

Ripley Central School District

Payroll and Leave Accruals

AUGUST 2021



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

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Report Highlights

Ripley Central School District

Audit Objective

Determine whether Ripley Central School District (District) payroll payments and leave time accruals were accurate, properly supported and approved.

Key Findings

While the District's payroll payments were paid at accurate rates, payroll payments were not always properly supported and approved, and leave time accruals were not always accurate. Further, District officials did not properly monitor the payroll and leave accrual process and they have not developed any payroll policies or procedures. We reviewed 41 timecards and found:

- While not required by the District, more than 70 percent of the timecards (30 of 41) were not signed by a supervisor and none were signed by the employee.
- More than 60 percent of the timecards (25 of 41) were incomplete as a result of missed punches totaling approximately 250 hours or \$4,400.
- Timecard adjustments totaling \$3,130 were not properly reviewed or approved, as required.

In addition, the payroll clerk (clerk) did not deduct a total of 13 days of approved leave time, valued at \$2,100, from two employees' leave accrual records.

Key Recommendations

- Establish and adopt comprehensive written policies and procedures to guide the payroll and leave accrual process.
- Properly monitor the payroll and leave accrual process.

District officials generally agreed with our recommendations and have initiated corrective action.

Background

The District serves the Town of Ripley in Chautauqua County.

The District is governed by an elected five-member Board of Education (Board), which is responsible for the general oversight of District operations. The Superintendent of Schools (Superintendent), along with other administrative staff, are responsible for managing day-to-day operations under the Board's direction.

The Board contracts with an accounting firm (Firm) to perform the District's Business Manager (Manager) function. The Manager performs the District's day-to-day financial activities and oversees the clerk who processes the District's biweekly payroll and leave accrual activity.

Quick Facts

2019-20 Appropriations	\$9.4 million
2019-20 Payroll Expenditures	\$3.5 million
2019-20 District Enrollment	124
2019-20 District Employees	55

Audit Period

July 1, 2018 – November 5, 2020. The majority of our audit testing focused on payroll and leave accrual activity from July 1, 2018 through November 5, 2019.

Payroll and Leave Accruals

What is an Effective Payroll Payment and Leave Accrual Process?

An effective payroll system provides assurance that payroll payments and leave accrual transactions are accurate, properly supported by sufficiently detailed documentation and approved. A board approves salaries and benefits to be paid to school district employees through collective bargaining agreements (CBAs), individual employee contracts and board-established rates. Both salaries and wages paid, as well as leave accruals earned and used, should be supported by accurate time and attendance records.

Employees should sign their time and attendance records to evidence the accuracy of their hours worked and leave time used. Supervisors should sign or initial employees' time and attendance records to evidence their review and approval of the employees' hours worked and leave time used. Changes to payroll and leave records should be authorized by someone independent of the payroll process. Payrolls should be reviewed for accuracy and certified prior to the disbursement of paychecks.

Payroll Payments Were Not Properly Supported or Approved

Of the 55 employees employed as of October 4, 2019 we reviewed four biweekly pay period payroll payments for 15 employees totaling approximately \$125,000. We found that other than certain minor deficiencies which we discussed with District officials, all were paid accurately at Board-approved pay rates. However, we identified certain opportunities for the District to improve its payroll process and ensure that payroll payments are properly supported and approved.

The District uses an electronic punch clock system (system) that 11 employees in our sample were required to use daily, to punch in at the start and punch out at the end of their workday. The remaining four employees are exempt from the system and instead are paid a biweekly salary, in accordance with their individual contract or CBA. At the end of each payroll period, the clerk prints the timecards of the employees who use the system and gives those timecards to department supervisors for review.

While there is no written payroll policy or procedure, District officials told us it is expected that supervisors will review and ensure that time records are complete and accurate before they sign and approve them and return the timecards to the clerk to prepare the payrolls. During this payroll process, employees were not always given the opportunity to review their timecards, although the timecard has a signature line for employees to sign. When we reviewed the 11 employees' 41 timecards,¹ we found that:

...[W]e identified certain opportunities for the District to improve its payroll process and ensure that payroll payments are properly supported and approved.

¹ See Appendix B for sampling methodology.

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- More than 70 percent of timecards (30 of 41) were not signed by a supervisor.
 - More than 60 percent of timecards (25 of 41) were incomplete because they contained manual adjustments due to missed punches, totaling approximately 250 hours or \$4,400.
 - While certain timecards had a few handwritten notes on them, it was unclear who had written them because none of the 41 timecards contained an employee signature.

The CBA that covers seven of the 11 employees states that when there is a manual adjustment, a timecard is deemed inaccurate and requires the signatures of the employee's supervisor and the Manager (i.e., the Firm) to evidence their review and approval of the adjustment. For those seven employees, we found 17 timecards which had one or more manual adjustments, totaling approximately 185 hours or \$3,130. Thirteen of these timecards were not approved by a supervisor, and none were reviewed and approved by the Manager as the CBA required.

