



Robert E. Antonacci II, CPA
Comptroller

COUNTY OF ONONDAGA

Office of the
County Comptroller

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James V. Maturo
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September 20, 2016

Re: 2017 Budget

Honorable Members of the Onondaga County Legislature Ways and Means Committee:

The County Executive's Tentative Budget calls for removing the entire non-supervisory payroll audit staff which represents 18.75% of the entire Comptroller's staff of 32. These draconian cuts along with other salary reductions total a 27% reduction in the Comptroller's Department salary budget. There are many words to describe the County Executive's proposal, including bullying, but in the end these crippling cuts only hurt the taxpayers by removing Charter and Administrative oversight and independence from the office of the County Comptroller.

To the best of our knowledge there has been no analysis, study or report done by the Administration to justify the removal of these six employees from the Comptroller's staff. Nor has my department been advised as to how we are to continue our payroll audit duties.

The heart of the matter is the Comptroller is charged with oversight functions. As an independently elected official, the Comptroller is not only the chief accounting and auditing officer of Onondaga County, but is also charged to "audit and certify for payment all lawful claims or charges against the County, whether for payroll or otherwise" (See Administrative Code §5.02(d)).

PEOPLESOFT

The 2017 budget hearings will mark the 5th year in a row that the Legislature will be told that the County will be "going live" with the PeopleSoft Payroll module "next year". This runaway project continues to be a drain on County personnel and a financial money pit. The fact the County has been trying to implement the payroll module for **4 YEARS** clearly demonstrates the system is too big and too complicated for Onondaga County. The Administration has not spent the taxpayers' dollars wisely or effectively on consultants.

The County Comptroller's Office deals with the PeopleSoft system more than any other County Department. Our staff is in the system all day, every day. The system is complicated, convoluted and frustratingly slow. It is difficult to get information into the system and harder yet to get useful information out of the system, but we have told you that before. I would like to take this opportunity to share with the Legislature two of the many alarming issues the Comptroller's Office faces when dealing with PeopleSoft.

The first is the system “allows” negative encumbrance and pre-encumbrance balances in the budget control module. A pre-encumbrance is a requisition for goods or services entered by a department at the beginning of the purchasing process. An encumbrance is a legal commitment in the form of a purchase order or a contract. These accounts hold appropriation balances so that when it comes time to actually pay the vendor we can be assured there are available appropriations to complete the transaction. A negative encumbrance and/or pre-encumbrance increases the department’s appropriation balance higher than what is legally available to spend. Since there is no safe guard in the system to prevent this error from happening nor is there any system generated message that this has taken place, we work for PeopleSoft instead of PeopleSoft working for us to insure we catch and correct these issues before the budget is exceeded. Last year we had a department with a negative encumbrance of \$2.3 million dollars. Fortunately the Comptroller’s Office caught this error in a timely fashion.

The second issue is at year-end the Comptroller’s Office is required to carry forward our outstanding purchase orders and contracts into the next year with a portion of the budget. This is done to honor our previous commitments without affecting the new year’s budget. This process, called the encumbrance carry forward, was run in the prior accounting system with the touch of a button. In PeopleSoft it now takes two accountants 3 days to perform this operation. The reason is simple, the system is slow and the accounts are wrong. The outstanding purchase orders and contracts from the purchasing module do not balance to the amounts stated in the budget module. These amounts need to be reconciled prior the actual carry forward of encumbrances.

Below is the error rate for some of our larger departments over the last two years:

	<u>2014</u>	<u>2015</u>	
Health Department	17%	71%	(not a transposition error)
Parks Department	38%	33%	
DSS, Adult, Child	24%	20%	
Sheriff	25%	26%	
Water Board	39%	17%	
WEP	5%	17%	
Library	17%	10%	

Plain and simple, these errors should be caught at the department level as they arise. I will not make excuses for the departmental fiscal officers, but I believe this shows how difficult it is to work within the PeopleSoft system.

The Administration wants you to believe the payroll module is somehow going to miraculously prevent errors all on its own. That is the same bill of goods we were sold on the other PeopleSoft modules. You can see by the two examples above why I do not share in the Administration’s optimism. My staff has been involved with the PeopleSoft Project from the start in 2010. The PeopleSoft system is not the savior the Administration wants you to believe it is. It is an albatross around the County’s neck. We will be paying for choosing this system for years to come.

