



Barry L. Kluger  
Inspector General

## Office of the Inspector General

Metropolitan Transportation Authority  
Two Penn Plaza, 5<sup>th</sup> Floor  
New York, New York 10121  
212-878-0000

March 22, 2019

Mr. Wael Hibri  
Senior Director  
MTA Business Service Center  
333 West 34<sup>th</sup> Street, 10<sup>th</sup> Floor  
New York, NY 10001

**Re: Accuracy of Final Payments to  
MTAHQ Employees  
MTA/OIG #2018-53**

Dear Mr. Hibri:

The Metropolitan Transportation Authority Business Service Center (BSC) Division of Time and Labor (Time and Labor) is responsible for managing certain aspects of the timekeeping process for MTA Headquarters (MTAHQ) employees, including the calculation of the final payments owed to employees leaving the agency through retirement, resignation, or termination. Specifically, when an employee leaves MTAHQ, he or she receives one final regular paycheck and then BSC makes one final payout to compensate the employee for any unsatisfied leave balances and correct any errors that might have occurred during his or her tenure.

After a number of errors in calculating payouts came to our attention, the Office of the MTA Inspector General (OIG) commenced a review of Time and Labor's administration of final payout hours to MTAHQ employees to determine if opportunities exist to improve the Division's performance. We conducted extensive interviews of Time and Labor, BSC Payroll, and MTAHQ Human Resources officials, and analyzed payroll and timekeeping records for the 162 MTAHQ employees who left the agency in 2017.

We found that 32 out of those 162 employees (20 percent) received wages in their final regular paychecks for hours they had not actually worked. We learned that Time and Labor's final payout process included a mechanism to identify employees who had been overpaid; however, this mechanism failed to control overpayments in 8 out of 32 instances (25 percent). Additionally, we learned that when BSC did discover that a former employee had been overpaid—and thus owed the agency money—BSC did not have a timely, reliable process for contacting the former employee to request reimbursement.

We provided a draft report of our findings and recommendations to the agency on January 15, 2019. In your letter dated March 5, 2019, on behalf of the agency, you stated that in light of the issues identified by the OIG audit, BSC has "evaluated our process and taken actions to ensure

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tighter controls and better communication” in the final payout process. Your response to each of our recommendations is incorporated below.

## **BACKGROUND**

Uniquely among MTA agencies, MTAHQ employees receive wages before they submit their PeopleSoft timesheets to document the actual time worked. For example, a paycheck issued October 3, covers the preceding two-week pay cycle (e.g. September 20 – October 3). However, MTAHQ employees do not submit their timesheets for that period until the end of the cycle (October 3), after which supervisors still have to give approval for the timesheets to be final. Thus, the PeopleSoft system does not include up-to-date time and leave information when it calculates the wages to be paid each cycle. For example, if an employee took vacation leave on September 21, during a September 20 - October 3 pay cycle, PeopleSoft would not debit this leave usage in connection with the employee’s paycheck on October 3. Only after the employee submits the timesheet (on October 3 or later) and the supervisor approves it, will the leave balance be debited. As such, debiting could take place during the next pay cycle or months later, depending on the approval date. PeopleSoft will continue to pay all employees on the scheduled pay date regardless of whether their timesheets are approved, but leave balances will remain unadjusted until approval occurs. Even when an employee leaves MTAHQ, time and leave balance reconciliation must await approval of the employee’s timesheets.

Upon the employee’s departure from MTAHQ, his or her department is responsible for informing Human Resources, which then enters the termination date in PeopleSoft. However, because of the in-advance nature of the pay system, an employee will receive unearned wages if Human Resources does not enter the termination date at least one week before paychecks are issued. Using the time period from the above example, if Friday, September 28, is the employee’s last day of work, Human Resources must make that entry by Wednesday, September 26, to avoid the employee being paid for the days from September 28, to the end of the cycle. However, the operating departments do not always give timely notice, meaning the employee continues to receive unearned pay until the termination date is entered.

Time and Labor officials use the final payout process to detect any of these overpayments, such as those after September 28, in our above example, and to make the necessary adjustments. First, according to their protocol, these officials generate and review a Termination Report listing the employees who left the agency within an earlier prescribed time period. Next, the officials fill out a Payout Form for each person they have identified. Time and Labor then extracts the former employee’s leave balances from PeopleSoft and manually records on the Payout Form (1) how many hours of pay BSC owes the employee for each type of leave and (2) how many hours—if any—MTAHQ has overpaid the employee.

If the number of accumulated leave hours is greater than the number of erroneously paid hours, Time and Labor is responsible for emailing the resulting figures to BSC Payroll, which manually

balances the hours and then processes the final payout check through PeopleSoft. Conversely, if the employee's unearned hours exceed those for which the employee is owed compensation, the details are again communicated to BSC Payroll, which then calculates the dollar amount of the overpayment. The employee is then supposed to receive a letter requesting that he or she reimburse the agency by sending a check to BSC Payroll.

