



Menands Union Free School District Payroll

Report of Examination

Period Covered:

July 1, 2014 – August 31, 2015

2015M-268



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

December 2015

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 Menands Union Free 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 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 Menands Union Free School District (District) is located in the Village of Menands in Albany County. The District is governed by a 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 its day-to-day management under the direction of the Board.

The District educates about 250 students in grades kindergarten through eighth grade in one building with a full- and part-time staff of about 50 employees. The District's budget for the 2014-15 fiscal year was about \$7.4 million, funded primarily with real property taxes and State aid. Employees' salaries and wages were significant operating costs to the District, totaling about \$2.5 million, or approximately 34 percent of the budget. District employees are compensated based on collective bargaining agreements, 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 employees' wages and the deductions from their pay. More specifically, our audit addressed the following related question:

- Did District officials ensure that employees' gross wages and deductions from their pay were accurately calculated?

Scope and Methodology

We examined the District employees' gross wages and payroll deductions 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

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 generally agreed with our findings.

Payroll

The Board is responsible for ensuring that District employees are paid in accordance with the collective bargaining agreements (CBA), individual employee contracts and Board actions that establish stipends and other payments. It is necessary to establish procedures that ensure the deductions made from the employees' pay are properly authorized and documented. This includes having procedures to make sure that salaries, wages and deductions are accurately recorded in the District's financial system. As with all school districts, payroll represents a large portion of the District's annual budget. Salaries and wages, including overtime totaled approximately \$2.5 million, or 34 percent of the District's general fund expenditures for the 2014-15 fiscal year. The significant costs involved highlight the importance of good procedures in this area.

District officials have established adequate procedures to ensure employees are accurately compensated and deductions made from the employees' pay are authorized and correct. An account clerk processes the biweekly payroll in the District's financial system. The Business Manager reviews the biweekly payroll for accuracy and generates numerous reports¹ out of the financial system that are attached to the payroll register. These reports along with the payroll register are reviewed and certified by the Superintendent. In addition, the Business Office maintains individual employee folders to document approved salary and other forms of compensation.² These folders also include the employees' authorization for deductions made from their pay for such items as insurance premium contributions, tax sheltered annuities, flex spending plans and union dues.

We tested District records to determine if employees were paid according to their respective CBA, employee contracts or Board approved rates. We examined the records for four payrolls³ totaling \$691,867 to ensure that salaried and hourly employees were paid at their Board approved rates. We also made sure the employees in our sample that received stipends were paid accurately. For the same four payrolls, we also examined the required⁴ and voluntary deductions

¹ The reports include transaction reports of employee pay, deduction reports, pay check reports and direct deposit reports.

² Other forms of compensation include stipends for coaching and student activities, insurance buyouts and balloon payments.

³ See Appendix B, Audit Methodology and Standards, for details on sample selection.

⁴ This includes Social Security, Medicare and federal and New York State income tax withholding.

made from the employees' pay to ensure they were supported by proper documentation.⁵ The voluntary deductions included tax sheltered annuities, flex spending plans, insurance premiums, and union dues which totaled \$66,229. Except for some minor discrepancies which we discussed with District officials during our fieldwork, the compensation paid to the employees was correctly calculated and supported by their respective CBA, employee contracts and Board approved rates. Also, the District maintained adequate documentation to support the required and voluntary deductions from employee pay.

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 The employees sign forms that approve deductions for items like insurance premiums, tax sheltered annuities, flex spending plans and union dues.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

Dr. Maureen A. Long
Superintendent of School's
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Principal
Ext 107

Terry Blanchfield
School Business Manager
Ext 105

Terry Blanchfield
District Treasurer
Ext 105

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Menands Union Free School District



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December 14, 2015

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

Dear [REDACTED]

We have reviewed the Report of Examination issued at the conclusion of an audit from the Office of the State Comptroller and have had an opportunity to discuss the findings with [REDACTED] on Friday, December 4, 2015. We were pleased to hear that the audit found adequate controls in the area of financial oversight, claims processing, cash management and purchasing. Your office decided to make payroll processing the key objective of the audit.

Since the audit did not contain any adverse findings and did not recommend any improvements to our payroll system, no corrective action is required.

On behalf of the Board of Education and the school district, we appreciate the attention provided during this audit.

Sincerely,

Dr. Maureen A. Long
Superintendent

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 audit procedures:

- We judgmentally selected two payroll periods for review due to higher risk. We selected the first payroll period of the 2014-15 school year because teachers and staff had received new pay rates. We tested to determine if their biweekly salaries were accurate, calculated correctly and paid in accordance with Board approved rates. We selected the last payroll period of the 2014-15 school year because a number of teachers received balloon payments⁶ and stipends for additional duties. We tested to determine if the balloon payments were correctly calculated and the stipends agreed with the Board approved rates. Also, to determine if their biweekly salaries were accurate, calculated correctly and paid in accordance with Board approved rates. We reviewed the pay and benefits for all employees listed on the payroll registers for those two pay periods.
- We randomly selected two pay periods using a random number generator to determine if employees' biweekly salaries were accurate, calculated correctly and paid in accordance with Board approved rates. One of those periods included payments to employees who elected to receive medical insurance buyouts; we reviewed these payments and the District's calculations to determine if they agreed with the CBA and Board policy. We reviewed any payments for overtime to determine if they were approved by management and calculated using correct rates. We reviewed the pay and benefits for all employees listed on the payroll registers for those two pay periods.
- We used the same four payroll periods to review the required and voluntary deductions to employees' pay to determine if they were properly documented and initiated by the employees. We reviewed the payroll registers to determine if the District made the required deductions for Social Security and Medicare. We also compared deductions for federal and State tax withheld to the employee records to determine if the required forms were on file. We did not test the accuracy of the amounts withheld. We reviewed voluntary deductions for tax sheltered annuities, insurances, flex spending plans, and union dues to determine if the deductions were properly documented and initiated by the employees. We reviewed calculations for all employees listed on the payroll registers for each payroll period.

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 annual salary in his or her biweekly paychecks throughout the school year.

APPENDIX C

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