

South Buffalo Charter School

Employee Compensation

MARCH 2018



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

South Buffalo Charter School

Audit Objective

Determine whether employee compensation was accurate, supported and properly authorized.

Key Findings

- Employee compensation was not specified in the collective bargaining agreement (CBA) or written employment contracts and not supported by written documentation.
- The former Superintendent established employee compensation without adequate Board oversight.

Key Recommendations

- Ensure employee compensation is specified in the CBA, written employment contracts, Board resolutions or policy.
- Adopt clear and comprehensive written payroll policies.

School officials agreed with our recommendations and indicated they planned to initiate correction action.

Background

The South Buffalo Charter School (School) is located in the City of Buffalo in Erie County. The School was established in 1999 and granted a five-year charter by the State University of New York Board of Regents in the fall of 2000. The charter was renewed in February 2015.

The School is governed by an eight-member Board of Trustees (Board) responsible for the School's financial and educational affairs. The School Superintendent (Superintendent) is responsible, along with other administrative staff, for the day-to-day management under the Board's direction.

A human resources/payroll clerk (clerk) is responsible for entering pay rates and processing payroll. The Superintendent reviews the clerk's work and certifies payroll.

Quick Facts

Employees	110
Enrollment	900
2016-17 Operating Expenses	\$11.2 million
2016-17 Salaries and Wages	\$5.7 million

Audit Period

July 1, 2015 – July 31, 2017

We extended our audit period to July 1, 2014 to review retroactive payments.

Employee Compensation

A charter school is a public school financed by local, State and federal resources that is not under the control of a local school board. Charter schools generally have fewer legal operational requirements than traditional public schools. Most of the regulations for a charter school are contained in Article 56 of the New York State Education Law and its bylaws, charter agreement and fiscal/financial management plans.

How Should Employee Compensation Be Determined?

The Board should authorize and approve all salaries and wages paid to employees and any additional compensation, such as stipends provided to them.¹ The Board should document this approval by resolution, CBA, employment contract or approved policy document. Such documentation communicates the Board's intent to the administrators and employees who must execute the procedures and provides transparency to the public and other interested stakeholders. The Board is responsible for establishing and monitoring compliance with policies governing the School's financial affairs including payroll and personnel matters.

Employee Compensation Was Not Supported by Written Documentation

Salaries and wages were not specified in the CBA or written employment contracts. Individuals working in instructional titles were covered under the current CBA (ratified in April 2017 with provisions retroactive to July 1, 2015). However, the salary schedule was not included in the CBA and School officials did not have an original or printed copy of the salary schedule referenced in the CBA. Further, employees working in non-instructional titles are not covered by the CBA and did not have individual employment contracts.

School officials told us that before the CBA was ratified, the former Superintendent (who resigned in April 2017) determined annual salaries and other compensation including any stipends for all employees. He provided the clerk with a computerized spreadsheet, which listed the salary or hourly pay rate for each employee. The clerk used this spreadsheet's information to enter the pay rates into the computerized payroll system, but did not print or retain a secure version of the original spreadsheet. The former Superintendent did not document decisions in the employees' personnel files and employees were not provided with annual salary notices or written documentation of their salaries for the upcoming fiscal year.

¹ The School's Charter requires the Board to authorize and approve salaries and benefits.

School officials provided us with a computerized spreadsheet that they told us was the schedule from the CBA. The clerk provided us with the spreadsheet used to process payroll for non-instructional employees. We reviewed all salary payments and other compensation provided to 21 employees totaling more than \$2.3 million during the audit period.² Other than minor discrepancies, which we discussed with School officials, we found that employees were paid the base salaries documented in these spreadsheets.

The spreadsheets provided to us were used to process payroll. However, School officials were unable to show that these schedules were true and accurate representations of the compensation amounts authorized by the former Superintendent or that the Board intended to provide to these employees because there were no enabled application controls to protect the spreadsheet data's integrity and prevent unauthorized modifications.

Without adequate written documentation to support employee compensation, School officials cannot ensure employees are being paid accurately and as the Board intended.

Adequate Policies Were Not Adopted and Sufficient Oversight Was Not Provided

The Board did not provide adequate direction for staff to follow when determining employee compensation and allowed the former Superintendent to establish employee compensation without adequate oversight. Although School officials have a financial policy manual, it was not approved by the Board and officials did not always implement or follow the manual's payroll policies.

The manual states that salaries for all unionized employees shall be determined by the CBA and that salary rates for all non-unionized employees shall be determined by the Superintendent, subject to budgetary provisions approved by the Board. However, salaries were not established by the CBA for instructional employees.

