



Hammond Central School District Payroll

Report of Examination

Period Covered:

July 1, 2014 – June 30, 2016

2016M-398



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

February 2017

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 Hammond 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 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*



State of New York Office of the State Comptroller

EXECUTIVE SUMMARY

The Hammond Central School District (District) is located in the Towns of Hammond, Rossie, Morristown and Macomb in St. Lawrence County and the Town of Alexandria in Jefferson County. The Board is responsible for the general management and control of District financial and educational affairs. The Superintendent of Schools (Superintendent) is the District's chief executive officer and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction.

The District's budgeted appropriations for the 2016-17 fiscal year are \$7.5 million, which are funded primarily with State aid and real property taxes. Salaries and wages totaled approximately \$2.6 million, or 38 percent of the District's expenditures, for the 2015-16 fiscal year.

Scope and Objective

The objective of our audit was to evaluate the District's payroll procedures for the period July 1, 2014 through June 30, 2016. We extended our audit scope period to July 1, 2004 to examine the Treasurer's vacation accruals. Our audit addressed the following related question:

- Did District officials establish adequate procedures to ensure employees' salaries and wages were accurately paid and leave accruals were properly maintained and recorded?

Audit Results

District officials need to improve their employee time and attendance practices and payroll processing procedures to ensure employees' salaries and wages are accurately paid and leave accruals are properly maintained and recorded. We found that the Treasurer controlled the entire payroll process and the Superintendent's payroll certification was inadequate. Board minutes did not clearly identify the payroll related actions taken by the Board. The Board did not authorize the stipends or salary amounts paid to 10 employees totaling over \$80,000.

In addition, leave records were not correct because leave time and compensatory (comp) time use was inaccurately recorded. The absence of clarifying language in employment agreements to help track and verify comp time could lead to employees taking paid time off when they are not entitled to it or accruing significant comp time balances without District officials or the Board's knowledge. Finally, the Board appointed the head custodian (custodian), who was also the transportation supervisor and a bus driver, as assistant clerk of the works (assistant clerk) without clear guidelines to effectively monitor the position. The custodian was paid a total of \$162,673 during 2014-15 and 2015-16 for all his positions. However, the custodian did not maintain time records for his custodial, transportation

supervisor or bus driver positions. In addition, the time records he maintained for the assistant clerk position were inadequate. As a result, the custodian may have been inaccurately paid for his various positions.

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. Except as specified in Appendix A, District officials generally agreed with our recommendations and indicated they planned to take corrective action. Appendix B includes our comment on an issue raised in the District's response letter.

Introduction

Background

The Hammond Central School District (District) is located in the Towns of Hammond, Rossie, Morristown and Macomb in St. Lawrence County and the Town of Alexandria in Jefferson County. The District is governed by the Board of Education (Board), which is composed of 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 and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction.

The District operates one school with approximately 300 students and 60 full-time employees. The District's budgeted appropriations for the 2016-17 fiscal year are \$7.5 million, which are funded primarily with State aid and real property taxes.

Salaries and wages totaled approximately \$2.6 million, or 38 percent of District expenditures, for the 2015-16 fiscal year. The District Treasurer/Business Manager (Treasurer) is responsible for processing payrolls and the administrative secretary (secretary) is responsible for maintaining leave records and the Board minutes.

Objective

The objective of our audit was to evaluate the District's payroll procedures. Our audit addressed the following related question:

- Did District officials establish adequate procedures to ensure employees' salaries and wages were accurately paid and leave accruals were properly maintained and recorded?

Scope and Methodology

We examined the District's payroll procedures for the period July 1, 2014 through June 30, 2016. We extended our audit period to July 1, 2004 to examine the Treasurer's vacation accruals.

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 C 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 and
Corrective Action**

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. Except as specified in Appendix A, District officials generally agreed with our recommendations and indicated they planned to take corrective action. Appendix B includes our comment on an issue raised in the District's response letter.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of General Municipal Law, Section 2116-a (3)(c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education, a written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, with a copy forwarded to the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. The Board should make the CAP available for public review in the District Clerk's office.

