

Pittsford Central School District

Payroll

DECEMBER 2021



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

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Report Highlights

Pittsford Central School District

Audit Objective

Determine whether Pittsford Central School District (District) officials accurately compensated employees.

Key Findings

District officials accurately compensated the 63 employees we tested. However officials did not ensure:

- Payroll certifications were completed in a timely manner.
- Payroll process inefficiencies were identified and corrected.

Key Recommendations

- Certify payrolls prior to the distribution of paychecks and processing of direct deposits.
- Routinely review the payroll process for efficiency improvement opportunities.

District officials agreed with our recommendations and indicated they have initiated or planned to initiate corrective action.

Background

The District serves the Towns of Pittsford, Brighton, Mendon, Penfield and Perinton in Monroe County and the Town of Victor in Ontario County.

The District is governed by a seven-member Board of Education (Board) responsible for the general management and control of educational and financial affairs. The Superintendent of Schools is the chief executive officer and is responsible, along with other administrative staff, for day-to-day management under the Board's direction.

The Assistant Superintendent for Business (Assistant Superintendent) oversees business operations. The payroll supervisor is responsible for processing salaries and wages.

2020-21 Quick Facts

Payroll Expenditures	\$66.4 million
Adopted Budget	\$140.3 million
Enrollment	5,590
Employees	1,150

Audit Period

July 1, 2019 – February 28, 2021

Payroll

How Should the District Ensure Employees Are Accurately Paid?

An effective payroll system provides assurance that payroll transactions are appropriately supported, authorized by management and accurately paid. A board approves the amounts to be paid to employees through collective bargaining agreements (CBAs), individual employee contracts and board-established rates.

Time records should be signed by the employees and approved by the supervisors or administrators having direct supervision over specific departments or individual employees. Payments should be supported by these time records and a payroll certification before payments are distributed.

An efficient payroll system minimizes processing time by limiting manual entries to the extent possible and requires compensating control tasks be performed in a timely manner to ensure payroll is accurate at the time of payment. A formal process should be in place to routinely review the system for inefficiencies and implement improvements.

...District officials accurately paid salaries and wages....

Officials Accurately Compensated Employees

During the audit period, District officials accurately paid salaries and wages according to their CBAs and Board authorizations. Specifically, the Board approved new positions and authorized employee hiring. Payroll department staff entered the employees' information and their approved wages into the financial management system (system) based on new hire paperwork provided by human resources.

Manual departmental time and attendance records were reviewed and signed by the employees and their supervisors before submission to the payroll department for processing. Payroll department staff input the time worked and any extra pay (e.g., vacation payouts, coaching stipends, extra bus routes, etc.) into the system and generated payroll reports for each pay period. The Assistant Superintendent reviewed payroll change reports for Board authorized changes and certified the payroll.

We examined the records of 16 employees to determine the accuracy of their annual compensation totaling more than \$1 million for 2019-20, including extra payments. In addition, we examined supporting records for 120 extra pays and adjustments for 47 employees totaling \$194,815 made during the audit period.¹

Other than a few minor exceptions, which we discussed with District officials, employees were accurately compensated during the audit period.

¹ Refer to Appendix B for information on our sampling methodology.

The District Payroll Processing System Was Inefficient

Although the payroll transactions we tested were accurate, District officials did not have procedures in place to identify inefficiencies within the payroll processing system. As a result, we found the process lacked efficiency, which could result in data-entry errors going undetected.

Payroll department staff spend a substantial amount of time manually entering data from time and attendance records into the system and other spreadsheets used to double check entries made into the system. For example, the transportation department prepares the time sheets for transportation employees in a spreadsheet which are then printed and sent to the payroll department.

The payroll clerks then enter the hours worked by each transportation employee into another spreadsheet that calculates the amount of compensation for the pay period; once entered the totals are confirmed to the printed time sheets, the payroll clerks then enter the same information into the system for processing. This process requires multiple manual entries of the same information. Furthermore, payroll clerks manually enter extra assignment pay into the system rather than having these job rates established within the system, which is capable of automatically calculating the extra pay based upon the hours worked. These entries are time consuming and prone to typing errors such as number transposition.