## FINDINGS

### Process for Calculating Final Payout Needs Improvement

In 2017, 162 employees separated from MTAHQ through retirement, termination, and resignation. We reviewed payroll records to determine whether any of these employees received pay for unearned hours upon leaving MTAHQ. When we identified an apparent overpayment, we discussed it with officials in both the Time and Labor and Payroll units to identify the likely cause.

Our review found that MTAHQ overpaid 32 of the 162 employees in the final regular paycheck. In 24 of these 32 cases, during the subsequent final payout process, Time and Labor correctly detected unearned hours for which an employee had been paid and subtracted these hours from the employee's final payout. However, in the eight remaining cases, the overpayments were either not detected or not addressed, resulting in former MTAHQ employees being overpaid \$12,850 for nearly 400 unearned hours. We found several causes of these eight overpayments, which we describe below.

#### 1. Communication Breakdowns

In one case, a former employee received three regular paychecks, totaling \$6,133 for 224 unearned hours following his resignation on September 8, 2017. In October 2017, this individual notified an official in his former department that he was still being paid despite having provided the head of his department a resignation letter two weeks in advance. On October 18, 2017, the official notified Human Resources of the departure; Human Resources, in turn, informed an official of Time and Labor via email about the termination and also entered the termination date in PeopleSoft. When we spoke to the Time and Labor official about this case in April 2018—a full six months after the employee's resignation—she asserted that she did not remember receiving the email and that she was unaware of the significant overpayment. She also asserted that the Termination Report, Time and Labor's tool for identifying departing employees, captured only departures occurring up to 21 days prior to the Report's creation. Thus, she concluded, the overpayment occurred, at least in part, because the former employee's separation happened six weeks before the problem came to light, meaning that his departure was not captured by the three-week window.

Further, as of October 2018, reimbursement from the former employee for the overpayment had not been sought by Time and Labor and/or Human Resources officials, because these officials could not agree which of them bore responsibility for contacting the former employee, each placing the onus on the other. Thus, although both MTA units received information in April 2018, that the former employee had received pay for 224 unearned hours, neither took further action to recoup the funds owed to the agency.

## 2. Final Timesheets Not Approved

In a second case, a former employee was overpaid because her supervisor did not approve her last timesheet. As part of the final payout process, Time and Labor is responsible for verifying whether all timesheets have been submitted by the employee and approved by a designated approver. We learned that while completing a Payout Form, Time and Labor found that a former employee who had an unapproved timesheet had been paid \$384 for 14 unearned hours. Time and Labor attempted to contact the designated approver for two months in 2017 without success, but then took no further action—such as contacting another official in the employee’s operating department—to document and recoup the overpayment. More than a year later, after the OIG brought this oversight to officials’ attention, Time and Labor asked an MTAHQ manager to authorize the timesheets. In August 2018, MTAHQ Human Resources requested repayment.

## 3. Errors in Communicating Final Payout Hours

In five other cases, a former MTAHQ employee was overpaid because Time and Labor’s notification to Payroll regarding final payout hours included errors. In each case we determined that Time and Labor accurately calculated the number of unearned hours and wrote the correct figure on each Payout Form, but then erred when transcribing the information into the email that served as the official notification to Payroll. Time and Labor was unaware of these overpayments, which totaled \$6,333 for 138 hours, until we shared the results of our analysis. As of October 2018, two of the five former employees have repaid BSC a total of \$2,865, leaving a total of \$3,468 to be recouped from the remaining three employees.

## 4. Delays in Communicating Need for Reimbursement

While calculating the final payout for an eighth employee, Time and Labor determined that this individual had received pay for 18 hours in excess of his valid accumulated leave balance. However, Time and Labor did not inform MTAHQ Human Resources of this erroneous payment until nine months later—after the OIG had begun this review. A Time and Labor official was unable to explain the delay. Subsequently, we learned that as of October 2018, Human Resources officials failed to act on Time and Labor’s email—sent seven months earlier—

notifying them of the error, which failure in turn prevented Payroll from calculating the amount overpaid.<sup>1</sup>

The eight cases described above illustrate deficiencies inherent in a final payout process that relies on manual calculations, paper-based documentation, and ad hoc communications among the various units involved in calculating and processing the payouts. PeopleSoft is not programmed to alert relevant personnel about imminent or recent separations from the agency, or when there is a delay in addressing a final payout, e.g. when an employee has outstanding timesheets. For this reason, Time and Labor may fail to recognize that an employee has left the agency or that a final payout process is pending. In addition, Time and Labor's practice of composing new emails instead of using templates or forms to transmit critical payout information to BSC Payroll and MTAHQ Human Resources officials is inefficient, and increases the potential for human error and the likelihood that an employee's final payout will be incorrect.

