

Brighter Choice Charter School For Boys

Payroll

OCTOBER 2018



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

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Report Highlights

Brighter Choice Charter School For Boys

Audit Objective

Determine whether internal controls were in place to ensure that employee compensation was accurate, supported and properly authorized.

Audit Findings

School officials effectively designed and implemented procedures to ensure that compensation payments were accurate, and properly authorized.

School officials accurately paid 15 employees who were paid \$123,754 over four payroll periods during the audit period.¹

- We reviewed the gross pay calculations of these employees to determine whether salaries and pay rates were authorized, accurately paid and supported by time records. We found that employee compensation was accurate, adequately supported and properly authorized.

There were no recommendations as a result of this audit.

Background

The Brighter Choice Charter School for Boys (School) is located in the City of Albany in Albany County. The School was established and granted a charter by the State University of New York Board of Regents in the spring of 2001. The charter was renewed for three years in February 2018.

The School is governed by a six-member Board of Trustees (Board) responsible for the School's financial and educational affairs. The Director of School Quality (Director) is responsible, along with other administrative staff, for the day-to-day management under the Board's direction.

The Financial Manager (Manager) is responsible for entering pay rates and processing payroll. The Director is responsible for reviewing the Manager's work and certifying payroll before the Manager submits the payroll to the payroll processing company.

Quick Facts

Employees	49
2016-17 Payroll Expenditures	\$2 Million
2018-19 Budget	\$5 Million
Enrollment	317

Audit Period

July 1, 2016, – April 30, 2018

¹ These employees were paid \$1.3 million during the audit period.

Employee Compensation

A charter school is a public school financed by local, State and federal resources that is not under the control of a local school board. Charter schools generally have fewer legal operational requirements than traditional public schools. Most of the regulations for a charter school are contained in Article 56 of the New York State Education Law and its bylaws, charter agreement and fiscal/financial management plans.

How Should the School Ensure Employees Are Accurately Paid?

Employee salaries, wages, stipends and any incentives should be authorized by school management on an annual basis and when changes occur. School management should document this approval by letter or a similar document indicating the reason for the change in compensation. Individual payroll amounts should be traceable to authorization documents, and supported by time and attendance records. Each payroll should be reviewed and certified by the appropriate official. Such documentation demonstrates management's oversight of this critical function. A properly designed system of internal controls for the payroll process includes procedures to assure this documentation is in place for each employee and each change in pay rate or work schedule.

The Board Developed and Implemented an Appropriate System of Controls for the Payroll Process

Employees' annual compensation is documented by individual salary notices signed by the Director and the employee. Hourly employees' pay rates are documented by payroll change forms signed by their manager. Stipends, performance incentives and retention bonuses are supported by letters from the Director or Board President and retained on file. Employees participate in an electronic time keeping system and, since September 12, 2017,² also sign in and out of the school manually.

Each pay period, the Manager generates a payroll change report (report) and submits it along with a payroll check register (register), which lists the payroll checks waiting to be printed, to the Director for his review. The report lists the prior payroll amounts, the current payroll amounts, any change between them and the reasons for the change. The Director reviews and compares the register and the report and certifies the payroll. The Manager then submits the payroll for processing to the payroll processing company. Finally, the Manager distributes checks and files the certified report with the register.

² The manual system was introduced as a method to track individuals' locations during the day and to support time and attendance records.

To test the system to determine whether it was working as intended, we examined the annual compensation authorization records for 15 of 49 employees (30 percent)³ who were paid \$1.3 million during our audit period.⁴ Except for one employee's compensation authorization that we verified with School officials, all these employees had sufficient documentation on file. We compared the year-to-date amounts paid to each employee with their base salary authorizations, and approved schedules for other types of pay and found their annual compensation was accurate and authorized by management.

We compared the compensation paid to these employees over four payroll periods totaling \$123,754 with authorized salaries, hourly rates and supporting time and attendance documents. We found that the amounts paid to all these employees were adequately supported and accurately calculated. Each employee's payroll calculation was supported by the time records in each pay period.

We reviewed all registers for the 49 payroll periods during our audit period to determine whether the Director reviewed and certified payroll. The Director signed and dated the registers before the payroll was processed. We concluded that the system of controls over the payroll process was appropriately designed and was working as intended.

Conclusion

School officials established and adhered to an effective payroll process that decreases the risk that errors or irregularities in processing and paying payroll could occur.

3 See Appendix B for information on our sampling methodology.

4 These employees were paid \$725,885 in 2016-17, and \$627,386 from July 1, 2017 through April 30, 2018.

Appendix A: Response From Charter School Officials



September 28, 2018

[REDACTED]
NYS Office of the State Comptroller
Division of Local Government and School Accountability
Glens Falls, NY 12801

Dear [REDACTED]

The Board of Directors and School Leadership for the Brighter Choice Charter School for Boys agree with the methodology and results of the audit report furnished Monday September 10, 2018. Being a publicly funded institution, Brighter Choice Management examines expenditures with the utmost level of scrutiny, and we look forward to working with the Office of the State Comptroller to continue ensuring strong and constantly improving internal controls.

Respectfully,

Shawn Jahn
Finance Manager
Brighter Choice Charter Schools

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 judgmentally selected 15 employees (30 percent of all employees) to obtain a sample that encompassed six hourly, nine salaried, six instructional and nine non-instructional employees. We reviewed their salary documentation and had discussions with School management to determine their authorized annual compensation. We compared the year-to-date amounts paid in 2016-17 and from July 1, 2017 through April 30, 2018 to the authorizations for each employee.
- We judgmentally selected four payroll periods (two from each school year of our audit period) to determine whether the selected employees were accurately paid. We compared the payroll registers to the electronic time records and the manual sign in logs to determine whether the payrolls were adequately supported. We selected the December 16, 2016 and December 15, 2017 payrolls because there may be a higher risk of improper payments during the holiday season. We selected the June 30, 2017 payroll because it was the last one in the school year and there could be an increased risk that unauthorized transactions could be made before the year closes. We chose the September 22, 2017 payroll to test the accuracy of payroll at the beginning of the school year when office/school routines are being established, and new pay rates are in effect.
- We examined all 49 payroll registers during our audit period to determine whether the Director reviewed and certified payroll before payroll checks were issued.

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 relevant population size and the sample selected for examination.

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/lgli/pdf/cybersecurityguide.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

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