Also, because the payroll clerks were responsible for many aspects of the payroll process, entering salaries, benefits and extra payments, the payroll certification process acts as a compensating control over the lack of segregation of duties. While the payroll certification process was thorough, it was not performed in a timely manner, often resulting in certifications not being completed until months after the payroll was processed.

To prevent improper payments and limit the need to recoup any unauthorized payments, the payroll certification process should be completed before payments are made. Additionally, due to the untimeliness of the certification process, the District is at risk for irregularities occurring and remaining undetected for months.

While our testing did not identify material exceptions, opportunities exist for District officials to improve the efficiency of their payroll processes while retaining accuracy.

...District officials did not have procedures in place to identify inefficiencies within the payroll processing system.

What Do We Recommend?

The Assistant Superintendent of Business should:

1. Complete the payroll certification before the payroll is released for payment.

District officials should:

2. Routinely review the payroll process for efficiency improvement opportunities.

Appendix A: Response From District Officials

Pittsford Schools

Michael Pero
Superintendent of Schools

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Michael_Pero@pittsford.monroe.edu

November 12, 2021

Mr. Edward V Grant, Jr., Chief Examiner
Office of the New York State Comptroller
The Powers Building
16 West Main Street – Suite 522
Rochester, New York 14614

Dear Mr. Grant:

On behalf of the administration and Board of Education of the Pittsford Central School District, we express our appreciation for the opportunity to meet in person to discuss and respond to the NYS Comptroller's Draft Audit Report for the period July 1, 2019 through February 28, 2021, herein referred to as, "the Report". Please accept the below as the Districts combined Response and Corrective Action Plan.

Due to the time period examined, we are confident that this audit process was as unusual and challenging for the examiners as it was for the District. From a District perspective, the Report is covering the time-period of COVID, when many employees were working remotely and changes were constantly occurring that necessitated adjustments to how we conduct business, get the job done AND maintain a high level of internal controls and data integrity. It is also important to note, immediately prior to COVID (October 2019 on), the entire Payroll & Benefits staff were brand new to the District. The department was understaffed for several months. While some may dread having a payroll and benefits examination with the aforementioned challenges, we welcomed and appreciated the scrutiny since trying and unusual times often increase the inherent risk of errors and omissions and detection processes could be compromised. While we have reviewed processes and products to streamline and automate our payroll process, we decided doing so with brand new staff and during all the uncertainties and upheaval of the pandemic would temporarily increase risk exponentially beyond the benefits hoped. Reliance on our current systems proved to be the right choice at the time. We are pleased that during this unusual and difficult time, per the Report, "employees were accurately compensated".

During the period examined, there was also a complete turnover in the Human Resources Office. From a Payroll Processing Internal Control Lens, entirely new Payroll/Benefits and Human Resources plus pandemic sounds like a formula to at the least strain the system and at most break it. As discussed in person and in the Report, the Assistant Superintendent of Finance's payroll certification process is more extensive than most. Often due to this extensive process and delayed information due to the aforementioned, the complete certification process was delayed.

Michael Pero, Superintendent of Schools, Pittsford Central School District
Allen Creek Elementary • Jefferson Road Elementary • Mendon Center Elementary • Park Road Elementary • Thornell Road Elementary
Barker Road Middle School • Calkins Road Middle School • Pittsford Mendon High School • Pittsford Sutherland High School
www.pittsfordschools.org

However, the customary cursory review was completed. The Assistant Superintendent, new Payroll and Human Resource Offices are now in constant communication, sharing information and developing stronger practices in accordance with Board of Education policies.

