



Cheektowaga Central School District Employee Compensation and Benefit Payments

Report of Examination

Period Covered:

July 1, 2014 – February 22, 2016

2016M-197



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

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 Cheektowaga Central School District, entitled Employee Compensation and Benefit Payments. 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 and recommendations 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 Cheektowaga Central School District (District) is located in the Town of Cheektowaga in Erie County. The District is governed by the Board of Education (Board), which is composed of seven elected members and is responsible for the general management and control of the District's financial 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 District operates four schools with approximately 2,100 students and 386 full and part-time employees. The District's 2015-16 general fund appropriations totaled approximately \$40.1 million and were funded primarily with real property taxes, State aid and sales tax. Employee compensation and benefits totaled approximately \$27 million, or 67 percent of general fund expenditures, in 2014-15.

Objective

The objective of our audit was to examine the District's process and procedures over compensation-related payments. Our audit addressed the following related question:

- Do the Board and District officials ensure that compensation and benefit payments for employees are accurate, properly approved and supported?

Scope and Methodology

We examined the District's compensation and benefit payment processes and procedures for the period July 1, 2014 through February 22, 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 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 and Corrective Action

The results of our audit and recommendations 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 and recommendations and indicated they plan to initiate corrective action.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of the General Municipal Law, Section 2116-a (3)(c) of the New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education, 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, with a copy forwarded to the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the next 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. The Board should make the CAP available for public review in the District Clerk's office.

Employee Compensation and Benefit Payments

The Board and District officials are responsible for ensuring employees are paid accurately based on salaries, wages and related benefits as authorized by the Board in accordance with collective bargaining agreements (CBAs), District policies, individual employment contracts or Board resolutions. The Board can accomplish this by adopting a written payroll policy and District officials can further assist by developing detailed day-to-day procedures.

We found that the Board did not formally document its approval for three administrators' salary payments totaling more than \$460,000¹ and benefits such as health insurance, for which the District paid approximately \$80,000² during our audit period. This occurred because the Board has not adopted a payroll policy and District officials have not established specific procedures to provide guidance and to ensure that employee compensation and benefit payments are accurate, properly approved and supported.

We examined all payroll payments made to 20 employees during 2014-15, which totaled more than \$940,000, to determine whether they were accurately calculated, properly approved and supported. We found that the Board properly approved compensation and benefits for 16 employees through the District's three CBAs or Board resolutions and for one administrator through an individual employment contract. The District properly paid these individuals. However, while there was an unsigned standard template letter of employment in the remaining three administrators' personnel files, there was no evidence on the document itself, or in the Board meeting minutes, of the Board's approval for the compensation and benefit payments.

While there was no evidence of Board approval, all three administrators were paid in accordance with their respective standard letters of employment. While the three employment letters were not signed by either the employee or the District, they indicated that the benefits to administrators are the same as those available to the Administrative and Supervisory Unit (ASU) CBA, unless otherwise indicated on the individual's contract or employment letter. Since the administrators did not have formal employment letters, we compared their benefits to the CBA members. Two administrators received benefits comparable

¹ Salaries paid during the period July 2014 through February 2016

² Health insurance costs paid by the District during the period July 2014 through February 2016.

to ASU unit members, but the District Treasurer (Treasurer) received full-time benefits despite working part-time hours, which is not in accordance with the ASU CBA. However, a Board resolution passed in December 2015 provided health insurance to the Treasurer.

The Board President (President) stated that she was aware of the compensation and benefits awarded to these three administrators, but agreed that the Board's approval should have been documented. The President also confirmed that the Board did intend for the Treasurer to retain full-time benefits despite working part-time hours.

Because the Board and District officials did not adopt a written policy or develop written day-to-day procedures for preparing and processing payroll, District employees who processed the payroll depended on informal procedures and practices. The lack of a formalized policy and clear procedures increases the risk of inaccurate, unauthorized and unsupported compensation and benefit payments.

Recommendations

The Board should:

1. Establish and adopt a written payroll policy.
2. Formally approve employee compensation and benefits and ensure that letters of employment clearly evidence this approval.