Additionally, the policies contained in the manual were not consistent with provisions in the School's bylaws and charter, which indicate that the Board would establish salaries and compensation for all employees. As a result, School officials lack a clear and comprehensive written policy governing employee compensation. Without clear, defined compensation terms or sufficient oversight in the determination of compensation for employees, the Board cannot ensure employees are being paid appropriately or as it intended.

² Refer to Appendix B for further information on our sample selection.

Board members told us that the former Superintendent determined employee salaries and other compensation on the Board's behalf because they did not want to micromanage and felt it was appropriate to delegate this authority. They also told us that their annual budget review was sufficient oversight of payroll and personnel matters. However, the budget shows total instructional and non-instructional salaries and not compensation amounts by employee or position. In addition, the Board's decisions regarding employee compensation should either be documented in the Board minutes or in written employment agreements that could be made available to the public, if requested.

The Board's lack of involvement in establishing employee compensation undermines the transparency of the School's financial operations. As a primarily publicly-funded institution, the School's financial operations, including the salaries and compensation provided to employees, should be open and transparent to all stakeholders.

What Do We Recommend?

The Board should:

1. Ensure all employee compensation is specified in the CBA, written employment contracts, Board resolutions or policy.
2. Adopt clear and comprehensive written policies governing employee compensation, which are consistent with the bylaws and charter.

School officials should:

3. Ensure adequate written documentation pertaining to employee compensation is retained in personnel files and annually provided to employees.

Appendix A: Response From School Officials



South Buffalo Charter School

154 South Ogden Street Buffalo, NY 14210

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March 19, 2018

Jeffrey D. Mazula
Chief Examiner
Office of the New York State Comptroller
295 Main Street, Suite 1032
Buffalo, NY 14203-2510

Re: Employee Compensation Report of Examination, 2018M-1

Dear Mr. Mazula:

The Board of Trustees of South Buffalo Charter School (“SBCS”) has reviewed the above noted report of examination and appreciates the opportunity to address its findings and recommendations. SBCS’s comments on the recommendations contained within the report are noted below.

Recommendation: The Board should ensure all employee compensation is specified in the Collective Bargaining Agreement, written employment contracts, Board resolutions or policy. The Board should adopt clear and comprehensive written policies governing employee compensation, which are consistent with the bylaws and charter.

Response: SBCS concurs with the recommendation and will adopt a compensation approval policy incorporating the above noted recommendations. In addition, SBCS will review its Collective Bargaining Agreement and Employee Handbook to determine whether modifications to compensation related clauses are required.

Recommendation: School officials should ensure adequate written documentation pertaining to employee compensation is retained in personnel files and annually provided to employees.

Response: SBCS concurs with the recommendation and will ensure that approval for all components of employee compensation, including stipends, is retained in personnel files. In addition, compensation will be communicated to employees via the Collective Bargaining Agreement, written employment contracts or written employment offers.

SBCS appreciates the opportunity to review and strengthen its control over publically provided funds and respects the insights provided as a result of your review.

Yours truly,

Christopher J. Schafer
President, Board of Trustees

cc: Board of Trustees
David J. Ehrle

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 Section 2854 of the New York State Education Law, as amended by Chapter 56 of the Laws of 2014. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We reviewed the School's bylaws, charter, and personnel and payroll related policies and interviewed School officials to gain an understanding of the current payroll process and procedures.
- We reviewed the CBA, Board meeting minutes, annual budgets and computerized salary schedules and personnel files to obtain information about employee compensation.
- We reviewed all salary and other compensation payments made to a judgmental sample of 21 employees during the period July 1, 2015 through June 30, 2017. Our sample included 11 instructional employees and 10 non-instructional employees. We selected these employees using a risk based approach which included selecting key officials such as high-ranking administrators, the individual processing payroll and employees who received a raise at the beginning of the 2015-16 school year or were receiving the highest rates of pay.
- For all employees in our sample, we compared payroll and earnings records to the computerized salary schedules used by officials to process payroll and investigated any differences. For any amounts paid in excess of annual salaries, we determined whether the amounts paid were for valid purposes, such as stipends or overtime, and properly supported by approved timesheets or written approval.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). 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 relevant population size and the sample selected for examination.

The Board has the responsibility to initiate corrective action. We encourage the Board to prepare a plan of action that addresses the recommendations in this report and forward the plan to our office within 90 days.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

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

www.osc.state.ny.us/localgov/costsavings/index.htm

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

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

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

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lgmg

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

www.osc.state.ny.us/localgov/planbudget/index.htm

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

www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.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/localgov/finreporting/index.htm

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

www.osc.state.ny.us/localgov/researchpubs/index.htm

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/localgov/academy/index.htm

Contact

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