

West Buffalo Charter School

Payroll

JUNE 2018



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

Contents

- Report Highlights 1**

- Payroll. 2**
 - How Should School Officials Ensure Employees Are Accurately
Compensated?. 2
 - School Officials Accurately Compensated Employees. 2
 - What Do We Recommend? 3

- Appendix A – Response From School Officials 4**

- Appendix B – Audit Methodology and Standards 8**

- Appendix C – Resources and Services. 9**

Report Highlights

West Buffalo Charter School

Audit Objective

Determine whether School officials accurately compensated employees.

Key Findings

- We reviewed salaries paid to 24 employees totaling \$1.4 million for the period July 1, 2016 through January 7, 2018. Except for some minor discrepancies, employees were accurately paid.
- School officials did not update employee salaries included in offer of employment letters when salary changes were made.
- The Board did not formally approve the health insurance opt-out program and the leave benefits for maintenance employees.

Key Recommendations

- Adopt a policy to provide detailed guidance for School officials to ensure any changes in salary or pay rate are properly authorized, approved and documented.
- Formally approve benefits provided or paid to School employees.

School officials agreed with our recommendations and indicated they planned to initiate corrective action.

Background

The West Buffalo Charter School (School) is located in the City of Buffalo. A seven-member Board of Trustees (Board) is responsible for the general management and control of financial and educational affairs. The Board appoints a School Leader who is responsible, along with the Finance and Operation Officer and other administrative staff, for day-to-day management under the Board's direction.

Quick Facts

Employees	75
2017-18 Enrollment	400
2017-18 Operating Expenses	\$5.2 million
2017-18 Payroll Expenses	\$2.8 million

Audit Period

July 1, 2016 – February 26, 2018

Payroll

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. Employee compensation and benefits are a significant portion of a charter school's operating expenses.

How Should School Officials Ensure Employees Are Accurately Compensated?

The Board should authorize and approve all salaries paid to employees and any additional compensation, such as stipends provided to them. The Board should document this approval by resolution, employment contract or approved policy document. School officials should ensure that a system is in place to pay the agreed upon compensation and properly record these transactions in the financial system. A well-designed payroll system adequately segregates duties and provides an oversight and review process to ensure that compensation is accurately paid and benefits properly provided. Additionally, any changes in salary and wage rates should be properly authorized, approved and documented.

School Officials Accurately Compensated Employees

School officials ensured the accuracy of compensation paid and benefits provided to employees. We found that payroll duties were adequately segregated and there was appropriate oversight of the payroll process. The Board authorizes new employee hiring, the administrative assistant prepares offer of employment letters, which list the salary to be paid, and the School Leader and the Board President sign these letters. The office manager creates employee payroll profiles and enters employee salaries and the Finance and Operations Officer reviews pay rates each year. All hourly employees are required to clock in and out. The office manager reviews the hours, including any overtime hours worked. The Finance and Operations Officer reviews the payroll each pay period.

However, School officials did not update the salaries contained in the offer letters if changes were made after the letters were prepared. In addition, School officials did not have any written policies to address this issue. Further, the Board did not formally approve the health insurance opt-out program¹ and the leave benefits for six maintenance employees.

We examined annual salaries paid to 24 employees totaling \$1.4 million for the period July 1, 2016 through January 7, 2018 to determine whether salaries

¹ School officials paid a \$500 insurance opt-out to 30 employees who declined School-provided health insurance in 2017-18.

and pay rates were authorized, overtime hours were accurately calculated and additional salary payments (stipends) were accurately calculated and paid. We also reviewed leave records to determine whether employees were entitled to leave taken during the period reviewed. Except for minor discrepancies with leave records which we discussed with School officials, the salaries and wages reviewed were accurately calculated and paid.

What Do We Recommend?

The Board Should:

1. Adopt a policy to provide detailed guidance for School officials to ensure any changes in salary or pay rate are properly authorized, approved and documented.
2. Formally approve all benefits provided or paid to employees.

Appendix A: Response From School Officials



West Buffalo Charter School

113 Lafayette Avenue • Buffalo, New York 14213
716.923.1534 • www.westbuffalocharter.org

Mrs. Andrea Todoro, School Leader • Elizabeth Sterns, Finance and Operations Officer

June 11, 2018

Mr. Jeffrey D. Mazula
Chief Examiner of Local Government and
School Accountability
295 Main Street, Suite 1032
Buffalo, New York 14203-2510

**Re: West Buffalo Charter School – Payroll
Report # - 2018M-72**

Dear Mr. Mazula:

Please accept this as our official written Audit Response Letter (“Response”) relative to the above-referenced draft audit report (the “Report”) dated May 11, 2018. The Report was received electronically as an attachment on May 11, 2018 and this response satisfies your office’s 30-day response requirement.¹

Note that due to the limited Report findings and the simplicity of the school’s Corrective Action Plan (“CAP”), we have chosen to combine our Response and CAP into one document.²

Written Audit Response:

We have reviewed the Report for accuracy of findings and found no issues. It is our opinion that the methodology used by the Senior Examiner in verifying payroll was sound and that the findings communicated in the Report were accurate. Thus, we agree with the Report.

¹ *Responding to an OSC Audit Report: Audit Responses and Corrective Action Plans*, as published by the Office of the State Comptroller, Division of Local Government and School Accountability, June 2011.

