



Minerva Central School District

Payroll

Report of Examination

Period Covered:

July 1, 2014 — November 30, 2015

2016M-18



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 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, in part, 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 Minerva Central School District, 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 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 Minerva Central School District (District) is located in the Town of Minerva in Essex County and the Town of Chester in Warren County. The District is governed by the Board of Education (Board) which is composed of five elected members. The Board is responsible for the general management and control of the District's financial and educational affairs, with the Board President serving as chief financial officer. The Superintendent of Schools (Superintendent) is the District's chief executive officer and is responsible, along with other administrative staff, for the day-to-day management of the District under the Board's direction. An administrative aide, with oversight from the Business Manager, is responsible for processing payroll, and the Superintendent is responsible for certifying the District's payrolls.

The District operates one school with approximately 120 students and 50 full- and part-time employees. The District's budgeted expenditures for the 2015-16 fiscal year were \$4.8 million, funded primarily with real property taxes and State aid. The District reported total general fund expenditures of approximately \$4.5 million and gross payroll expenditures of \$2.2 million during the 2014-15 fiscal year.

Objective

The objective of our audit was to determine if District officials implemented payroll policies and procedures to ensure that employee pay was accurate. Our audit addressed the following related question:

- Were employees' salaries and wages calculated accurately?

Scope and Methodology

We examined payroll policies and procedures, employment and collective bargaining agreements, and payroll documentation 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
District Officials**

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

Payroll

District officials are responsible for establishing procedures to ensure that employees are paid accurately based on salaries and wages authorized by the Board. The Board approves amounts to be paid to District employees through collective bargaining agreements, individual employment agreements and Board-established rates. In addition, District officials must establish a process for maintaining records that accurately capture the time worked and are reviewed and approved by each employee's supervisor. Payroll represents a large portion of the District's annual budget. Salaries and wages, including overtime, totaled approximately \$2.2 million, or 49 percent of the District's general fund expenditures for the 2014-15 fiscal year.

The Board approved pay rates for District employees through the District's two collective bargaining agreements and five individual employment contracts. Additionally, each school year the Board approves a salary statement for each full- or part-time employee that is then acknowledged by each employee and maintained on file. The administrative aide enters all approved pay rates into the payroll software. In addition, time records are submitted to the administrative aide who verifies that they were properly approved, inputs hours worked into the payroll system and processes the payroll. The Superintendent is responsible for reviewing and certifying each biweekly payroll register, after which the Business Manager reviews the processed payroll and prepares the paychecks and direct deposits. Both the Superintendent's review/certification and the Business Manager's review include reviewing the payroll register, timekeeping documents and payroll change reports.

We examined all payroll payments made to 15 employees¹ during our audit period totaling \$864,081 to determine whether salaries and wages were accurately calculated, additional pay was properly supported and approved, and employees receiving pay were bona fide employees. We found that employees' regular biweekly salaries and wages were accurately calculated based on Board-approved collective bargaining agreements and individual employment agreements. We also found that 10 employees received pay totaling \$21,918 in addition to their regular salary or wages for extra work performed, such as overtime or chaperoning District events. Payments for extra work were supported by either timesheets or claim forms and were properly authorized. Lastly, we confirmed that the 15 selected employees were bona fide District employees.

¹ See Appendix B, Audit Methodology and Standards, for details on our sampling process.

We commend District officials for implementing appropriate procedures for processing payroll to ensure that employee salaries and wages were accurately calculated and paid.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

Minerva Central School

Timothy F. Farrell - *Superintendent*
Nancy O'Brien - *Business Manager*



March 15, 2016

Jeffrey Leonard, Chief Examiner
Office of the State Comptroller
One Broad Street Plaza
Glens Falls, NY 12801

Dear Mr. Leonard:

Please accept this letter as an official response to the audit examination of the Minerva Central School District performed by the New York State Comptroller's Office for the period July 1, 2014 through November 30, 2015. The auditor was in the District for several weeks between late October, 2015 and January, 2016. The District found the audit process to be both a positive experience and a helpful one. Through regular meetings between District officials and the auditor, the process provided an opportunity for District officials to reflect on various aspects of our school operation and consider a number of informal suggestions.

The specific objective of this audit was "to determine if District officials implemented payroll policies and procedures to ensure that employee pay was accurate." We are extremely pleased that the audit commended District officials "for implementing appropriate procedures for processing payroll to ensure that employee salaries and wages were accurately calculated and paid".

In closing, the District found the entire audit process to be very constructive and appreciates the opportunity to participate in the review of our payroll policies and procedures. Be assured that the District is committed to providing accountability for tax dollars spent to support District operations.

Sincerely,

Timothy F. Farrell
Superintendent

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

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

- We interviewed District officials and key employees and reviewed Board meeting minutes and the policy manual to gain an understanding of the District's payroll processing procedures.
- We identified and reviewed salary statements, individual employment agreements and collective bargaining agreements to determine the specific employment conditions established by the Board.
- We tested payroll payments made to a judgmental sample of five employees based on their roles in processing payroll and a random sample of 10 employees from July 1, 2014 through November 30, 2015 to determine whether the payments were accurately calculated based on employment conditions, and whether additional payments were supported and approved. Additionally, we reviewed the personnel files for all employees in our sample to determine whether they were bona fide employees.

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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