



Ballston Spa Central School District Internal Controls Over Payroll

Report of Examination

Period Covered:

July 1, 2005 — December 31, 2006

2007M-139



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

September 2007

Dear School District Officials:

A top priority of the Office of the State Comptroller is to help school district officials manage their districts efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support district operations. The Comptroller oversees the fiscal affairs of districts statewide, as well as districts' compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished through our audits, which identify opportunities for improving district operations and Board of Education governance. Audits also can identify strategies to reduce district costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the Ballston Spa Central School District, entitled Internal Controls Over Payroll. This audit was conducted pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution, and Article 3 of the General Municipal Law.

This audit's results and recommendations are resources for district officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Ballston Spa Central School District (District) is located in the Towns of Malta, Milton, Ballston and Charlton in Saratoga County. The District is governed by the Board of Education (Board) which comprises seven elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools (Superintendent) is the chief executive officer of the District and is responsible, along with other administrative staff, for the day-to-day management of the District under the direction of the Board.

There are five schools in operation within the District, with approximately 4,500 students and 700 employees. The District's general fund expenditures for the 2005-06 fiscal year were \$58.8 million, funded primarily with State aid, real property taxes and grants.

Objective

The objective of our audit was to determine if internal controls over payroll are appropriately designed and operating effectively to adequately safeguard district assets.

Scope and Methodology

During this audit we examined internal controls over payroll of the Ballston Spa Central School District for the period July 1, 2005 to December 31, 2006.

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard District assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: financial oversight, cash receipts and disbursements, purchasing, payroll and personal services and information technology. Based on that evaluation, we determined that controls appeared to be adequate and limited risk existed in most of the financial areas we reviewed. We did determine that risk existed in the payroll processing area and, therefore, we examined internal controls over payroll processing.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report.

**Comments of District
Officials**

The results of our audit and recommendations have been discussed with District officials and their comments, which appear in Appendix A, have been considered in preparing this report.

Internal Controls Over Payroll

Internal controls over payroll consist of written policies and procedures that describe employee responsibilities in preparing and disbursing payroll, as well as, written Board authorization for salaries, wages and fringe benefits. District-wide policies, collective bargaining agreements and/or individual employee contracts should stipulate employee's entitlement to the accrual, use and payment of leave time. Payments for unused leave upon separation from employment should occur only as authorized by the Board in policies, agreements or contracts, or by separate Board resolutions. We found that the District's internal controls over payroll were appropriately designed and operating effectively.

Our audit found that the District had developed a comprehensive set of procedures establishing an adequate internal control structure over payroll processing. Our audit included reviews of timesheets, employees' earning records, leave time records and payroll registers. We examined the payroll records of 20 employees for the two pay periods in October 2005 to ensure that time and accrual records were adequately maintained, individuals on payrolls were bona fide employees and pay amounts to District employees were appropriate. We also reviewed 53 occurrences of leave time taken by 15 employees to ensure leave request forms were completed and approved prior to leave being taken, and to ensure the leave time was appropriately reflected on employee timesheets and on individual leave records. Lastly, we reviewed 22 retroactive and merit payments, and five separation payments made during our scope period to ensure they were appropriate and supported by the appropriate provisions. We found no significant deficiencies in the payroll records we examined.

We found the system of controls over payroll processing, including accounting for leave credits and separation payments, to be well designed and operating effectively.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

The District officials' response to this audit can be found on the following page.

Kathleen S. Jarvis, President
N. Keith Stewart, Vice President
Nancy L. Fodera
Patrick C. Leanza
Jeanne Obermayer
Kevin J. Schaefer
Frank T. Townley

Dr. Raymond C. Colucciello, Interim Superintendent
Brian A. Sirianni, Clerk
Susan A. Bowe, Treasurer

August 6, 2007

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Division of Local Government
One Broad Street Plaza
Glens Falls, NY 12801

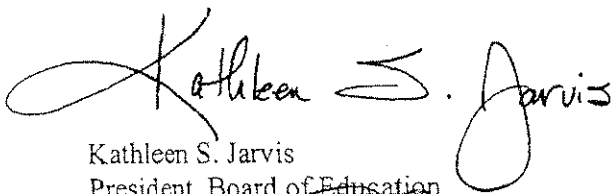
Dear Sirs:

On behalf of the Ballston Spa Central School District, we are submitting this letter in response to the Report of Examination completed by the Office of the State Comptroller, for the period of July 1, 2005 – December 31, 2006.

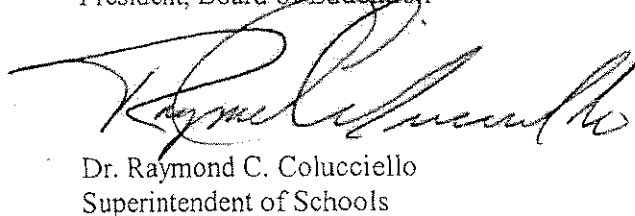
We are very pleased that the report determined that controls appear to be adequate and limited risk existed in all areas covered by the review. In addition, we were pleased that the more in-depth analysis of internal controls over payroll found those controls to be well designed and operating effectively.

Finally, we would like to note our appreciation for the professional manner in which the auditors assigned to our district conducted themselves. This type of examination, lasting almost two months, was very time consuming for everyone involved, and the process was facilitated by the courteous conduct of the audit staff.

Sincerely,



Kathleen S. Jarvis
President, Board of Education



Dr. Raymond C. Colucciello
Superintendent of Schools

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard District assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: financial oversight, cash receipts and disbursements, purchasing, payroll and personal services, and information technology.

During the initial assessment, we interviewed appropriate District officials, performed limited tests of transactions and reviewed pertinent documents such as District policies and procedures manuals, Board minutes and financial records and reports. In addition, we obtained information directly from the computerized financial databases and then analyzed it electronically using computer-assisted techniques. This approach provided us with additional information about the District's financial transactions as recorded in its databases. Further, we reviewed the District's internal controls and procedures over the computerized financial databases to help ensure that the information produced by such systems was reliable.

After reviewing the information gathered during our initial assessment, we determined where weaknesses existed, and evaluated those weaknesses for the risk of potential fraud, theft and/or professional misconduct. Based on that evaluation we determined that controls appeared to be adequate and limited risk existed in most of the financial areas we reviewed. We then decided upon the reported objectives and scope by selecting for audit those areas most at risk. We selected payroll processing for further audit testing.

Our review of payroll included the following:

- We reviewed policies and procedures related to payroll processing.
- We tested employee leave accruals and District payroll records for accuracy by comparing payment and benefits to corresponding employment contracts and collective bargaining agreements.
- We reviewed payroll records for 20 employees during October 2005 to ensure that timecards and timesheets were approved by supervisors, employees were being paid the appropriate amounts of money, and payrolls were being certified.
- We reviewed separation, retroactive and merit payments to ensure that they were appropriate and supported by contractual provisions or other board authorized actions.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). Such standards require that we plan and conduct our audit to adequately assess those district operations within our audit scope. Further, those standards require that we understand the district's management controls and those laws, rules and regulations that are relevant to the district's operations included in our scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in accounting and operating records and applying such other auditing procedures, as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for the findings, conclusions and recommendations contained in this report.

APPENDIX C

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AND SCHOOL ACCOUNTABILITY

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John C. Traylor, Assistant Comptroller

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