It was unusual and challenging for both the District and the examiners to conduct the Audit Field Work remotely (not on site). Again, this unusual process in and of itself was no doubt a test and strain of the OSC Audit protocols as well as the District's ability to conduct normal business, while pulling documents, making them accessible electronically in an appropriately secure fashion. Overall, it worked very well and that is to the credit of the examiners assigned to the Audit. We were also pleased to learn that a large portion of the preliminary audit review could be performed without our knowledge due to the plethora of information and transparency on the District's website.

Thank you and the examiners for conducting a thorough exam with a wide breath of scope topics during a challenging time and working conditions. We appreciate the demeanor, inquiry, thoughtfulness and respect of the examiners directly involved. While we are glad so much of the District's systems and financial practices are sound, we also recognize the size of our organization, the thousands of transactions that occur annually and better understand now how unplanned events can influence District operations and systems. To that end, please accept the following brief Corrective Action Plan.

Sincerely,

Michael Pero

Michael Pero, Superintendent of Schools, Pittsford Central School District
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Barker Road Middle School • Calkins Road Middle School • Pittsford Mendon High School • Pittsford Sutherland High School
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Audit Findings/Recommendations & Corrective Actions

1. **Complete the payroll certification process before the payroll is released for payment** -

During the period examined, there was also a complete turnover in the Human Resources Office. From a Payroll Processing Internal Control Lens, entirely new Payroll/Benefits and Human Resources plus pandemic sounds like a formula to at the least strain the system and at most break it. As discussed in person and the Report, the Assistant Superintendent of Finance's payroll certification process is more extensive than most. Often due to this extensive process and delayed information due to the aforementioned, the full certification process was delayed. However, the customary cursory review was completed. The Assistant Superintendent, new Payroll and Human Resource Offices are now in constant communication, sharing information and developing stronger practices in accordance with Board of Education policies.

2. **Routinely review the payroll process for efficiency improvement opportunities**- Since the audit fieldwork, the District continues to seek efficiencies, minimize duplication of inputting and tools that may assist. For example, the payroll office has and continues to work with the Transportation Department to automatically convert the Driver Time Spreadsheet into a format suitable for payroll. The same spreadsheet is used by both departments rather than re-input. The District is evaluating additional financial management system modules that would enhance budgeting and staffing without the reliance on separate spreadsheets, as well as electronic Board of Education Personnel Appointments and Personnel Action Notice, (Human Resources informing Payroll of employee transactions). Planning is in progress for module implementation spring/summer 2022.

Sincerely,

Michael Pero

Appendix B: Audit Methodology and Standards

We conducted this audit 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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed District officials and employees to gain an understanding of payroll-processing procedures.
- We reviewed the internal controls over payroll and the computerized financial system to ensure that the information produced was reliable.
- We obtained and reviewed CBAs, Board-approved contracts for non-union employees, time and attendance records, leave records and other payroll source documents.
- We selected a random sample of six employees and used our professional judgment to select 10 additional employees, based on the employee title and payment amounts from the 1,640 individuals paid during 2019-20. We tested the accuracy of these employees' total compensation for 2019-20. Of the 16 employees in our sample, 11 were salaried with \$935,126 in total compensation and six were paid hourly with \$65,782 in total compensation. One selected employee worked both a salaried and hourly position during the audit period. We compared the amounts paid to salary notices, Board resolutions, CBAs and employee contracts to determine whether these employees were accurately compensated.
- We used our professional judgment to select a sample of 47 employees who received extra payments based on the total amount paid and quantity of each type of extra pay and determined whether those payments were accurate by reviewing time sheets, attendance records and extra duty assignment documentation.
- We used our professional judgment to select a sample of three employees who earned overtime and worked multiple positions to determine whether the amounts paid were accurately calculated.

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.

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.

The Board has the responsibility to initiate corrective action. 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, pursuant to Section 35 of General Municipal Law, Section 2116-a (3)(c) of New York State Education Law and Section 170.12 of the Regulations of 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 CAP should be posted on the District's website for public review.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/local-government/publications

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/local-government/publications

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.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/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/local-government/publications

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/local-government/academy

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