Payroll

Payroll and related benefits generally represent the largest portion of a school district's annual budget. The Board and District officials are responsible for ensuring employees are paid accurately based on salaries, wages and benefits authorized by the Board in accordance with collective bargaining agreements (CBAs), District policies, individual employment contracts or Board resolutions. Good controls over payroll consist of policies and procedures to provide reasonable assurance that payroll transactions are properly authorized, recorded and reported and that the work performed is routinely monitored and reviewed.

It is imperative that the Board take an active oversight role and establish guidelines for District officials to follow when recording leave benefits and compensatory (comp) time. Part of these responsibilities include ensuring accountability and transparency of Board actions, which requires that accurate Board minutes are maintained, including detailed documentation of its approval of all payroll payments.

District officials need to improve their payroll procedures and employee time and attendance practices to ensure employees' salaries and wages are accurately paid and leave accruals are properly maintained and recorded. We found that the Treasurer controlled the entire payroll process and the Superintendent's payroll certification was inadequate. Board minutes did not clearly identify payroll-related actions taken by the Board. The Board did not authorize the stipends or salary amounts paid to 10 employees totaling more than \$80,000. In addition, leave records were not correct because the secretary inaccurately recorded leave time and comp time use. As a result, the Treasurer's vacation leave balance was overstated by 69 days.

Finally, the Board appointed the head custodian (custodian) as assistant clerk of the works (assistant clerk) for a District construction project. This individual is also the District's transportation supervisor and a part-time bus driver. Over the two year audit period, the custodian was paid \$162,673, or about \$81,000 for each year, when including his overtime for the extra bus runs and the assistant clerk duties. Because the custodian did not maintain time records for his different positions and ineffectively maintained his assistant clerk time records, there is no assurance that the custodian was accurately paid for his various positions.

Payroll Processing

To provide effective oversight of those charged with processing payroll, District officials should adequately segregate payroll duties

so that no one individual can control all aspects of payroll transactions. For example, the same employee should not enter new employees and pay rates into the computerized payroll program, process the payrolls and prepare and distribute paychecks. Duties should be segregated so the work of one employee is routinely verified in the course of another employee's regular duties. If it is not practical to adequately segregate duties due to limited staffing, District officials should establish compensating controls such as having someone independent of the payroll process review the payrolls for accuracy and certify the completed payrolls.

District officials did not adequately segregate the Treasurer's payroll duties. The Treasurer performed all significant phases of the payroll process. She entered new employees, pay rates, withholdings and employees' time worked from their time records into the computerized payroll system and printed and signed the payroll checks. As a result, there is an increased risk that funds could be misappropriated or that errors could occur and remain undetected and uncorrected.

The Treasurer provided the Superintendent with a draft copy of a computerized payroll register that listed the gross pay, withholdings and net pay for each employee. The Superintendent reviewed and approved the draft before the Treasurer made any final payroll changes. Because the Treasurer did not finalize the payroll or print payroll checks until after the Superintendent reviewed the draft register (so she could make any changes needed before the payroll checks are printed), she was able to add new employees or adjust hours worked or pay rates after the Superintendent performed her review.

The Superintendent told us that she received a salary list for teachers at the beginning of each school year and traced salary amounts to certain negotiated contracts. While the Treasurer prepared a salary list for teachers annually, she did not do the same for those employees covered by the school-related personnel CBA or those covered by individual contracts, and the Superintendent generally did not receive or review any documentation for these employees.

The Superintendent also told us that when certifying the payroll she compared the amount listed in the current payroll register with the amount from the previous register for each employee. However, she did not do this for the entire year. Furthermore, the Treasurer did not generate any payroll change reports from the payroll system. Had the Superintendent reviewed payroll change reports during the payroll certification process, she would have been able to identify payroll changes, such as new hires and salary increases, and review the supporting documentation to verify that the changes were appropriate and properly authorized.

Due to these weaknesses, we reviewed payroll payments totaling \$1.5 million made to 15 employees during our audit period to determine whether the amounts were paid in accordance with approved employment contracts or other Board authorizations. We found that the Board did not authorize stipends paid to 10 of these employees totaling \$80,430, as discussed in the next section.