District officials should:

3. Develop and disseminate a detailed payroll process and procedures manual.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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



CHEEKTOWAGA CENTRAL SCHOOL DISTRICT

Board of Education

Mrs. Mary Morris
Superintendent of Schools

Mrs. Renee M. Wilson, President
Mrs. Heather E. DuBard, Vice President
Mr. Walter R. Burgett
Mrs. Carol Kiripolsky
Mr. Paul A. Nazzaretti, Jr.
Mr. Thomas Raczka
Mr. Matthew A. Weigand

August 4, 2016

NYS Office of the State Comptroller
Division of Local Government and School Accountability
PSU – CAP Submission
110 State Street, 12th Floor
Albany, NY 12236

Unit Name: Cheektowaga Central School District
Audit Report Title: Employee Compensation and Benefit Payments
Period Covered: July 1, 2014 – February 22, 2016
Audit Report Number: 2016M-197

The Cheektowaga Central School District acknowledges the receipt of the audit report conducted by the NYS Comptroller's Office for the time period of July 1, 2014 – February 22, 2016. District officials have reviewed and verified the findings and agree with the findings identified in the report. Cheektowaga Central's Board of Education, Administration, and Staff appreciate the recommendations provided that will improve oversight and control of employee compensation and benefit payments in the future.

This letter serves both as our audit response and the required corrective action plan.

The District acknowledges that the Board did not formally document its approval for three administrators' salary payments and benefits such as health insurance. Administrators' employment letters found in their respective personnel files outlining the terms and conditions of their employment, including salary and benefits, were not signed by either the employee or the District.

Corrective Action Plan:

1. The Board of Education will establish and adopt a written payroll policy (see attached). It is the Board's goal to adopt the written payroll policy no later than October 31, 2016.
2. The Board of Education will approve employee compensation and benefits and ensure that letters of employment clearly evidence this approval. Effective immediately, all employment letters will be approved by the Board of Education and signed by the employee, the Superintendent, and the Board President.
3. District officials will develop and disseminate a detailed payroll process and procedures manual, which will outline day-to-day procedures for preparing and processing payroll. It is the District's goal that this payroll process and procedures manual will be completed by the end of the 2016-2017 school year.

The District is confident that the newly established payroll policy and detailed payroll process and procedures manual will decrease the risk of inaccurate, unauthorized, and unsupported compensation and benefit payments.

Respectfully,

Renee Wilson
Board President
Cheektowaga Central School District

Enc

Cc: Mary Morris, Superintendent
Board of Education Members
School Business Administrator

Personnel**SUBJECT: PAYROLL**

The Board of Education recognizes the importance of the payroll function to the effective administration of the district. The Board is also aware that this is an area at risk of fraud and abuse. The Board will formally approve employee compensation and benefits and ensure that employment contracts and letters of employment clearly evidence this approval.

The Board directs the Superintendent to establish procedures to reasonably ensure the accuracy and integrity of the payroll system and to minimize the risk of inaccurate, unauthorized, and unsupported compensation and benefit payments.

Adoption Date:

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

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

- We interviewed District officials and employees to gain an understating of processes and procedures related to compensation and benefit payments.
- We reviewed Board minutes for appointments, resignations and approval of compensation and benefits to employees.
- We reviewed collective bargaining agreements and individual employment contracts as well as employee personnel files for letters of employment.
- We reviewed payroll and benefit payments in 2014-15, totaling approximately \$940,000, for a sample of 20 employees and compared them to the respective CBA, individual employment contract or letter or Board resolution. Our sample consisted of judgmentally selected employees from each of the District's three CBA groups, employees with individual employment contracts and letters, and employees directly involved in the processing of payroll and benefits. Within these groups we selected employees involved directly or indirectly with payroll processing and individuals paid stipends over and above regular salary amounts. We expanded our scope for three employees and reviewed their respective payroll and benefit payments in 2015-16 through February 2016, which totaled approximately \$194,000 in payroll payments and \$37,000 in benefits.

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.

APPENDIX C

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AND SCHOOL ACCOUNTABILITY

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Gabriel F. Deyo, Deputy Comptroller
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