The remaining four employees not covered by the CBA had individual employment contracts with the District and also participated in the system. None of these employees' contracts required timecard adjustments to be approved by a supervisor and/or the Manager.

The clerk told us that she did not have the authority to question punches in or out on timecards and she would not delay payroll processing while the supervisor returns the timecards back to her. She indicated that in those cases where the timecards were incomplete (missing punches in or out), she would pay the employee as though they worked their full regularly scheduled workday. Although the CBA for the seven employees required the Manager to review and sign timecards for adjustments, he did not do so. Through our discussions he was made aware to perform that task.

We also found that while the Superintendent performed the required certification to approve each biweekly payroll, he did not perform it in a timely manner. Instead, the Superintendent performed the review and certification after payroll had been processed and disbursed for each of the four payroll periods we reviewed. Additionally, the Superintendent noted no issues with any of the four payrolls that we examined during his review and certification. As a result, he was unaware the timecards were incomplete and unapproved. Because a timely and thorough review and certification of payroll was not performed, the District has less assurance that payroll payments are accurate, properly supported and approved.

Payroll payments were not always properly supported or approved because the Board and District officials have not developed and adopted any comprehensive written policies and procedures to guide the payroll process. This also

occurred because the Manager did not properly oversee the clerk or ensure that the District's payroll payments were properly supported by complete and properly approved timecards. By adopting and implementing these policies and procedures, the Board and District officials can identify the roles and responsibilities of all District officials and staff who are involved with the payroll process and methods for oversight.

Leave Accruals Were Not Always Accurate

We reviewed the leave and attendance records for all 15 employees in the four payroll periods we examined. Because of the lack of oversight and monitoring we noted during our review of the payroll process, we expanded our review of leave and attendance records to include all of 2018-19 and 2019-20 through November 5, 2019 for these 15 employees. We generally noted minor variances which we discussed with District officials. However, we also found that two employees' leave accruals were inaccurately recorded in 2019-20.

The clerk did not deduct a total of 13 days of vacation leave time used by two employees, which totaled approximately \$2,100. All 13 of these days were properly pre-approved on leave request slips, which the clerk provided to us and were indicated on the employees' timecards as absences. However, in the separate attendance records that the clerk maintains, these two employees' vacation leave accruals were not deducted. District officials acknowledged that the vacation leave was not recorded and should have been, but stated it was an oversight.

Leave time was inaccurately recorded because the Board and District officials have not developed and adopted any written policies and procedures to guide the leave time recording process. This also occurred because the Manager did not properly oversee the clerk or ensure that the District's attendance records were properly updated. By adopting and implementing comprehensive written policies and procedures, the Board and District officials can identify the roles and responsibilities of all District officials and staff who are involved with the leave time recording process and methods for oversight.

What Do We Recommend?

The Board should:

1. Establish and adopt comprehensive written payroll and leave time processing policies.

The Board and District officials should:

2. Establish comprehensive written procedures for processing and monitoring payroll payments and for maintaining and monitoring leave accrual records to ensure they are accurate, properly supported and approved.

The Superintendent should:

3. Properly perform the payroll certification.
4. Ensure that supervisors review timecards and timecard adjustments and sign to approve, when required.
5. Ensure that the Manager/Firm properly monitors and reviews the clerk's work and also reviews timecard adjustments and signs to approve, when required.

The clerk should:

6. Process payroll based on complete and properly approved timecards.
7. Disburse payroll after the Superintendent performs the payroll certification.
8. Properly update employee attendance records to ensure they accurately reflect leave time balances used and available for future use.

District officials should:

9. Review the two employees' leave accrual records and adjust the balances for leave taken and not properly deducted.

Appendix A: Response From District Officials

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Unit Name: Ripley Central School District

Audit Report Title: Payroll and Leave Accruals

Audit Report Number: 2021M-53

Office of the State Comptroller
Buffalo Regional Office
295 Main Street, Suite 1032
Buffalo, NY 14203-2510

Dear Sir/Madam:

We are in receipt of your draft report of the State Comptroller's Office audit of the Ripley Central School District for the period July 1, 2018 – November 5, 2020. The District Board of Education and Administration appreciate your auditor's efforts to examine the District's procedures and provide the District with suggested improvements. This letter is to provide you with the District's response to the findings and recommendations included in your report, and to provide you with the corrective actions in response to the findings and recommendations. The District generally agrees with the findings in your report and has outlined the corrective actions taken in the response below.

Audit Recommendation:

The Board should establish and adopt comprehensive written payroll and leave time processing policies.

Implementation Plan of Action:

The District has prepared comprehensive written payroll and time leave policies.

Audit Recommendation:

The Board and District officials should establish comprehensive written procedures for processing and monitoring payroll payments and for maintaining and monitoring leave accrual records to ensure they are accurate, properly supported and approved.