Board Authorization

The Board should authorize and approve all salaries and wages paid to employees and any benefits provided. The Board should also clearly stipulate all employee compensation and benefits and document its authorization in writing by resolution, CBA, individual employment contract or a policy document approved by resolution. Such documentation communicates the Board's intent to District officials and employees who must execute the procedures and provides public transparency of the Board's intentions. The secretary should ensure that complete and accurate Board minutes are kept of each meeting to clearly document the Board's actions and decisions.

District officials were unable to provide us with Board authorization for the stipends or salary paid to 10 employees. In some instances the Board minutes did not include sufficient detail to enable us to determine the Board's actions. For example, the District paid employees stipends for additional duties outside of their regular positions. However, the Board minutes did not show that the Board authorized stipend amounts totaling \$44,003 for the following positions:

- Chairpersons¹ for the Committees on Special Education and Preschool Special Education – \$10,767 for 2014-15 and \$10,000 for 2015-16.
- Athletic Director – \$5,585 for 2014-15 and \$5,925 for 2015-16.
- Transportation Supervisor – \$2,797 for 2014-15 and \$2,881 for 2015-16.
- Computer coordinators² – \$3,337 for 2014-15 and \$1,711 for 2015-16.
- Substitute scheduler (scheduler) – \$1,000 for 2015-16.³

¹ Two different individuals served as chairpersons, one each year.

² Two different individuals served as computer coordinators during our audit period. While the amount of the annual stipends were referenced in the Teachers' CBA, the individuals who received the stipends were not formally appointed as coordinators by the Board.

³ No stipend was paid for this position during 2014-15.

Three administrative employees' individual employment agreements stated that additional duties and responsibilities with additional compensation would be covered under a separate agreement. The Superintendent and employees each signed separate agreements, which indicated the stipend amounts. However, we found no indication that the Board authorized the following stipends totaling \$36,427 paid to three employees for additional duties and responsibilities:

- Administrative secretary's stipends for:
 - Board of Education secretary — \$2,010 for 2014-15 and \$2,070 for 2015-16.
 - Student activities⁴ — \$1,880 for 2014-15 and \$1,936 for 2015-16.
 - Census reports⁵ — \$1,040 for 2014-15 and \$1,070 for 2015-16.
 - Free and Reduced Lunch Policy — \$306 for 2014-15 and \$315 for 2015-16.
- Treasurer's stipends for:
 - Budget Director — \$3,502 for 2014-15 and \$5,500 for 2015-16.
 - Student activities — \$1,880 for 2014-15 and \$1,974 for 2015-16.
 - Cafeteria reports — \$1,654 for 2014-15.
- Guidance secretary's stipend for:
 - Federal Grants Coordinator — \$5,562 for 2014-15 and \$5,728 for 2015-16.

The District also paid a teacher \$11,625 for teaching a technology class in 2014-15. Although the salary rates paid were referenced in emails between the employee, Treasurer and Superintendent, we found no evidence the Board authorized the salary.

Additionally, the current Superintendent was employed at the start of 2014-15 as the school principal. While the June 2014 Board minutes indicated that the Board approved a new contract for this position,

⁴ Two individuals were appointed to the student activities position, the secretary and the Treasurer.

⁵ Payments were made by voucher for the stipend related to census reports. All other stipends were paid through payroll.

salary information was not included. The Superintendent told us that she did not have a written contract for the principal position in 2014-15 and the Board approved a 3 percent increase from the previous year. However, we found no written Board authorization for this increase or the \$25,097 salary paid to her from July 1 through October 14, 2014.

Further, the November 2015 Board minutes indicated that the Board approved the administrative contracts for administrative employees who had individual employment agreements with the District. However, the minutes did not specify the positions or the employees whose agreements were approved or any salary information. Finally, the Board did not approve two agreements with guidance counselors to work 10 additional days each summer (\$4,247 for 2014-15 and \$3,547 for 2015-16).

