented

Agency Action - We reviewed a sample of uncollected overpayments for five employees. Our review found that Stony Brook officials had referred uncollected overpayments to the Attorney General for further collection efforts in accordance with the DBPRM.

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.

Status - Implemented

Agency Action - Stony Brook officials have established a quality assurance function to ensure that overtime reported on timesheets is properly calculated and input to PayServ. We reviewed a sample of five employees to ensure reported overtime was properly calculated and input to PayServ. We found that overtime was properly calculated and input in all five instances.

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.

Status - Implemented

Agency Action - Stony Brook officials maintained documentation summarizing the data used to calculate overtime adjustments and the reason for the adjustment. During our follow up review, we saw that the documentation was authorized by an appropriate official.

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.

Status - Implemented

Agency Action - During our review, Stony Brook officials advised us that they periodically review the propriety of the “flexible” work schedules used by staff. We found documentation showing that Hospital officials were made aware of schedules that contribute to overtime that might not be necessary.

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.

Status - Implemented

Agency Action - Stony Brook officials advised us that Timekeeping staff are instructed to follow-up with program supervisors when the amounts of overtime indicated on timesheets appear questionable or excessive. During our review, we saw documentation from Timekeeping staff to department supervisors requiring them to provide written justification for employees working more than 25 hours of overtime per week.

Major contributors to this report were Stephen Lynch, Tania Zino and John Ames.

We thank the management and staff of Stony Brook for the courtesies and cooperation extended to our auditor during this process.

Very truly yours,

Kenrick Sifontes
Audit Manager

cc. Dr. Samuel L. Stanley Jr. - President, SUNY Stony Brook
Michael Abbott - SUNY University Auditor
Thomas Lukacs - DOB