### **Misinterpretation of Agency Leave Policy Resulted in Overpayment**

Aside from these eight instances, we found an additional case of overpayment that was caused by an apparent misapplication of agency leave policy. According to MTA All-Agency Policy Directive 11-017, "Vacation/Personal Leave" (Leave Policy), upon separation from the agency an employee may receive a cash payment for accumulated vacation and personal leave, up to a maximum number of hours based on his or her years of service.<sup>2</sup> During our review, we came across one employee who left MTAHQ with a vacation leave balance of 456 hours – 40 hours more than the maximum for which he was entitled to be paid. When completing the Payout Form, Time and Labor determined that the employee's last regular paycheck included an overpayment for 22.5 hours. However, Time and Labor officials *intentionally* overlooked the unearned hours, because they considered these hours to be effectively covered by the employee's 40 "extra" vacation hours—even though the officials knew that he could not be paid for any of those 40 hours under the Leave Policy. According to the head of Time and Labor, this method of calculating the vacation payout is Time and Labor's standard but unwritten practice when an employee's PeopleSoft timekeeping records show both unearned hours and a vacation leave balance greater than the maximum allowed.

This practice appears to violate the Leave Policy's maximum on the payouts to employees leaving MTA employment. While the Time and Labor interpretation makes sense if the set-off were against a leave balance within the maximum allowed, in our opinion, under the facts and circumstances presented here, the Policy requires that Time and Labor instruct Payroll to subtract the 22.5 unearned hours from the employee's final payout.

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<sup>1</sup> Because Time and Labor and Human Resources failed to address this overpayment, neither group asked Payroll to calculate the dollar amount of the unearned hours. Therefore, this amount remains unknown.

<sup>2</sup> MTA All-Agency Policy Directive 11-017, *Vacation/Personal Leave*, January 1, 1997, Section V.

As became clear during the course of our review, the BSC's current final payout process is unnecessarily labor-intensive and prone to error. While we recognize that the instances we identified involved a relatively small amount of money erroneously paid to departing employees, the amount of the overpayments is less important than the systemic errors they revealed. For example, a full quarter of the 2017 overpayments were not resolved in a timely fashion.

An obvious solution to the problems we identified would include the development of a payroll system that allowed adequate time, between the end of a pay cycle and the issuance of the paycheck for that period, for staff to calculate an employee's final pay accurately. However, it may be financially and operationally impracticable for MTAHQ to create such a system at this time. Thus, the BSC should mitigate the structural weaknesses inherent in the current process by implementing additional controls. In our opinion, the adoption of a more structured and technology-assisted final payout and recoupment process—as we recommend below—would lower the risk that employees are overpaid, reduce the expense of such errors, and alleviate an unnecessary burden on the Time and Labor and other BSC officials responsible for administering final payouts.

## RECOMMENDATIONS

BSC management should:

1. Develop and implement a standardized process for accurately and efficiently calculating the final payouts owed to MTAHQ employees and any amounts they might owe to the agency. The process should include a workflow with formal rules and templates for transmitting important information and documents among the relevant units and a mechanism to alert personnel when delays occur in the final payout process.

*Agency Response: "The MTAHQ Civilian Final Payout Form (Payout Form), which has been in use since the inception of the BSC, captures all the data necessary for calculating final payouts. Because of manual adjustments and different contractual payout rules, full automation of final payouts is not feasible at this time. [...] [W]e are in the process of revising the current Payout Form to include automated calculations and have also taken the following actions:*

- *The Payout Form will now be prepared, reviewed and approved by independent parties, each providing a cross check.*
- *The Payout Form will now be sent directly to Payroll, avoiding email transposition errors.*
- *HQ Human Resources initiates and executes all termination processing; we are requesting that they initiate the requests for final payout calculations by opening Service Request tickets and assigning [them] to Time and Labor. This would ensure that payouts are calculated for all terminated employees in a timely manner."*

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2. Determine which unit is responsible for requesting reimbursement from former employees who have been overpaid, and who should develop procedures and create a standard template for correspondence to former employees.

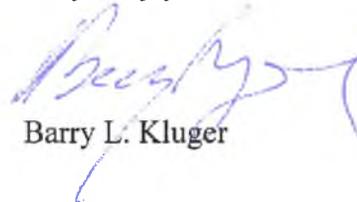
*Agency Response: "Policies are established by HQ Human Resources, while procedures to implement such policies are developed by BSC Human Resources, where applicable. If Time and Labor is responsible for overpayments, they will take actions to contact the employee and request repayment of such amounts. BSC Human Resources has drafted a template to be used in this regard and will seek appropriate approvals for implementation."*

3. Clarify that Time and Labor should not deduct employees' unearned hours from excess leave balances, but should instead deduct the hours from the final payout amount, and reinstruct staff on MTA All-Agency Policy 11-017.

*Agency Response: "BSC Time and Labor has been re-instructed accordingly and employees' unearned hours will now be deducted from their final payout amount and not from the excess leave balances."*

As always, we appreciate the courtesy and cooperation afforded to us at all times by you and your staff. If you have any questions please do not hesitate to call me or Executive Deputy Inspector General Elizabeth Keating at (212) 878-0022.

Very truly yours,



Barry L. Kluger

cc: Patrick Foye  
Michael Moran  
Jennifer John