When documentation for the stipends and salaries set by the Board is not maintained, there is an increased risk that employees could be paid a different amount than the Board intended.

Leave Records

The accumulation and use of leave time is generally addressed by individual employment contracts and CBAs. Generally, employees earn a fixed number of days each year for vacation, sick and personal use. A good system of accounting for employee leave time requires periodic verification that the records for leave time earned and used by employees are accurate and prepared in a timely manner. Such a system should also include comprehensive policies and procedures that provide for periodic independent reviews of leave time accrual records and balances throughout the year. Because the District provides payments to certain employees for all or a portion of their unused vacation and sick leave time when they leave District employment, it is especially important for the District to maintain accurate leave accrual records.

The secretary maintained the District's sick leave accrual records and vacation leave records by recording the leave used in two attendance books, one for instructional staff (teachers and guidance counselor) and one for all other staff. When employees wanted to use leave, they submitted a request to the Superintendent for approval. If the Superintendent approved the request, she forwarded the request to the secretary, who recorded the employee name, type of leave and number of hours or units⁶ on a calendar.

Employees could also telephone in unscheduled absences to the scheduler who forwarded a list of those employees to the secretary.

⁶ Classroom employees submit leave based on the number of class periods they are going to be on leave. A standard work day consists of nine periods.

The secretary recorded the unscheduled absences on the same calendar used for scheduled absences and placed a blank leave request in the employees' District mailboxes but did not follow-up to verify that the forms were actually filled out and returned.

At the end of each month the secretary manually recorded the number of hours or units used from the calendar in the attendance leave books. Twice each year, the secretary totaled the sick leave used and, at year-end, she deducted the total sick leave used from the prior year's carry-over and earned sick leave accrual balances for the just completed year. The secretary summarized this information for each employee and forwarded the summaries to the Superintendent to review before providing the employees with a copy of their sick leave balances from the prior year. The secretary discarded all leave requests after the employees received a copy of their leave balances and had a chance to question anything they did not agree with.

District officials did not have adequate procedures in place to ensure that employee leave benefits were properly earned, used and accounted for. Officials did not adequately oversee the secretary, who maintained employee leave accrual records, or periodically review the leave records to determine whether leave earned was properly recorded. Further, officials did not compare approved leave requests with the time records to determine whether leave time used was properly recorded in the attendance leave books. Finally, officials did not determine whether leave was earned and properly carried over from one year to the next in accordance with CBAs or employment contracts.

Due to the lack of adequate procedures for verifying leave used and monitoring unused leave, we reviewed the leave accrual records of 15 employees for the 2015-16 fiscal year and found discrepancies in 14 of them. We compared leave requests for these employees with leave attendance books and found that there were a total of 44 entries in the book without a supporting leave request. We also found that 61 leave requests were not recorded in the attendance books and one employee was not credited with 15 days of sick leave to which she was entitled, as required by the CBA.

Vacation Leave — The Treasurer and the guidance office secretary were the only two District employees who could accrue and carry forward unused vacation days from one fiscal year to the next. The Treasurer's employment agreements allowed her to accrue 25 vacation days annually. In the event the Treasurer did not use all of the vacation time to which she was entitled each year, she was eligible to receive payment in lieu of vacation leave for up to 10 days from 2011-12 through 2014-15 and 20 days for 2015-16. Effective beginning in

2013-14, the Treasurer was authorized to carry over unused vacation leave up to a maximum of 125 days from one fiscal year to the next. In accordance with the Treasurer's employment agreement, she was allowed to carry over 50 vacation days from 2004-05 through 2006-07 and 100 days from 2007-08 through 2012-13.

As of June 30, 2016, the Treasurer's leave accrual records reflected a vacation leave balance of 187 days. Based on our audit testing, the Treasurer's vacation leave balance was overstated by 69 days valued at \$17,877 (based on her 2015-16 salary). Our review of vacation leave showed that when the Treasurer cashed out 10 days each year from 2011-12 through 2014-15 and 20 days for 2015-16, the secretary did not deduct these days in the attendance book. This occurred because the Treasurer did not notify the secretary of the payments she received in lieu of taking the vacation days.

