



Franklin-Essex- Hamilton Board of Cooperative Educational Services

Payroll

Report of Examination

Period Covered:

July 1, 2014 — November 30, 2015

2016M-27



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

April 2016

Dear Board of Cooperative Educational Services (BOCES) Officials:

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

Following is a report of our audit of the Franklin-Essex-Hamilton BOCES, entitled Payroll. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

This audit's results are a resource for BOCES 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 Franklin-Essex-Hamilton Board of Cooperative Educational Services (BOCES) is an association of 10 component school districts. The BOCES is governed by a nine-member Board of Education (Board) elected by the boards of the component districts. The Board is responsible for the general management and control of the BOCES' financial and educational affairs. The District Superintendent is the BOCES' chief executive officer and is responsible, along with other administrative staff, for the BOCES' day-to-day management and for regional educational planning and coordination. According to statute, the District Superintendent is an employee of both the appointing BOCES and the New York State Education Department. As such, the District Superintendent also serves as a representative for the New York State Commissioner of Education.

Combined, the component school districts educate approximately 8,525 students in Franklin, Essex and Hamilton counties. The BOCES delivers more than 55 educational and administrative services to its component districts and employs approximately 155 staff members. The BOCES' 2015-16 fiscal year budget of approximately \$21.4 million is funded primarily by charges to school districts for services and by State and federal aid. The BOCES' payroll expenditures totaled approximately \$10.3 million during our audit period.

Objective

The objective of our audit was to evaluate the accuracy of payroll payments. Our audit addressed the following related question:

- Did the BOCES accurately pay employees' salaries and wages?

Scope and Methodology

We examined the BOCES' payroll records for the period July 1, 2014 through November 30, 2015.

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. 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 size of the relevant population and the sample selected for examination.

**Comments of BOCES
Officials**

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

Payroll

BOCES officials are responsible for ensuring that adequate procedures are in place to ensure BOCES employees are paid salaries and wages according to the amounts authorized by the Board. The Board approves amounts to be paid through Board resolutions, collective bargaining agreements (CBAs) and individual employee contracts. A well-designed system over the payroll process can provide assurance that employees are paid in accordance with Board resolutions, contract terms or both, and that transactions are appropriately recorded and authorized by management.

BOCES officials established adequate payroll processing procedures to ensure employees were accurately paid their approved salaries and wages. Specifically, the Board approves the hiring of all new employees and the Board Clerk records employee salaries and wages, along with the effective dates, in the Board minutes. The principal clerk (clerk) enters new employee information and pay rates¹ in the financial system. Designated supervisors review and approve all the time records and the clerk is responsible for processing the payroll based on the approved time records.

Once the clerk has processed payroll, but before payroll is posted in the financial system, the clerk provides the Human Resources Coordinator (Coordinator) with all the time records and numerous payroll reports that are generated from the financial system. These reports include, but are not limited to, a payroll activity/verification report containing the payroll payment that each employee will receive, a salaried employee payroll change report containing any salary changes that were made in the financial system and a deduction change report containing any withholding or deduction changes that were made in the financial system.

The Coordinator reviews all the time records to ensure they are complete and verifies that the gross pay calculations recorded on the time records by the clerk are accurate. In addition, the Coordinator reviews the salaried employee payroll change report and deduction change report to ensure that proper changes were made in the financial system. The Coordinator then authorizes the clerk to post the payroll in the financial system.

After the payroll has been posted, the Business Manager² reviews the completed payroll and signs the payroll checks by entering a

¹ At the beginning of each fiscal year, a senior clerk reviews all the employee pay rates entered in the financial system to ensure accuracy.

² The Business Manager is also the Treasurer. In the Business Manager's absence, the Deputy Treasurer performs these duties.

password into the financial system to generate her electronic signature on the checks. In addition, for employees receiving payroll payments through direct deposit, the clerk transfers the direct deposit file to the online banking module, which is then reviewed for accuracy and released by the Business Manager. The Coordinator then reviews and certifies the payrolls before payments are made to the employees, which provides a final managerial oversight to ensure the accuracy of the payroll payments.

We reviewed all payroll payments totaling approximately \$1.5 million³ made to 20 employees⁴ during our audit period to verify if salaries and wages were accurately paid. Except for one minor discrepancy that we discussed with BOCES officials, we found that employees' salaries and wages reviewed were accurately paid.

Establishing and adhering to a good system for processing and verifying payroll payments ensures the employees will be accurately paid the salaries and wages to which they are entitled. We commend BOCES officials for designing an effective system that ensures the accuracy of compensation paid to employees.

³ Payroll payments totaling more than \$1.1 million during the 2014-15 fiscal year and almost \$386,000 during the period July 1, 2015 through November 30, 2015

⁴ See Appendix B for more information on our sampling methodology.

APPENDIX A

RESPONSE FROM BOCES OFFICIALS

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



BOARD OF COOPERATIVE EDUCATIONAL SERVICES

Sole Supervisory District of Franklin, Essex and Hamilton Counties

Dennis J. Egan
Board President
Cheryl A. Felt
Deputy Superintendent

P.O. Box 28, 23 Huskie Lane
Malone, New York 12953
(518) 483-6420

Stephen T. Shafer
District Superintendent
Rodney Asse
Director of
Management and Finance

March 23, 2016

Glens Falls Regional Office
Mr. Jeffrey P. Leonard, Chief Examiner
Office of the State Comptroller
One Broad Street Plaza
Glens Falls, New York 12801-4396

Dear Mr. Leonard:

This letter serves as Franklin-Essex-Hamilton BOCES's official response to the Office of the State Comptroller's audit for the period July 1, 2014 through November 30, 2015 for the purpose of examining our payroll records. We were presented with the Draft Report of the audit on March 16, 2016 and subsequently held an exit meeting on March 23, 2016. We agree with the examiners and the Draft Report of the audit. We will not prepare a Corrective Action Plan for this audit because there were no written findings or recommendations.

We want to take this opportunity to thank the examiners for their time and professionalism. They gave us great feedback and understood our control environment over the payroll functions. They took the time to speak with several key officials and staff and made the audit experience meaningful.

We take great pride in the work we do here at Franklin-Essex-Hamilton BOCES, and we appreciate your examiners recognizing it by giving us a "clean audit." The Board, District Superintendent and other administrative staff will continue to maintain controls and accountability over the finances and operations.

Sincerely,

Dennis J. Egan
Board President

Stephen T. Shafer
District Superintendent

"Lighting the Way to the Future"

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed BOCES officials and employees and reviewed the BOCES' policy manual, Board resolutions, employment contracts, CBAs and various financial records and reports to gain an understanding of the BOCES' procedures related to payroll and any associated effects of deficiencies in those procedures.
- We reviewed all payroll payments made to 20 employees during our audit period to verify if salaries and wages were accurately paid. We judgmentally selected the clerk who processed payroll during our audit period. We then judgmentally selected another 19 employees whose salaries and wages were specified in the CBAs and individual employee contracts by selecting eight employees covered by the Civil Service Employees Association CBA, five employees who were covered by the teachers unit CBA, two employees who were covered by the administrative unit CBA, two employees who were covered by the confidential unit CBA and two employees with individual employee contracts.

We conducted this performance audit in accordance with GAGAS. 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.

APPENDIX C

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DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY

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