

Averill Park Central School District

Payroll

MARCH 2019



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Averill Park Central School District

Audit Objective

Determine whether employee salaries and wages were accurately paid.

Key Findings

- District officials have adequate procedures to ensure salary and wages are paid accurately.
- The Superintendent was not always certifying payrolls prior to the Treasurer distributing paychecks and processing direct deposits.
- Prior to our audit, the Superintendent was not using payroll change reports as part of the payroll certification process.

Key Recommendations

- Certify the payrolls prior to the Treasurer distributing paychecks and processing direct deposits, and document his review date.
- Continue to use payroll change reports.

District officials generally agreed with our recommendations and have initiated, or indicated they planned to initiate, corrective action.

Background

The Averill Park Central School District (District) serves the Towns of Berlin, Brunswick, East Greenbush, Nassau, North Greenbush, Poestenkill, Sand Lake, Schodack and Stephentown in Rensselaer County.

The District is governed by a seven-member elected Board of Education (Board) which 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 District's day-to day management. The Assistant Superintendent for Business (Assistant Superintendent) oversees the District's business operations, including payroll processing. Payroll is processed primarily by a payroll clerk who enters salary and time and attendance information, and prepares and prints payroll checks. The Superintendent certifies the payroll.

Quick Facts

2018-19 Budgeted Appropriations	\$58,828,115
2017-18 Payroll Expenditures	\$28,605,471
Employees	487
Enrollment	2,752

Audit Period

July 1, 2017 – August 31, 2018

Payroll

How Should the District Ensure That Salaries and Wages Are Accurately Paid?

Payroll makes up a significant portion of the District's operating costs. Therefore, District officials should establish procedures to ensure employees are paid the salaries and wages authorized by the Board. The Board should establish and approve all salary and hourly wages as part of a collective bargaining agreement (CBA), individual contract or resolution. The terms and conditions of all employment agreements should be clearly communicated to those responsible for payroll processing. Additionally, payroll authorizations should be segregated from payroll preparation and processing. Individual payroll amounts should be traceable to authorization documents and supported by time and attendance records. Any changes in employment status or salary and wage rates should be properly authorized, approved and documented to support the changes. Each payroll should be reviewed for accuracy by someone outside of the payroll process. Finally, before checks are distributed, payroll registers or similar records should be reviewed and independently certified to provide oversight of the payroll process.

Employee Salaries and Wages Were Accurately Paid

District officials accurately paid salaries and wages according to their payroll process established to ensure that employees are paid in accordance with Board authorizations and payroll transactions are appropriately supported and authorized by management. Specifically, the Board approves new positions and authorizes employee hiring. Administrative assistants¹ enter new employee information in the financial management system and the payroll clerk enters payroll amounts and changes based on Board authorization.² Departmental time and attendance records are reviewed and signed by supervisors³ and then submitted to the payroll clerk for processing. The payroll clerk inputs the time and attendance information and prepares and prints the checks, using an electronic thumb drive that the Treasurer provides; the Treasurer enters her confidential password for the thumb drive, and the payroll clerk prints the checks and applies the Treasurer's signature. The Treasurer then compares the totals from the warrant (a report that itemizes and totals the printed payroll checks) to the payroll register.

1 The administrative assistant to the Assistant Superintendent of Schools enters information on new instructional employees, and the administrative assistant to the Assistant Superintendent for Business enters information on new non-instructional employees.

2 Annual salary notices detailing the employee's authorized compensation are prepared for all employees by the payroll clerk and are based on Board resolutions and/or CBAs.

3 The five building principals, two Assistant Superintendents, Transportation Director, Facilities Director and Food Service Director each review and sign time and attendance information for their personnel.

The Superintendent reviews the payroll register for any apparent discrepancies or significant changes and certifies the payroll. However, when the Superintendent signs the certification form he does not date the signature; thus there is no way to determine whether the certification was completed prior to the Treasurer distributing paychecks and processing direct deposits for employees' pay. Based on our observations and interviews, the Superintendent did not always certify the payroll prior to the Treasurer issuing paychecks and processing the direct deposits. Additionally, a payroll change report indicating any changes to pay rates, or adding or deleting employees since the prior payroll, was not produced to assist the Superintendent or anyone else in reviewing the payroll.