Also, in 2011-12, the secretary erroneously carried over six more vacation days for the Treasurer than the maximum amount authorized by the Treasurer's contract. Additionally, the secretary did not deduct three vacation days listed in the leave book at the beginning of the 2012-13 from the Treasurer's vacation leave balance. The Treasurer's vacation leave balance as of June 30, 2016 should have been 118 days rather than the 187 days recorded by the secretary.

Without accurate leave records, District officials cannot properly determine the amount of payments due to employees when they leave District employment or ensure that employees are compensated for the amount of leave time to which they are contractually entitled. The number of errors identified during our examination indicated that the District's process for maintaining leave accrual records needs significant improvement.

Compensatory Time

Generally, comp time is leave time that may be earned and accrued by an employee in lieu of receiving additional pay for time worked beyond their normally scheduled work hours. To help ensure consistent and appropriate accounting for and administration of this time, employment contract provisions which allow an employee to receive comp time should include language to define how comp time will be authorized, earned, used, documented and monitored.

Written agreements with the Treasurer, custodian and secretary⁷ included provisions stating that when these employees work over 40 hours per week they would be compensated at the rate of time and one-half based on yearly salary or comp time at the Superintendent's

⁷ The secretary's agreement also provides that she will earn comp time at the rate of time and one-half for attending Board meetings.

discretion. However, with a limited exception for the custodian, each agreement did not adequately address how comp time would be administered for these employees, such as setting a maximum number of hours that could be accumulated or any other potential restrictions on the use of accumulated comp time.

In addition, each employee maintained their own records to track their comp time. Although the Superintendent told us she periodically reviews their comp time records, there was no documentation to show this review or indicate when the review occurred. To be effective, the review should be performed in a timely manner, such as every two weeks in conjunction with the payroll cycle.

Our review of comp time accruals and leave records showed that the Treasurer and custodian, in some instances included certain leave time (e.g., vacation, personal, sick, etc.) toward their 40 hour work week but also recorded extra time they worked at a rate of time and one-half hours, which was in excess of their 40-hour week. Because the agreements did not address how such time was to be calculated, it was unclear whether the Board intended to allow the use of leave time when calculating their 40-hour work week. Additionally, we found that all three employees had comp time listed on either time requests or in the attendance book, which may not have been deducted from their comp time records.

Based on our review of the comp time records provided to us, as of June 30, 2016, the comp time due the custodian was 167.75 hours valued at \$4,926 and the comp time due the secretary was 4.5 hours valued at \$95. Since the Treasurer could not locate her complete comp time records, District officials are unable to determine her current comp time balance. However, the comp time owed to the Treasurer during our two-year audit period was 187.75 hours valued at \$5,406.

The failure to include clarifying language in the employment agreements to help track and verify comp time could lead to employees taking paid time off when they are not entitled to it or accruing significant compensatory time balances without District officials' or the Board's knowledge.

**Assistant Clerk
of the Works**

The role of clerk of the works (clerk) is to act as a liaison between the architects, contractors and the District and inspect and monitor a variety of capital and small works projects to ensure adherence to architectural specification and quality within a safety conscious environment. Projects include refurbishing, new building construction and infrastructure upgrades and demolition. The clerk is generally required to work such hours as are necessary to carry out the duties associated with the position. By submitting the hours worked in a

timely manner, the clerk can provide District officials the ability to effectively oversee the clerk's work activities.

The Board appointed the custodian as the assistant clerk for various capital projects in September 2014. These projects were completed by May 2016. The custodian was also the transportation supervisor and a part-time bus driver. According to the custodian's employment contract, his custodian work hours were weekdays from 7:00 a.m. to 3:00 p.m. The custodian's afternoon bus runs were weekdays from 3:00 p.m. to 4:30 p.m.

The Board set a wage rate for the assistant clerk position of \$45 per hour and the custodian was paid \$39,735 for working 883 hours as the assistant clerk during 2014-15 and 2015-16. District officials and the custodian told us that he was expected to perform the assistant clerk's duties outside of the regularly scheduled hours of his other positions and that if he had to perform assistant clerk duties during his regular hours, he was expected to make up those hours earlier or later in the day or on weekends.