In regards to the payroll module, one question remains: Is there an acceptable percentage of wrong payroll transactions?

PAYROLL AUDITING SECTION

Whether payroll is calculated by PeopleSoft or written on the back of a napkin it must be audited and certified by the Office of County Comptroller. There is risk inherent in every system and no system is foolproof which is why the founders of our government created the Comptroller's office for oversight and accountability.

The Payroll Preaudit & Reporting section of the Comptroller's Office is overseen by a Grade 13 Payroll Auditor who supervises one funded Account Clerk 3 and five Account Clerks 2. The Tentative Budget would leave the Comptroller with the Payroll Auditor and one unfunded Account Clerk 3. It would literally be impossible for the Comptroller's Office to continue its audit oversight of payroll, which it has done for decades, without these positions being restored.

During the September 19th Ways and Means hearing on the Tentative Budget, Legislator Jordan asked some basic questions about this proposal. First he asked whether Chief Fiscal Officer Steve Morgan knew what these individuals did. CFO Morgan acknowledged he did not know. Legislator Jordan then turned to Deputy County Executive William Fisher and asked him whether he knew what these six employees did. After some time, he too ultimately admitted he did not know the exact nature of their work. Deputy Comptroller James Maturo then spoke to what these employees do on a regular basis, which is audit the payroll. Mr. Maturo went on to invite any member of the Legislature so inclined to visit the 14th floor Comptroller's Office and see for themselves and watch these employees as they audit over 3,000 employee payroll records on a biweekly basis.

It should also be noted the County Executive unilaterally removed the positions from the Comptroller's Office without the consent of the Comptroller and without any input from the Comptroller or deputies.

If the six employees are not restored to the Payroll Preaudit & Reporting section, the Comptroller's Office will be unable to do its Charter and Administrative duties. I kindly remind this committee of the chaos encountered by National Grid when that organization attempted to install a payroll system prematurely. Besides being embarrassed and causing stress in the finances of its employees, National Grid was fined significantly by the appropriate authorities. We must all work together to prevent this chaos from potentially happening in Onondaga County.

We are aware of the representations the County is facing a tough fiscal climate. However, when one looks at an overall budget picture which includes the addition of 53 new positions and the only department which is being gutted is the Comptroller's Office, it is clear to me the cuts were specifically geared towards eliminating the Comptroller's independence and oversight ability.

GENERAL MATTERS

The Comptroller's Office has 32 funded and 3 unfunded positions. Our requested budget included the funding for those 32 positions at the contracted rates for 2017. All of the Direct Appropriation budget lines were kept flat from the 2016 adopted budget with the exception of account A694080 – Professional Services and A694100 – All other Expenses.

The A694080 account is up \$8,900 due to the fact the post employment liability (OPEB) actuarial valuation for 2017 needs to be a complete valuation of the plan. This is required every two years and in the off years an update is supplied at a substantially lower rate. For 2016 that rate was \$2,000.

The A694100 account is down \$11,763 from the 2016 adopted budget amount. This is due to the County's audit service contract was put out for proposal at the end of 2015 and we received a better contract rate.

The Interdepartmental Appropriations are provided by Management and Budget.

The Direct Revenue Accounts are also flat from the 2016 adopted budget and includes our piece of room occupancy taxes in the amount of \$49,433. As you may be aware, the Comptroller's Audit Section performs hotel audits to insure that the proper amount of room occupancy taxes are remitted to the County.

The Interdepartmental Revenue account represents the charges by the Comptroller's Office to the Internal Service Fund for work performed on Health, Dental and Workers Compensation payments.

CONCLUSION

I urge this Legislature to restore the six positions and the corresponding \$258,132.00 to the Comptroller's budget. Even with this restoration, the Comptroller's salary budget will have been cut approximately \$221,000.00, or 13%. This 13% cut is disproportionate when compared to other elected officials' salary budgets as the District Attorney's Office and County Clerk's Office will each see 9% cuts, *yet* the County Executive and Legislature salary budgets will see increases.

Sincerely,



Robert E. Antonacci