



Lake Pleasant Central School District

Payroll

Report of Examination

Period Covered:

July 1, 2014 – September 30, 2015

2016M-8



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

March 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 Lake Pleasant 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 a resource 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 Lake Pleasant Central School District (District) is located in the Town of Lake Pleasant and the Village of Speculator in Hamilton 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. 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.

The District educates approximately 95¹ students in pre-kindergarten through ninth grade² in one building with 47 full- and part-time employees.³ The District's budgeted appropriations for the 2015-16 fiscal year are \$5 million, which are funded primarily with State aid, real property taxes and grants. District employees are compensated based on collective bargaining agreements (CBAs), individual employee contracts and Board actions. All payroll transactions are recorded in the District's computerized financial system.

Objective

The objective of our audit was to review the District's calculation of its employees' wages and salaries. More specifically, our audit addressed the following related question:

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

Scope and Methodology

We examined the District's calculation of employees' gross wages and salaries for the period July 1, 2014 through September 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.

¹ There are 21 students from neighboring districts who pay tuition to attend the District's school.

² The District pays tuition for 22 students in grades 10 through 12 to attend either the Wells Central School District or the Greater Johnstown School District.

³ Does not include substitute teachers

**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

The Board is responsible for ensuring that District employees are paid in accordance with the CBAs, individual employee contracts and Board actions that establish stipends and other payments. It is necessary to establish procedures that ensure that salaries and wages are accurately calculated. As with all school districts, payroll represents a large portion of the District's annual budget. Salaries and wages, including overtime, totaled approximately \$1.9 million or 45 percent of the District's general fund expenditures of \$4.2 million for the 2014-15 fiscal year. The significance of the District's payroll costs highlight the importance of having effective procedures to accurately calculate salaries and wages.

District officials have established adequate procedures to ensure employees are accurately compensated. The Board approves all salaries and pay rates in the various contracts for the instructional, non-instructional and administrative employees at the District. At the beginning of each school year, the account clerk updates each individual employees' salary and pay rate as stated in the contracts into the District's financial system.

The Districts salaried employees' biweekly payroll is calculated using the number of pay periods they will be working for the school year. The Superintendent reviews, approves and signs all of the District's hourly employees' timesheets. Using the approved time sheets for reference, the account clerk enters the number of hours worked into the District's financial system to calculate the biweekly payroll. The account clerk then prints the payroll register, checks and direct deposit report and gives them to the District Treasurer (Treasurer) for her review.

For the District's hourly employees, the Treasurer verifies the hours worked on their approved time sheets agree with the hours listed on the payroll register. She also confirms that checks and direct deposits agree to the net pay stated on the payroll register. For the District's salaried employees, the Treasurer compares each individual's check amount from the previous payroll to the current payroll to see if there are any discrepancies. The Superintendent then reviews the time sheets, payroll register and checks prior to certifying the payroll. After the payroll has been certified, the account clerk initiates all payroll transfers,⁴ which are subsequently approved by the Treasurer.

⁴ Payroll transfers are for District employees that have their pay checks directly deposited into their bank account. Also, it is for the District's electronic payments of federal and New York State employment taxes.

We examined the payroll records for 10 employees for four payroll periods⁵ with a combined total gross pay of \$88,981 to ensure that the employees' salaries and wages were accurately calculated and in accordance with their CBA, individual employee contract or Board-approved rates. We did not find any errors or other exceptions with the calculation of wages and salaries for these employees.

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

⁵ See Appendix B, Audit Methodology and Standards, for details on sample selection.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

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Heather Philo, Superintendent

Katria Hitrick, Assistant Principal/CSE Chairperson

Melanie Brewer, District Treasurer

March 9, 2016



NYS Office of the State Comptroller
Division of Local Government and School Accountability
One Broad Street Plaza
Glens Falls, NY 12801

Re: Report of Examination

Dear

This letter is in response to the District's draft Report of Examination 2015M-08. Given that there were no findings which required corrective action, we are pleased to not be including a corrective action plan.

On behalf of the Lake Pleasant Central School Board of Education, we would like to thank our examiners for their time and professionalism during the audit period. They were extremely thorough and took the time to offer advice on several topics. We are pleased to be in such good standing and have implemented suggestions made during their time here to further improve some of our processes. It was clear that the examiners were immensely knowledgeable, and we very much appreciated their time here.

We continue to take great pride in Lake Pleasant Central School, and appreciate that this audit has provided an opportunity to demonstrate that pride. We thank our examiners and the State Comptroller's office for conducting such a pleasant audit.

Sincerely,

Mr. Andrew Weaver,
President, Board of Education

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to determine if District employees' gross wages and deductions were accurately calculated. We obtained an understanding of the District's payroll system by interviewing appropriate District officials, performing tests of the payroll system and reviewing pertinent documents.

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

- We judgmentally selected four pay periods for review. We selected the first pay period of the 2014-15 school year because non-instructional staff had received new pay rates. Similarly, we selected the first pay period in September 2015 because teachers received their first paychecks with new pay rates for the 2015-16 school year. We selected the last pay period of the 2014-15 school year because a number of instructional staff received balloon payments.⁶ Lastly, we selected the last pay period in December because it was the last pay period prior to the end of the calendar year 2014.
- We selected a sample of 10 employees or 12 percent of the total population.⁷ That included a judgmental sample of four employees: the Superintendent, Treasurer, account clerk responsible for processing payroll and a substitute. The remaining six were selected using a random number generator. For the four pay periods selected above, we tested these 10 employees to determine if their biweekly salaries were accurate, calculated correctly and paid in accordance with Board-approved rates. We also tested to determine if the balloon payments were correctly calculated.

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.

⁶ A balloon payment is a lump-sum payment an employee receives at the end of the school year in exchange for receiving a reduced amount of his or her salary in his or her biweekly paychecks throughout the school year.

⁷ The District employed 47 full- and part-time employees and 35 substitutes.

APPENDIX C

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