However, the custodian did not maintain time records for his custodial, transportation supervisor or bus driver positions. In addition, the time records he maintained for the assistant clerk position and submitted for payroll were inadequate. The records generally showed the date and total number of hours worked as assistant clerk each day but not the specific start and end times. In two instances the custodian provided the Treasurer with the total quarterly hours worked (175.5 hours) without providing any breakdown of the days worked.

In addition, the District required the custodian to submit his assistant clerk time records on a quarterly basis. The Superintendent signed four of the seven time records he submitted during our audit period. However, it is unclear how she could accurately substantiate and approve work that occurred over a three-month period, especially when no start or end times were recorded.

The custodian maintained a log book of his assistant clerk hours. The log book showed the Superintendent's initials periodically throughout, indicating that she reviewed it. The log contained the date, a brief summary of assistant clerk work performed and the total hours worked. However, it generally lacked information regarding actual start and end times. For example, the log showed a date with an entry noting "clerked 6 hours, stayed late 1 hour."

We reviewed 26 entries in the log book from September 15, 2014 through May 23, 2016 with the custodian. He told us he could not recall what he had meant for most of these entries. The custodian

acknowledged that on approximately six of these dates he probably did not drive the scheduled bus run because he was performing assistant clerk duties. However, we determined that he was paid his full salary as bus driver, which totaled \$9,164 in 2014-15 and \$9,439 in 2015-16.

The custodian told us that he performed his custodial and transportation supervisor duties on nights and weekends or came to work early when he had to perform assistant clerk duties during his regular daily work hours. However, because the custodian did not maintain time records for his custodial, transportation supervisor or bus driver positions and District officials could not verify the hours he performed his assistant clerk duties (based on the time records maintained), there is a risk that the custodian could have been inaccurately paid for his various positions.

Recommendations

District officials should:

1. Segregate the Treasurer's payroll duties so that she does not control all aspects of payroll transactions. If it is not feasible to adequately segregate these duties, establish compensating controls such as having someone independent from the payroll process review payroll change reports and routinely monitor and review the Treasurer's payroll work.
2. Establish procedures to ensure that all salary, stipend and wage rates are authorized by the Board before payment.
3. Correct the leave and comp time records for the errors identified in this report.
4. Designate an individual independent of maintaining leave accrual and comp time records to periodically review the records and balances for accuracy.

The Superintendent should:

5. Review final payrolls and ensure they agree with previously certified draft payrolls to ensure that any changes are properly authorized.
6. Ensure that the head custodian maintains detailed time records for each position held and that these records are submitted and reviewed each payroll period in a timely manner.

The Board should:

7. Authorize all salaries, wages and stipends paid to District employees.

8. In consultation with its legal advisor, consider including clarifying language in the employee agreements to help identify the manner in which comp time will be authorized, earned, used, documented and monitored.

The secretary should:

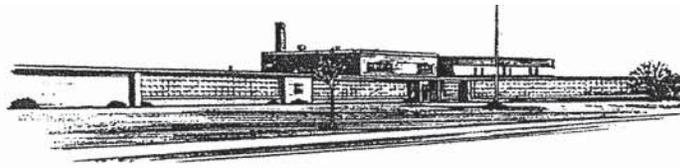
9. Ensure that all official actions taken by the Board at its meetings regarding salaries and benefits are recorded in the minutes.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

KAREN CARSWELL
Superintendent of Schools
KATHLEEN CRUIKSHANK
UPK-12 Principal/CSE Chairperson
DEANNA ROMANOWSKI
Guidance Counselor
TAMMY J. GALLAGHER
Treasurer – Business Manager
TERRI HOLLISTER
Administrative Secretary



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Ronald Tulley II, Vice-President
Jennifer Gardner, Clerk
Donald Ceresoli Jr.
Bernard Martin
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Douglas Delosh

NYS Office of the State Comptroller
Division of Local Government and School Accountability
PSU-CAP Submission
110 State Street, 12th Floor
Albany, NY 12236

RE: Payroll Audit 2016M-398

February 3, 2017

The Hammond Central School District acknowledges the receipt of the audit report conducted by the New York State Comptroller's Office for the time period of July 1, 2014- June 30, 2016. The District has reviewed the findings and recommendations of 2016M-398.