We examined the annual gross salary and wages paid to 35 employees totaling \$1.9 million for the 2017-18 fiscal year. The salaries and wages accurately traced to appropriate Board authorizations including annual salary notices and CBAs. To test the accuracy of the payroll system, we selected four payrolls⁴ during our audit period and examined the biweekly amounts paid to the same 35 employees, totaling \$261,567. Generally, the amounts paid were properly authorized by the Board and supported by time and attendance information approved by supervisors or managers. We also examined the bank activity associated with the four selected payrolls and confirmed that the amounts paid and withheld were accurately reflected in the bank statements including direct deposit, net pay and federal and State tax payments.

Prior to the end of our fieldwork, the payroll clerk began preparing a payroll change report with the payroll register which the Superintendent now uses during his review and certification of payroll. Establishing and adhering to an effective payroll process helps ensure that employees are accurately paid the salaries and wages to which they are entitled.

What Do We Recommend?

The Superintendent should:

1. Certify the payrolls prior to the Treasurer distributing paychecks and processing direct deposits, and document his review date.
2. Continue to use payroll change reports during his review and certification of payroll.

⁴ See Appendix B, Audit Methodology and Standards, for basis of selection.

Appendix A: Response From District Officials

Averill Park Central School District

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MICHAEL OUIMET
ASSISTANT SUPERINTENDENT OF BUSINESS

DR. JAMES R. FRANCHINI
SUPERINTENDENT OF SCHOOLS

SHARON L. LAWRENCE
ASSISTANT SUPERINTENDENT OF SCHOOLS

March 4, 2019

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

Dear Mr. Leonard:

Thank you for allowing our Board of Education representatives and School Officials to meet with your auditors on January 25, 2018 to review the Draft Report of Examination: Payroll 2018M-255. We appreciate the courteous and professional manner with which the auditors worked with us during the audit.

The District agrees with the following recommendations presented in the report:

1. The Superintendent should certify payrolls prior to the Treasurer distributing paychecks and processing direct deposits, and the Superintendent should document his review date.
2. The Superintendent should use payroll change reports as part of the payroll certification process.

The District implemented the following actions/procedures during the audit period to comply with these recommendations.

1. The Superintendent, during the audit period, began to and will continue to review the payroll, certify the payroll and indicate the payroll certification date, prior to the processing and distribution of payroll checks.
2. The Payroll Administrator, during the audit period, began to generate and will continue to generate a *Payroll Change Report* for each payroll and the Payroll Administrator provide this report to the Superintendent for review prior to the processing of payroll checks and as part of the Superintendent's payroll certification process.

The Board of Education, administration and staff are committed to fiscal integrity and accountability in the stewardship of district assets and will continue to diligently protect the financial interest of our taxpayers. We look forward to completing the final corrective action plan which will address each of the Comptroller's recommendations.

Thank you for the opportunity to respond to your preliminary draft audit report.

Sincerely,

Dr. Peter A. Schaefer
President, Board of Education

Appendix B: Audit Methodology and Standards

We conducted this audit 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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed District officials to gain an understanding of the payroll process.
- We judgmentally selected 35 employees in order to obtain a cross section of managerial, instructional, non-instructional, salaried and hourly employees as well as employees with proximity and access to the financial management system. We compared the gross amounts paid annually per the payroll register to annual salary notices, CBAs or other Board authorization such as an appointing resolution.
- To test the accuracy of the payroll system we judgmentally selected four payrolls based on risk associated with potentially unauthorized payments (for example, unauthorized changes in pay rate) and traced the amounts paid to the same 35 employees to salary authorizations to determine whether employees were accurately paid. We compared the payroll information to the time and attendance records to determine whether the payroll was supported.
- We traced the summary amounts of net pay, direct deposit and federal and State withholdings from the payroll registers to the bank accounts to determine whether the payroll activity per the accounting records was accurately reflected in the bank accounts.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). 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.

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.

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, pursuant to Section 35 of General Municipal Law, Section 2116-1(3)(c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the 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. We encourage the Board to make the CAP available for public review in the District Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/localgov/costsavings/index.htm

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/localgov/planbudget/index.htm

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/localgov/pubs/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/localgov/finreporting/index.htm

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/localgov/researchpubs/index.htm

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/localgov/academy/index.htm

Contact

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Division of Local Government and School Accountability
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www.osc.state.ny.us/localgov/index.htm

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