

**CITY OF BUFFALO
DEPARTMENT OF AUDIT AND CONTROL**

**AUDIT REPORT
PAYROLL PROCEDURES OF THE EXEMPT
EMPLOYEES OF THE BUFFALO PUBLIC SCHOOL
DISTRICT**

**MARK J.F. SCHROEDER
COMPTROLLER**



**ANNE FORTI-SCIARRINO
FIRST DEPUTY COMPTROLLER**

**KEVIN J. KAUFMAN, CPA
CITY AUDITOR**

OCTOBER 2014

Preface

In accordance with the goals set forth in the Annual Audit Plan, we conducted an audit of the payroll and payroll processing functions of the Buffalo Public School District (BPS) Exempt Employees. The audit reviewed exempt employees' employment contracts and covered the time period from January 1, 2013 to December 31, 2013.

The City of Buffalo (the City) expends approximately \$70 million or 14% of total expenditures on education, all directed through the BPS. Payroll is the BPS's largest expense. Therefore an evaluation of the BPS's payroll process is an appropriate use of our resources and meets the goals of our annual audit plan.

Audit Objectives

The objectives of the audit are to document the terms of the BPS exempt employee employment contracts, determine if the terms are being followed and to determine the accuracy and validity of the payroll transactions related to those employees.

To achieve these objectives the following procedures were performed:

- Review Employment Contracts and document terms.
- Test terms of contract by:
 - Verifying professional credentials required by contract have been obtained and are current.
 - Reviewing timesheets, noting hours worked and approval of hours.
 - Reviewing paychecks, including gross pay and medical premium deductions and determine if amounts are in accordance with contracts.
 - Reviewing BPS 2013 vendor payment list to determine if exempt employees received payments as vendors, and determine if allowable in accordance with contract.
 - Determining if employees have other income sources not allowed in accordance with their contract.

Audit Findings

1. Summary of Employment Contracts

We reviewed the following employment contracts:

Name	Title	Salary
Brown, Pamela *	Superintendent of Schools	\$ 217,500
Guinn, Mary	Deputy Superintendent	\$ 175,000
Smith, Barb	CFO/COO	\$ 160,000
Giusiana, Joseph	Chief Operations Officer	\$ 139,050
Sykes, Debra	Chief of Strategic Alignment & Innovation	\$ 136,500
Alexander, Faith *	Chief of School Leadership	\$ 135,000
Harrington, Casandra	Chief of School Leadership	\$ 135,000
Mauricio, David	Chief of School Leadership	\$ 135,000
Keresztes, Will	Chief of Student Support	\$ 134,160
Williams, Yamilette *	Chief of Curriculum	\$ 130,000
Martin, Rashondra	General Counsel	\$ 127,500
Brown, Darren	Chief of Talent Mgmt	\$ 125,000
Boorady, Margaret	Community Superintendent	\$ 119,000
Kane, James	Executive Director of Operations	\$ 110,000
Pritchard, Geoffrey	Deputy CFO/Comptroller	\$ 95,000
Lorentz, Brian	Deputy Director of HR	\$ 93,000
Putrino, Chris	Assistant Legal Counsel II	\$ 90,000
Cala, Elena	Special Asst to Superintendent	\$ 82,000
Kuzma, Nathaniel	Assistant Legal Counsel I	\$ 82,000
Koepfel, Craig	Director of Purchase	\$ 79,000
Wilson, Gary	Assistant Legal Counsel I	\$ 75,500
Marchese, Karen	Director of Recruitment and EE Services	\$ 75,000
Fanelli, Patrick	Executive Special Asst	\$ 68,000
* No longer employed by the BPS		

Most contracts include 40 days of paid time off (PTO) annually. PTO includes vacation, sick and personal days, but does not include holidays. All contracts require a 20% employee contribution to health insurance premiums. All salaries but the Superintendent's can be increased at the Superintendent's discretion. The Superintendent's salary can only be increased by the Board of Education.

2. Professional Credentials

Several contracts require professional credentials as a term of employment. The credentials include teaching licenses, NYS School District Administrator Certificate, NYS School District Leader Certificate, Certified Public Accountant, Law License and Engineering license. We noted that two individuals did not have the proper credentials. These individuals were terminated during 2013.

3. Timesheets Not Complete

Timesheets are not filled out by employees. Timesheets do not document hours worked, but instead document hours not present, such as sick and vacation time used.

4. Approval of Timesheets

Most timesheets are not signed off on by the employee, as only 25% of timesheets reviewed were signed off on by the employee. On 49% of timesheets reviewed a supervisor's signature was observed, denoting review and approval. On 48% of timesheets, a stamp of the superintendent's signature was noted, but it is unknown if the superintendent actual reviewed the timesheets.

5. Vendor Payments

We obtained a list of payments the BPS made to vendors for the year ended December 31, 2014. We scanned the list and noted 5 employees included in our audit were paid as vendors. We reviewed support for the disbursements and it appears the expenditures were valid as the disbursements were for travel reimbursements.

6. Outside Employment

In reviewing the employment contracts, many of the exempt employees are prohibited from having employment outside of the BPS. We performed an internet search of the employees to see if we could determine if any outside work was being performed. The test did not provide any verification that employees have obtained employment outside of the BPS.