The District agrees that there are recommendations stated in the audit report that will benefit the District. Readers of this report should not misunderstand the recommendations; the findings of the State Audit give an appearance of misconstrued or intentional misleading of school funds. We agree the appearance of unauthorized money (yearly stipends and annual salaries) were paid and time records were not kept in a manner acceptable by the state audit. However, the Board of Education was aware of annual stipends and salaries paid, but did not have formal approval recorded in the official minutes.

Listed below are the New York State Comptroller's Office recommendations and the Hammond Central School District's Corrective Action Plan:

1. The District officials should segregate the Treasurer's payroll duties so that she does not control all aspects of payroll transactions. If it is not feasible to adequately segregate these duties, establish compensating controls such as having someone independent from the payroll process review payroll change reports and routinely monitor and review the Treasurer's payroll work.
 - The District has limited Business Office staff due to budget constraints; therefore, we are implementing more controls to the payroll process by the Superintendent of Schools. Starting in September 2016, the treasurer produces a Payroll Change Report for each payroll. The Superintendent checks this along with the Payroll Summary Report which is signed. After checks are processed, the reports are again given to the Superintendent, along with the check listing, in which the CSA initials. We believe this process will bring a more adequate control of the payroll certification process.
2. The District officials should establish procedures to ensure that all salary, stipend and wage rates are authorized by the Board before payment.

- The District now has procedures in place to have proper Board of Education approval for all salary contracts, all employee stipends and wage rates. All changes in salary contracts, stipends and wage rates will be brought to the Board of Education at the beginning of each fiscal year, or when negotiations are completed. Stipends were Board of Education approved in August 2016 for the 2016-2017 school year. Wage rates (salaries, minimum wage, etc.) will be approved as necessary.
3. The District officials should correct the leave and comp time records for the errors identified in this report.
 - The District is in the process of obtaining a computerized program for staff attendance. This program is tentatively scheduled for the 2017-18 school year. This should limit computation errors. All time accruals will reflect only the contractual limits. Although the amounts of the Treasurer's accrued vacation leave was stated over the limit, the contractual limit would be the amount actually paid had payment been necessary. Comp time records will be maintained by the Superintendent of Schools. Each week, any employee who has earned comp time will give written notification for approval to the Superintendent, who will record the comp time in a computerized file. The District is about to begin the process of negotiating Administrative contracts, which will have clarification of the language for comp time. In addition to these changes, the Superintendent of Schools will review all attendance/accrued vacation records monthly.
 4. The District officials should designate an individual independent of maintaining leave accrual and comp time records to periodically review the records and balances for accuracy.
 - The Superintendent of Schools has been reviewing all attendance/accrued vacation records monthly since September 2016.
 5. The Superintendent should review final payroll and ensure they agree with previously certified draft payrolls to ensure that any changes are proper(ly) authorized.
 - The District has limited Business Office staff due to budget constraints; therefore, we are implementing more controls to the payroll process by the Superintendent of Schools. Since September 2016, the Treasurer processes a Payroll Change Report for each payroll. The Superintendent checks this along with the Payroll Summary Report which is signed. After checks are processed, the reports are again given to the Superintendent, along with the check listing, in which the CSA initials. We believe this process will bring a more adequate control of the payroll certification process.
 6. The Superintendent should ensure that the head custodian maintains detailed time records for each position held and that these records are submitted and reviewed each payroll period in a timely manner.
 - In the future, should the Head Custodian/Transportation Supervisor be appointed to an additional position such as Assistant Clerk of the Works for a capital project, the Head Custodian/Transportation Supervisor will use the time clock to clock in and out for any time spent on duties outside the scope of the normal duties. This will give an accurate, detailed time record of dates and hours spent in the other area. The accompanying log of duties performed will be turned into the Superintendent of Schools on a weekly basis for approval, along with the time sheets. Due to the fact that the title "Transportation Supervisor" is part of the normal scope of daily duties for the Head Custodian, in September of 2016, the Board of Education approved the title change from "Head

See
Note 1
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Custodian” to “Head Custodian/ Transportation Supervisor” with bus runs as part of the expected duties that are included in the contract salary with no additional stipends.