² *Ibid*; Page 9.

We agree completely with the two recommendations cited in the Report (Page 3) and had already begun implementation of new policies and procedures that would address the findings. We will address these more fully in the Corrective Action Plan (“CAP”) below.

Corrective Action Plan (“CAP”):

This CAP refers to the following Report of Examination:

Unit Name: Division of Local Government and School Accountability
Audit Report Title: West Buffalo Charter School Payroll/
Report of Examination
Audit Report Number: 2018M-72

Report Recommendations and related CAP:

- ***Audit Recommendation #1: Adopt a policy to provide detailed guidance for School officials to ensure any changes in salary or pay rate are properly authorized, approved, and documented.***

- **Corrective Action Plan for #1:**
 - The current procedures require the Administrative Assistant to draft annual “offer of employment” letters, which are thereafter reviewed by the School Leader and approved by the Board of Trustees (“BoT”). In the event of changes to rates of pay, the following procedure will be taken as a matter of policy:
 - A list of updated rates of pay will be maintained by the Finance & Operations Officer. Changes in these rates will be forwarded to the Administrative Assistant, who will draft an updated offer letter reflecting new salaries to be paid.
 - The updated letter will be returned to the Finance & Operations Officer to cross-reference against the list of salaries, checking for potential data entry errors.
 - The updated letter will then be signed by the School Leader and Board President, and subsequently held in the personnel file maintained by the School Leader.
 - The Finance & Operations Officer will forward the new pay rate to the Office Manager who processes payroll. This notification will be made electronically with the School Leader and Board President being carbon copied.

- The changes will be implemented by the Administrative Assistant, Office Manager, School Leader, and the Finance & Operations Officer, with approval by the Board of Trustees, to ensure continued adherence to these procedures.
 - The aforementioned procedures will be implemented immediately.
- **Audit Recommendation #2:** *Formally approve any benefits provided to or paid to School employees.*
- Corrective Action Plan for #2:
- The policy to pay out a one-time \$500 stipend to those employees who decline School-provided health insurance was adopted at the inception of the School but never formally approved by the Board. This policy, as well as leave benefits for six maintenance employees, will be formally approved by the Board of Trustees. Additionally:
 - Currently, a full list of salary and benefits by class of employee (“Benefits Summary”) is used as an internal reference for payroll and related human resource matters. This working document will be updated annually and put forward for board approval each May along with the annual budget. This document will continue to serve as a working reference document for employee payroll and benefits and approval of those benefits by the Board of Trustees.
 - The changes will be implemented by the School Leader and the Finance & Operations Officer, with approval by the Board of Trustees, to ensure continued adherence to these procedures.
 - The annual Benefits Summary will be provided to the Board of Trustees at the next regularly scheduled board meeting (June 25, 2018). It will be provided during the May board meeting each year thereafter as to coincide with the annual budget approval.

We trust this Response and related CAP are sufficient relative to the Report and Response requirements set forth by the Office of the State Comptroller. However, please do not hesitate to contact me should you require additional information.

Sincerely,

Elizabeth J. Sterns 
Finance & Operations Officer

cc: Mrs. Andrea Todoro, School Leader
Mrs. Michelle Stevens, Board President
Mr. James Sampson, Vice President
Mr. Richard Baer, Secretary
Mr. James Deuschle, Treasurer
Dr. Robert Gamble, Trustee
Dr. Thomas Schenk, Trustee
Mrs. Amy Friedman, Trustee
Mrs. Lynn Shea, Trustee

Appendix B: Audit Methodology and Standards

We conducted this pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Section 2854 of the New York State Education Law, as amended by Chapter 56 of the Laws of 2014. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed School officials and reviewed policies and employee offer letters to gain an understanding of the School's payroll process.
- We judgmentally selected a sample of payroll records for 24 employees and compared the salaries paid with the Board-approved salary schedules and Board-approved offer letters to determine whether these employees were accurately paid. We also traced to timesheets to determine the accuracy of hours worked and to supporting contracts to determine whether any additional payroll payments were supported.
- We compared the School's health insurance bills for the audit period to the payroll records to determine whether any employee appeared on the insurance bill but also received the health insurance opt-out payment.
- We recalculated unused leave balances for our previously selected sample of employees and compared our results with the employees' accrued leave balances to determine whether these records were accurately maintained.
- We reviewed the health insurance contributions and traced to payroll records to determine whether the amounts withheld were accurate for all employees on the December 2017 bill.

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 the relevant population size and the sample selected for examination.

The Board has the responsibility to initiate corrective action. We encourage the Board to prepare a plan of action that addresses the recommendations in this report and forward the plan to our office within 90 days.

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

Contact

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

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

Local Government and School Accountability Help Line: (866) 321-8503

BUFFALO REGIONAL OFFICE – Jeffrey D. Mazula, Chief Examiner

295 Main Street, Suite 1032 • Buffalo, New York 14203-2510

Tel: (716) 847-3647 • Fax: (716) 847-3643 • Email: Muni-Bufferalo@osc.ny.gov

Serving: Allegany, Cattaraugus, Chautauqua, Erie, Genesee, Niagara, Orleans, Wyoming counties



Like us on Facebook at facebook.com/nyscomptroller

Follow us on Twitter [@nyscomptroller](https://twitter.com/nyscomptroller)