



# Beaver River Central School District Payroll

## Report of Examination

Period Covered:

July 1, 2014 – February 29, 2016

2016M-247



Thomas P. DiNapoli

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# State of New York Office of the State Comptroller

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## **Division of Local Government and School Accountability**

August 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 Beaver River 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 Beaver River Central School District (District) is located in the Towns of Croghan, New Bremen and Watson in Lewis County. The District is governed by a Board of Education (Board) that is composed of seven elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools is the District's chief executive officer and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction. The responsibility for the District's finances and accounting records rests with the Business Manager, who also serves as the District Treasurer.

The District operates one school with approximately 880 students and 165 employees. The District's budgeted appropriations for the 2015-16 fiscal year were \$17.4 million, which were funded primarily with State aid and real property taxes.

## Objective

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

- Did the District accurately pay employees' salaries and wages?

## Scope and Methodology

We examined the District's payroll records for the period July 1, 2014 through February 29, 2016.

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 A 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. District officials agreed with our report and indicated they would not respond in writing to our audit findings.

## Payroll

The Board is responsible for ensuring that District employees are paid in accordance with applicable collective bargaining agreements (CBAs), individual employee contracts, salary notices and Board actions that establish stipends and other payments. District officials should establish procedures for staff to follow when calculating salaries and wages. In addition, District officials should ensure that staff properly records and maintains leave accruals and usage.

Payroll represents a large portion of the District's annual budget. Salaries and wages, including overtime, totaled approximately \$6.2 million, or 40 percent of the District's general fund expenditures of \$15.6 million, for the 2014-15 fiscal year. The significance of the District's payroll costs highlights the importance of having effective procedures to accurately calculate salaries and wages.

District officials have established adequate procedures to ensure the accuracy of salaries and wages paid to employees. The Board approves all salaries and pay rates in the various contracts for the instructional, noninstructional and administrative employees at the District. At the beginning of each school year, the senior account clerk updates each individual employees' salary, pay rate and leave accruals, as stated in their respective contracts, in the District's financial system.

Salaried employees' biweekly payroll is calculated using the number of pay periods they will be working for the school year. The Business Manager reviews, approves and signs all of the hourly employees' time sheets. Using the approved time sheets for reference, the senior account clerk enters the number of hours worked into the District's financial system to calculate the biweekly payroll. The senior account clerk then checks her work for accuracy and gives the register and time sheets to the Business Manager for his review.

For hourly employees, the Business Manager ensures that the hours worked on their approved time sheets agree with the hours listed on the payroll register. After the payroll has been certified, the senior account clerk notifies Jefferson-Lewis Board of Cooperative Educational Services (BOCES) and uploads the payroll register information. BOCES then generates the checks. The Business Manager confirms that checks and direct deposits agree with the net pay stated on the payroll register and approves all payroll transfers.

We examined the payroll records for 25 employees<sup>1</sup> for five payroll periods with a combined total gross pay of \$183,010 to determine whether the employees' salaries and wages were accurately calculated and in accordance with their CBAs, individual employee contracts or Board approved rates. We examined payroll records for 10 employees who submit time sheets for hourly work for the same five payroll periods with a total gross pay of \$22,053, of which \$8,646 was overtime pay. We did not find any errors or other exceptions with the calculation of wages and salaries for these employees.

We also reviewed leave usage for a sample of 10 employees who used approximately 203 hours of leave. District officials have developed a process to document leave usage. We found that leave was granted and used according to individual contracts or bargaining unit agreements. In addition, we reviewed separation payments totaling \$46,623 provided by the District to the six employees who retired during our audit period and did not identify any discrepancies. We commend District officials for designing and implementing a good system of controls to help ensure the accuracy of compensation paid to employees.

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<sup>1</sup> Refer to Appendix A for further information on our sample selection for this sample and those that follow.

## APPENDIX A

### AUDIT METHODOLOGY AND STANDARDS

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

- We interviewed District officials and key employees and reviewed Board meeting minutes to gain an understanding of the District's payroll processing procedures.
- We identified and reviewed payroll rates, individual salary notices and collective bargaining agreements to determine the specific employment conditions established by the Board.
- From our scope period of July 2014 through February 2016, we used a random sample to determine the two months that we would use for our testing. The random sample resulted in the test months of September 2014 and March 2015. We tested payroll payments made to a judgmental sample of five salaried employees based on their roles in processing payroll and a random sample of 20 salaried employees to determine whether the payments were accurately calculated based on employment conditions and whether additional payments were supported and approved.
- We judgmentally selected 10 employees from different positions (substitute teachers, substitute cleaners, bus drivers, tutors and chaperones). We compared the pay rates, time sheets and salary notices, if applicable, for the 10 employees to the payroll report for September 2014 and March 2015 to determine whether the payments they received were accurately calculated based on employment conditions and whether additional payments were supported and approved.
- We randomly selected the payroll period of September 12, 2014 and tested leave accruals from 10 judgmentally selected employees from different bargaining units. We compared the accruals documented in the attendance records for each employee with the amount of leave to which they were entitled by contract and reviewed time sheets and supporting documents for proper approvals and documentation of leave time used.
- We obtained a list of retirees from the financial system and compared it to the Board minutes to confirm whether we had a complete list of employees who retired during our audit period. For each individual on the list, we compared their payroll report rate and days paid to the terms found within their respective contracts. We also compared the days awarded for payout to the employees' attendance records to ensure the correct amounts of days were paid out at the correct rate.

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

## APPENDIX B

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