



Ravena-Coeymans- Selkirk Central School District

Payroll

Report of Examination

Period Covered:

July 1, 2014 — August 31, 2015

2015M-326



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 Ravena-Coeymans-Selkirk 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 recommendation 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 Ravena-Coeymans-Selkirk Central School District (District) is located in the Towns of Coeymans, Bethlehem and New Scotland in Albany County and New Baltimore in Greene County. The District is governed by the Board of Education (Board), which is composed of nine 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 operates four schools with approximately 1,900 students and 600 employees. The District's budgeted appropriations for the 2015-16 fiscal year are \$43.2 million, which are funded primarily with State aid, real property taxes and grants. Appropriations for salaries, wages and overtime for 2015-16 totaled \$20.9 million, or about 48 percent of the total budget.

Objective

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

- Were employee salaries, wages and separation payments accurately paid?

Scope and Methodology

We examined payroll payments to employees for the period July 1, 2014 through August 31, 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 and Corrective Action

The results of our audit and recommendation have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report. District officials generally agreed with our recommendation and have initiated, or indicated they planned to initiate corrective action.

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 represents a large portion of the District's annual budget. Salaries and wages including overtime totaled approximately \$20.1¹ million, or 48 percent of the District's general fund expenditures for the 2014-15 fiscal year. Therefore, it is important that the Board put adequate policies and procedures in place to ensure employees are accurately paid their salaries and wages. The Board approves amounts to be paid to District employees through collective bargaining agreements, individual employee contracts and Board-established rates. An effective payroll system provides assurance that payroll transactions are appropriately supported and authorized by management. Additionally, school districts often provide payments to employees for all or a portion of their earned but unused leave time when they leave district service. The Board is responsible for ensuring departing employees are paid only the amounts to which they are entitled for unused leave time upon leaving employment.

Salaries and Wages – District officials have established adequate policies and procedures to ensure employees were accurately paid their salaries or wages. Specifically, the Board approves the hiring of all new employees and accepts all resignations and retirements before any changes are made in the human resources module of the computerized financial management system. The District Clerk (Clerk) records all employee hirings, salaries, wages, resignations and retirements, along with their effective dates, in the minutes of the Board's meetings. She also enters new employees' information in the human resources module of the financial management system. She prepares employees' salary notices each year, which include the salary as well as other contractual payments, such as compensation for advanced educational credits. The notices are distributed to employees for their signatures and are retained in their personnel folders.

The District's Business Manager (Business Manager) enters all employees' step and salary information into the payroll system and deactivates payments to employees who resign or retire. Department heads review and approve all timesheets and leave requests and the Business Manager reviews all timesheets and attendance information before providing the information to a Central Business Office (CBO)² for input into the financial management system. The Business

¹ Amount does not include employee benefits such as healthcare and pension costs

² Since the payroll period ending November 14, 2014, the District has contracted with Questar III BOCES for central business office services, including payroll processing.

Manager and the Treasurer each prepare and review a payroll change report from the financial management system after the CBO³ staff enters the payroll information. When satisfied that payroll is correct, they direct the CBO to print the paychecks. For the employees paid via direct deposit, the Treasurer compares the total dollar amount and number of items on the direct deposit upload document (ACH File⁴) to the total direct deposit amount and number of items in the payroll register for agreement. The Treasurer then transmits the ACH file to the District bank and reviews and releases the bank transfers. Additionally, the Superintendent reviews and certifies the payrolls; however he does not perform the review and certification prior to the employees being paid.

We examined the records for 20 employees (15 randomly selected and five judgmentally selected) during three randomly selected payroll periods and one judgmentally selected payroll period⁵ to ensure that salaried and hourly employees were paid at their approved rates, that paid time was supported and that the Superintendent certified the payrolls. All payments were supported by District employment agreements, correctly calculated, properly supported and certified by the Superintendent.