7. Medical Premiums

In accordance with the employment contracts, employees are required to pay 20% of their medical insurance premiums. We obtained a medical bill and paystubs to determine the proper amount of medical premiums were deducted from employee paychecks. Amounts deducted appear to be proper.

Audit Recommendations

1. Employment Contracts

Evaluate the number of days PTO to be granted to employees in employment contracts. Granting employees 40 days of PTO annually is extremely expensive for the BPS, as 40 days of work from each of these highly compensated employees is lost. The 40 days equates to 26 vacation days, 12 sick days and 2 personal days.

The average annual vacation granted to state and local government workers is 18 days, according to the U.S. Department of Labor, Bureau of Labor Statistics. Granting these employees 8 vacation days more than the average, costs the BPS over \$3,600 per exempt employee, or approximately \$84,000 for all employees included in our testing.

2. Professional Credentials

Professional credentials should be verified prior to the start of employment. Many professional credentials require renewal every few years such as Certified Public Accountant licenses and Attorney Registration. A procedure should be developed to verify the employee has kept up these professional credentials throughout the term of the employment contract.

3. Timesheets not Complete

Timesheets should document hours worked. It should be verified that the exempt employees are meeting the time documentation standards required by the New York State Retirement System. In accordance with the Retirement System regulations, if time and attendance records are not kept for these employees, they must maintain a certified record of activities of their work.

4. Approval of Timesheets

Timesheets should be reviewed and approved by a supervisor with direct knowledge of the employees' time worked. The timesheet should contain a certification acknowledging the review of the employees' time which would be signed by the supervisor. Additionally there should be a certification by the employee that work was performed only for the BPS during the hours listed.



BUFFALO PUBLIC SCHOOLS

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November 25, 2014

Kevin Kaufman, CPA
City Auditor
City of Buffalo
65 Niagara Square
Room 1230
Buffalo, NY 14202

Re: Response to City Comptroller Audit

Dear Mr. Kaufman:

I am in receipt of your Audit Report on the Payroll Procedures of the Exempt Employees of the Buffalo School District for the period January 1, 2013 to December 31, 2013. While I was not employed by the District during the audit period, I have reviewed the recommendations with staff and offer the following responses to the Recommendations:

- 1. Employment Contracts** - When comparing the exempt employees' contracts to national statistics or any other group for that matter, it is important to look at the overall compensation package for similarly situated employees. National reports such as those sited in the audit report aggregate all levels of employees and tenure from laborers to clerical staff. Exempt employees tend to work more hours, have less job security, be more tenured and have more credentials than the "average state and local government employee". A better comparison would not only be another urban District, but one that considers the compensation package in conjunction with the work responsibilities and volume; all of which go into setting a salary. By way of example, Buffalo central office administrators covered by a collective bargaining agreement have a total of 43 Personal Time Off (PTO) days that includes vacation, personal and sick leave plus an additional 10 to 12 days off for Christmas and Easter breaks for a total of 53 to 55 paid days off per year. This is not unusual for unionized school administrators in New York State. In Buffalo, the unionized administrators are also entitled to overtime and do not contribute to health insurance. In contrast, the exempt employees do not have union protection, are not entitled to overtime, contribute 20% towards their health insurance, and work hundreds more hours annually. Exempt staff are expected to attend after hour Board, parent and community meetings which alone add 300 hours per year.

Separately from the audit recommendation, the District has begun to review exempt contracts and is considering a differentiated compensation package. If the Comptroller's Office has comparable

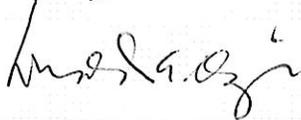
exempt administrator compensation packages, we would be happy to review the data as we consider changes going forward.

2. **Professional Credentials** - The Human Resources Department has developed procedures to ensure that Exempt employees will not be hired unless the necessary certifications or licenses are issued prior to the first day of employment. The Department will also verify that the appropriate certifications and licenses are in place each July 1st by maintaining an established file for all exempts and required credentials. Continued employment will be dependent on the employee maintaining proper credentials.
3. **Timesheets Not Complete** – Generally speaking, the District does not use timesheets to document hours worked for any of its salaried employees as time is reported on an exception basis. Since the standard hours of work are established by the District based on location (City Hall, Service Center), the District utilizes statements of service for its salaried employees, such that employees mark hours or days they are absent. This practice is district-wide, not just true of exempt employees. However, the District is in the process of testing a new automated time keeping system that would require employees to log in/out. The implementation of the system is anticipated to occur in stages over the next year. Exempt employees will be one of the first groups to utilize the system when it is ready.

In addition to the above, it is worth noting that per the Fair Labor Standards Act (FLSA), “Exempt” employees are entitled to receive the full amount of the base salary in any work period during which s/he performs any work. With this in mind, tracking specific hours worked each day is irrelevant. With a “working period” being the two week pay cycle, an exempt employee can and should acknowledge that s/he performed work duties, and for accountability purposes, it is appropriate to verify the days that work was performed, but it is generally not a recognized practice to have exempt employees report specific hours worked or punch-in, punch-out.

4. **Approval of Timesheets** - We agree that exempt employees should have a standard practice of initialing their statements of service indicating it is accurate and then the statement should be signed by their supervisor. This practice is currently followed by some, but not all, exempt employees.

Sincerely,



Donald A. Ogilvie
Interim Superintendent

DAO:lhb

Cc: Barbara J. Smith
Mark Schroeder