7. The Board should authorize all salaries, wages and stipends paid to District employees.
 - The District now has procedures in place to have proper Board of Education approval for all salary contracts, all employee stipends and wage rates. All changes in salary contracts, stipends and wage rates will be brought to the Board of Education at the beginning of each fiscal year, or when negotiations are completed. Stipends have been Board of Education approved in August 2016 for the 2016-2017 school year. Wage rates (including salary and minimum wage rates) will be approved as contracts are settled.
8. The Board should in consultation with its legal advisor, consider including clarifying language in the employee agreements to help identify the manner in which comp time will be authorized, earned, used, documented and monitored.
 - The District is in the process of negotiating the administrative contracts, which will clarify language for comp time. This should be resolved in the spring of 2017.
9. The secretary should ensure that all official actions taken by the Board at its meetings regarding salaries and benefits are recorded in the minutes.
 - The minutes for the BOE will be reviewed by the BOE, Superintendent of Schools and Treasurer after the minutes are processed so that any corrections can be made before BOE approval. We believe this should alleviate any omissions from official BOE minutes. The reviews began in January 2017.

Respectfully,

Marjorie McCullough
Board of Education President
Hammond Central School

APPENDIX B

OSC COMMENT ON THE DISTRICT'S RESPONSE

Note 1

When the Treasurer's recorded leave balance is overstated, it could result in her using more leave time or receiving payment for more leave than is actually available. Although the contract sets a limit on the amount of leave time the Treasurer can receive payment for, District officials cannot ensure that leave use and payouts are properly calculated if accurate leave records are not maintained.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

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

- We interviewed District officials and employees and reviewed CBAs, Board resolutions and various reports to gain an understanding of the District's procedures for processing of payroll and maintaining time and attendance and leave accrual records.
- We reviewed the secretary's contract book to identify contracts and stipend agreements.
- We reviewed the Superintendent's payroll certification process.
- We reviewed all 626 payroll payments made to 15 employees from the 104 employees paid during our audit period. For our sample, we randomly selected 10 employees and judgmentally selected payments made to five employees, including the Treasurer, Superintendent and three employees who had multiple jobs, received multiple stipends or both. We compared the amounts paid to these employees with Board resolutions and contracts.
- We reviewed leave accrual records for 15 of the District's 60 full-time employees. We randomly selected leave records for 10 employees who worked in different job titles. We judgmentally selected leave records for five employees to include the Superintendent, the two employees who could accrue vacation leave, the secretary who recorded leave accruals and an employee with the same last name as the secretary in our sample. For our sample we performed the following procedures:
 - We determined whether the accruals earned and charged to the employees were paid according to contracts and whether leave request forms submitted for 2015-16 were accurately recorded in the attendance books.
 - We recalculated the yearly sick leave summary sheets for these employees.
 - We recalculated the daily entries in the attendance books and compared our results to the totals listed as used leave for our audit period.
- We reviewed the Treasurer's contracts from July 1, 2004 through June 30, 2016 to determine the authorized accrual of vacation time.
- We reviewed attendance books from July 1, 2011 through June 30, 2016 for the Treasurer's use of vacation time and reviewed payments in lieu of vacation made to her during this period.
- We interviewed District officials and reviewed procedures used to track and administer comp time for the Treasurer, custodian and secretary. We examined comp time records for the period July 1, 2014 through June 30, 2016 and recalculated the comp time balances.

- We reviewed Board minutes and related documents related to the custodian's appointment as assistant clerk.
- We interviewed District officials, Board members and the custodian to gain an understanding of the duties and expectations of the assistant clerk position.
- We reviewed the custodian's log book for the assistant clerk position.

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 D

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