

Weedsport Central School District

Payroll

JULY 2022



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

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Report Highlights

Weedsport Central School District

Audit Objective

Determine whether the compensation paid to Weedsport Central School District (District) administrators and business office personnel was accurate and had adequate supporting documentation.

Key Findings

Certain compensation paid to District administrators and business office personnel was inaccurate and/or did not have proper supporting documentation.

- The payroll clerk was not provided with supporting documentation for an administrator's employment agreement.
- The Superintendent calculated the Treasurer's and his 2021-22 salaries, which resulted in their salaries being overstated by \$550 and \$590. District officials corrected the errors when we brought them to their attention.
- District officials did not properly segregate payroll processing duties and did not provide adequate oversight.

Key Recommendations

- Provide adequate supporting documentation for payroll processing.
- Assign personnel and payroll processing duties to separate individuals or provide adequate oversight of the work of employees who perform these functions.

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

Background

The District serves the Towns of Brutus, Cato, Conquest, Mentz, Sennett and Throop in Cayuga County.

The District is governed by an elected five-member Board of Education (Board) that is responsible for the general management and control of the District's educational and financial affairs.

The Superintendent of Schools (Superintendent) is the District's chief executive officer and is responsible, along with other administrative staff, for the day-to-day management under the Board's direction.

Quick Facts

Payroll Expenditures	\$8.1 million
Total Payments to Administrators and Business Office Staff	\$774,526
Adopted Budget	\$20.3 million
Enrollment	725
Employees	130

Audit Period

July 1, 2019 – October 12, 2021

Payroll

At the time of our audit fieldwork, the District employed two individuals in its business office: the District Treasurer (Treasurer) and payroll/benefits clerk (payroll clerk). Also, the District had five administrators: the Superintendent, Assistant Superintendent of Instruction, Director of Special Programs, High School Principal and Elementary Principal.

How Should School Districts Ensure Employee Compensation Is Accurate, Supported and Authorized?

An effective payroll system helps ensure that payroll transactions are supported by appropriate documentation, authorized by management and paid accurately. School district boards of education approve amounts to be paid to employees through collective bargaining agreements (CBAs), individual employee contracts and board-established rates. CBA or employment agreement language should clearly state employees' work schedule and compensation schedules. Additionally, school district officials should provide all employee agreements and supporting documentation, such as timesheets, to payroll staff to ensure payroll is calculated accurately for each employee.

Effective internal controls over payroll include proper segregation of payroll duties so that one individual does not perform all three of the following functions: payroll authorization duties (i.e., hiring, firing, setting pay rates, administering employee benefits and changing payroll data), employee time and attendance recordkeeping, and payroll processing and check distribution. For example, in a computerized payroll system, payroll changes should be entered into the system by the personnel department or by an employee who does not process the payroll register and checks, if possible.¹

Furthermore, school district officials should properly authorize, approve and document any changes in employment status or salary and wage rates. Because school district administrators often have the ability to override or alter processes and controls – and are typically the final approval for payroll – school districts have an increased risk that management-level employees could manipulate their own payrolls without authorization or detection. Each payroll should be reviewed for accuracy by someone outside of the payroll process.

Compensation Paid to Administrators and Business Office Personnel Was Not Always Accurate or Supported by Documentation

We examined the records of all eight administrator and business office personnel positions to determine whether the annual salaries and additional compensation

Effective
internal
controls
over payroll
include
proper
segregation
of payroll
duties. ...

¹ For more information on this issue, refer to OSC's *Local Government Management Guides: The Practice of Internal Controls* (<https://www.osc.state.ny.us/files/local-government/publications/pdf/the-practice-of-internal-controls.pdf>).

totaling approximately \$2.45 million paid to them was accurate, supported by appropriate documentation and authorized by the Board for the 2019-20, 2020-21 and 2021-22 fiscal years. We identified payment errors related to additional compensation and inadequate supporting documentation for one administrator's calculation.

Inadequate Supporting Documentation – During our review of payroll records for the Director of Curriculum, Instruction and Assessment (Director of Curriculum), we were unable to determine whether this employee was paid properly due to inadequate supporting documentation and unclear provisions of the District Administrator's CBA (CBA) and an individual memorandum of agreement (MOA).

When the District appointed the former Director of Curriculum in August 2018, the District entered into an MOA with this employee. According to the MOA, the position of Director of Curriculum would be covered by the CBA, which indicates that employees covered by its terms are 12-month employees.

However, the MOA also indicates that the former Director of Curriculum would work September 1- June 30, similar to teachers, and 20 additional days between July 1 and June 30 of each school year. These additional days would be agreed on with the Superintendent. Although the Superintendent maintained a calendar of days worked by the former Director of Curriculum, including during July and August 2020, this documentation was not provided to the payroll clerk.

