



Heuvelton Central School District

Payroll

Report of Examination

Period Covered:

July 1, 2014 – May 31, 2016

2016M-322



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

October 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 Heuvelton Central 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 Heuvelton Central School District (District) is located in the Towns of Canton, De Kalb, De Peyster, Lisbon, Macomb and Oswegatchie in St. Lawrence County. The District is governed by the Board of Education (Board), which 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 (Superintendent) 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 one school with 535 students and 84 employees. The District's budgeted appropriations for the 2016-17 fiscal year were \$13.3 million, which were funded primarily with State aid and real property taxes.

The District contracts with the St. Lawrence-Lewis Board of Cooperative Educational Services (BOCES) for a variety of financial services through a shared services agreement. As part of the agreement, BOCES provides the District with a Business Manager, payroll clerk and other Business Office personnel who process the District's financial transactions and payroll.

The District Clerk is responsible for entering substitute teachers' information, including their pay rates, and the payroll clerk is responsible for entering all other new employees and their pay rates into the computerized payroll system. The payroll clerk is also responsible for processing the payroll. The Superintendent reviews the timecards prior to payroll processing and reviews and certifies the final payroll.

Objective

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

- Were District employees paid accurately according to Board-authorized rates?

Scope and Methodology

We examined the District's procedures related to payroll for the period July 1, 2014 through May 31, 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 and recommendations 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

District officials are responsible for ensuring that the District has adequate procedures for paying employees' salaries and wages according to the amounts authorized by the Board. The Board approves employee compensation through collective bargaining agreements (CBAs), individual employee contracts and Board resolutions. A well-designed payroll processing system helps ensure that employees are paid in accordance with Board resolutions and contract terms and that payroll transactions are authorized by management.

Payroll represents a large portion of the District's annual budget. Salaries and wages for the 2015-16 fiscal year, including overtime, totaled approximately \$3.9 million, or 31 percent of the District's general-fund expenditures of \$12.5 million.

We reviewed payroll payments made to 18 employees¹ with combined total gross pay of \$80,888 during May 2016 to determine whether salaries and wages were accurately paid. Except for minor deficiencies, which we discussed with District officials, the District's procedures for payroll processing (by the payroll clerk) and payroll review and certification (by the Superintendent) were adequate to ensure that the employees we reviewed were accurately paid at Board-authorized rates.

We commend District officials for establishing adequate payroll procedures to ensure that employee payments are accurate.

¹ Appendix A includes our sampling methodology.

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, salary notices, individual employee contracts and collective bargaining agreements to determine the specific employment conditions established by the Board.
- We selected May 2016 as the sample month for our payroll test because it was the most recent month in our audit period. We judgmentally selected 18 employees, which included the District Clerk due to her involvement in the payroll process. The remaining 17 employees were selected, without any known bias, to include at least one employee from each department (excluding interns and substitutes). We compared the Board-authorized pay rates or salaries to determine whether the rate or salary payments employees received were accurately calculated, supported and approved by the Board.
- We randomly selected the September 2015 payroll change report and determined whether changes made to employees’ pay rates during the month were authorized and documented.

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 B

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