Implementation Plan of Action:

The District has prepared comprehensive written procedures for processing and monitoring payroll payments and for maintaining and monitoring leave accrual records to ensure they are accurate, properly supported and approved.

Audit Recommendation:

The Superintendent should properly perform the payroll certification.

Implementation Plan of Action:

The Superintendent now certifies the payroll prior to the payroll being finalized.

Audit Recommendation:

The Superintendent should ensure that supervisors review timecards and timecard adjustments and sign to approve, when required.

Implementation Plan of Action:

The District has prepared written procedures, informed the responsible individuals regarding their responsibilities in performing the control procedures assigned to them as well as having the claims auditor audit the payroll bi-weekly to ensure payments are accurate, properly supported and approved.

Audit Recommendation:

The Superintendent should ensure that the Manager/Firm properly monitors and reviews the clerk's work and also reviews timecard adjustments and signs to approve, when required.

Implementation Plan of Action:

The District has updated its written procedures to require department head and/or direct supervisor signature on timesheets to approve time worked and adjustments rather than the business manager being responsible to approve all time sheets and adjustments. Additionally, the claims auditor is auditing and preparing a report for the superintendent and Board of Education bi-weekly to ensure the accuracy and approvals for payroll.

Audit Recommendation:

The clerk should process payroll based on complete and properly approved timecards.

Implementation Plan of Action:

The District has added an additional part time payroll clerk to process the bi-weekly payroll and to enhance the segregation of duties. The clerk now ensures that all time cards are complete and properly approved prior to processing payroll.

Audit Recommendation:

The clerk should disburse payroll after the Superintendent performs the payroll certification.

Implementation Plan of Action:

The clerk now provides payroll report to the Superintendent for certification prior to finalizing the payroll.

Audit Recommendation:

The clerk should properly update employee attendance records to ensure they accurately reflect leave time balances used and available for future use.

Implementation Plan of Action:

The payroll clerk now updates attendance records before the completion of each payroll. Time used and available balances are included on each payroll so that the employee can also check to ensure the accuracy of the information entered. The business manager is now making a selection of time off requests to check to the information entered into the accounting system to ensure the accuracy, timeliness and approvals of the time and attendance records.

Audit Recommendation:

District officials should review the two employees' leave accrual records and adjust the balances for leave taken and not properly deducted.

Implementation Plan of Action:

The business manager has reviewed and requested that the payroll clerk enter the appropriate adjustments to the employee's leave accrual records.

We believe this corrective action plan will address the findings in the audit. Thank you again for your efforts in assisting the District improve its payroll processes.

Sincerely,

William Caldwell
Superintendent

Ripley Central School District
12 North State Street, P.O. Box 688, Ripley, New York 14775

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, employees and the Manager/Firm. We also reviewed Board meeting minutes, the District's CBAs and individual employment contracts and employee personnel files and timecards, to gain an understanding of the District's payroll and leave time operations and processes and to identify employee pay rates and leave time use and accruals. In addition, we inquired whether there were any written payroll and leave time policies or procedures.
- We reviewed payroll payments and leave time use and accruals for a sample of 15 District officials and staff based on their job duties and responsibilities and/or access to the timekeeping and attendance systems. Eleven of these employees participate in the timekeeping punch clock system, while the remaining four were exempt and paid at salaried rates in accordance with their individual employment contracts or CBA.
- Timecard samples were reduced from 44 (11 employees across four pay periods) to 41 timecards because one employee was on a leave of absence (two payroll periods) and another changed to a salaried position during the review period (one payroll period). For our sample, we selected the last two payroll periods at the end of the 2018-19 fiscal year, June 14 and June 28, 2019. At the time of our fieldwork these were the most recently completed year-end payroll periods. We also selected the last two completed payroll periods in 2019-20 before our audit fieldwork began, September 20 and October 4, 2019.
- Because of the lack of oversight and monitoring we noted during our review of the payroll process, we expanded our review of leave and attendance records to include all of 2018-19 and 2019-20 through November 5, 2019 for the 15 employees we selected.
- We compared payroll payments disbursed from the District's bank account and also compared leave time and attendance records to the respective employees' timecards, personnel records, CBAs, individual employment contracts or Board meeting minutes to assess whether the payroll payments and leave time accrued and used were in accordance with Board-approved rates, properly supported and approved.
- Seven employees in our sample who belonged to the CBA that required them to participate in the timekeeping system had 25 timecards across the four payroll periods we reviewed. We evaluated these timecards to assess whether they were complete and, if there were any adjustments, whether the supervisor and Manager signed them as the CBA required.

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- We evaluated the Superintendent’s payroll certification process and compared it to the timing of the payroll disbursement process to assess its timeliness. We also evaluated whether the Superintendent noted any issues specifically with the four payroll periods we selected.

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

<https://www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf>

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

<https://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

<https://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

<https://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

<https://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

Contact

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