Separation Payments – Employees are entitled to accrue and use leave time in accordance with their negotiated contracts or collective bargaining agreements. School districts often provide separation payments to employees for all or a portion of their earned but unused leave time when they leave district service. Prior to separation, employees must notify the District in writing of their intent to separate and the reason for their separation, such as retirement, within specified time frames established in their respective contract or collective bargaining agreement. This information and the Board’s response are documented in the Board minutes. The District Clerk maintains the separation files which include correspondence, accrual balances and applicable contract language. The Treasurer calculates the separation payment for unused leave for an employee based on the accrued leave

³ The payroll change report displays changes to employees’ payroll amounts since the last payroll period. Changes could be due to changes in the number of hours worked; the rate of pay, or salary; or payments for additional items, such as advanced educational credits, extra or co-curricular payments.

⁴ Automated Clearing House (ACH) is a clearing house and delivery system for processing large volumes of electronic payments between banks. The Treasurer initiates an ACH file with a transit routing number and account number, dollar amount and other required information. This file is transmitted to the District’s bank. Once the Treasurer releases the ACH file, the bank sorts the transactions and processes them internally. The payment data is then forwarded to the ACH network, which sorts and routes transactions to destination banks.

⁵ The four selected payrolls represented \$205,558 in gross pay for the 20 employees in our sample.

balance and the authorized rate of pay per the employee's contract.

We reviewed 12 separation payments that occurred during our audit period that totaled \$163,281 and found that the separation payments were accurately calculated, as per collective bargaining agreements or individual employee contracts, and included adequate supporting documentation. All payments were adequately supported and correctly calculated except for one minor discrepancy which we discussed with District officials.

We commend District officials for establishing a good system of controls over payroll and offer our recommendation to further improve the system.

1. The Superintendent should review and certify payrolls prior to the transfer and release of funds to pay employees.

Recommendations

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

Robert K. Libby, *Superintendent, Ext. 6003*
Brian Bailey, *Asst. Superintendent, Ext. 6003*
Joanne Moran, *School Business Manager, Ext. 6000*



Sue Starr, *District Clerk, Ext. 6000*
Phone: 518-756-5200 • Fax: 518-756-4561

March 2, 2016

Jeffrey Leonard
Office of the State Comptroller
Division of Local Government
And School Accountability

Re: Response and Corrective Action Plan to OSC Audit 2015M-326

To whom it may concern:

This letter is in response to the audit findings and includes our corrective action plan.

The audit focused on payroll and covered the period of July 1, 2014 through August 31, 2015. Overall the district is very pleased with both the audit findings and process as a whole. The auditor assigned to our district presented himself in a very professional manner and was a pleasure to deal with. The district has prided itself in record keeping as it relates to payroll and personnel matters. Our confidence was substantiated in the overall audit findings. Below is the district response to the finding that requires a corrective action plan.

OSC Recommendation:

The Superintendent should review and certify payrolls prior to the transfer and release of funds to pay employees.

District Response:

Effective as of the first payroll in February the District Treasurer or Business Manager will provide the Superintendent of Schools with a payroll transaction report for his signature immediately after checks are printed, and prior to the transfer of funds.

Robert Libby
Superintendent of Schools

James Latter, II
Board President

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

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

- We interviewed and observed appropriate District officials and employees to learn about the procedures used to process payrolls.
- We reviewed Board Minutes for evidence of Board approval of contracts, individual salaries and rates of pay.
- We reviewed collective bargaining agreements and individual employee contracts for our audit period to ensure salary payments were properly authorized and in accordance with the agreements.
- We reviewed all pertinent payroll records, including certified payroll registers, direct deposit uploads (ACH file) and bank transfer documentation.
- We tested the records of 15 randomly selected employees using a random number generator and the records of five judgmentally selected employees based on their proximity to the payroll process. We then randomly selected three payroll periods from July 1, 2014 through August 31, 2015 using a random number generator. We selected the last payroll of the year because it is the largest dollar amount payroll of the year. We traced the selected employees pay amounts during these pay periods to collective bargaining agreements, salary notices, Board resolutions and attendance records to determine if their pay was calculated properly.
- We reviewed all separation payments during our audit period totaling \$163,281 and compared the payment calculations to the applicable contract provisions, authorized rates of pay and employee attendance records to determine if they were paid accurately

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.

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