Because the payroll clerk was unaware that the former Director of Curriculum had worked all 20 additional days, as required by the MOA, during July and August 2020, the payroll clerk did not adjust the payroll records to reflect this. Consequently, when the District's financial software was updated to reflect the former Director of Curriculum's promotion to Assistant Superintendent (in September 2020), the software automatically recaptured a total of \$14,240 in salary paid to the former Director of Curriculum between July and August 2020.

Due to the lack of clarity between the CBA and MOA regarding how the former Director of Curriculum should have been compensated, we could not determine whether the \$14,240 salary recapture by the District's financial software was accurate.

In addition, the payroll clerk should have been given all necessary documentation, such as the former Director of Curriculum's summer work schedule, to help her ensure that the former Director of Curriculum was paid according to the MOA's terms. Without this documentation, the District had an increased risk that the payroll clerk could have inaccurately paid the former Director of Curriculum during this time period.

In addition, the payroll clerk should have been given all necessary documentation. ...

Segregation of Duties – During our audit fieldwork, the Assistant Superintendent for Business (ASB) position was vacant and had been since August 2020, when the previous ASB retired. Due to this vacancy, the Treasurer and Superintendent were performing the duties of this position.

Because the Superintendent and Treasurer performed the ASB’s duties, the Superintendent calculated the annual salary increase for both of their 2020-21 base salaries without independent oversight. His calculation caused his salary to be overstated by \$590 and the Treasurer’s salary by \$550. No one besides the Superintendent reviewed or authorized these payroll changes. After we mentioned these calculation errors to the payroll clerk, she made appropriate adjustments to correct them.

Payroll duties were typically segregated by having the payroll clerk calculate pay rates and process the payroll, the Superintendent certify the payrolls and the Treasurer process the payroll. However, in this instance, the Superintendent overrode the control structure by calculating his and the Treasurer’s salaries and then providing the payroll clerk with his calculations to enter into the payroll system. As a result, payroll duties were not sufficiently segregated because the Superintendent calculated the pay rates and certified the payroll. The Superintendent’s action resulted in inaccurate disbursements to himself and the Treasurer.

We also found that the payroll clerk performed both personnel and payroll processing duties, which included entering salary and wage rate changes into the financial system, during our audit period. In addition, these duties were not adequately segregated because the payroll clerk could change employees’ payroll data and process their payroll checks. Because District officials did not adequately monitor the work performed by the payroll clerk, controls over payroll processing were further weakened.

In addition, we found that the Board appointed the Treasurer to serve as the Board clerk. However, the position of Treasurer and Board clerk have conflicting financial responsibilities and duties, which makes it improper for one individual to hold both positions simultaneously.²

The Board clerk is responsible for documenting payroll authorizations and changes. When the Treasurer performs these recording duties – in combination with her regular payroll disbursement and distribution duties – it centralizes too many payroll duties with one individual and weakens the segregation of duties. Also, when the Treasurer and Board clerk positions are performed by different individuals, the duties of each position help to provide a fiscal check and balance.

...[W]e found that the Board appointed the Treasurer to serve as the Board clerk.

² Refer to the New York Codes, Rules and Regulations, Title 8 Education Department, Section 170.2(a) for further information.

Because officials did not adequately segregate financial duties or monitor payroll processing duties, the District has an increased risk that an employee with inadequately segregated financial duties could initiate unauthorized actions to benefit themselves or related parties. For example, an employee with inadequately segregated payroll duties could create “ghost” (fictitious) employees, increase hourly rates or salaries and manipulate employee deductions without authorization, and/or record overtime that was not worked.

What Do We Recommend?

District officials should:

1. Develop procedures over the payroll function to appropriately segregate incompatible financial duties and assign personnel and payroll processing duties to separate individuals or provide adequate oversight of the work of employees who perform these functions.
2. Ensure that each payroll is reviewed for accuracy by someone outside of the payroll process.
3. Provide the payroll clerk with adequate supporting documentation for employee compensation, time and attendance.
4. Ensure CBAs, contracts and/or individual employment agreements clearly state provisions related to employee compensation and work schedules.

The Board should:

5. Appoint separate individuals to the positions of Treasurer and Board clerk.

Appendix A: Response From District Officials



Weedsport Central School District

**2821 East Brutus Street
Weedsport, New York 13166-9105**



**Shaun A. O'Connor, Superintendent of Schools Melinda Ervay, Assistant Superintendent of Instruction
(315) 834-6637**

May 3, 2022

Edward V. Grant Jr., Chief Examiner
Division of Local Government and School Accountability
Office of the State Comptroller
The Powers Building, 16 West Main Street, Suite 522
Rochester, New York 14614

Dear Chief Examiner Grant:

This letter is in response to the *Draft Report of Examination: Payroll* and *Draft Report of Examination: Procurement and Claims Audit* that were reviewed and discussed at the exit conference held on April 22, 2022 which included, in attendance, members of your staff, a member of the Weedsport Central School District Board of Education, myself, and the District Treasurer. I firmly believe that it is the opinion of all that this process and the subsequent outcomes will have a positive impact on our school district.

This is a response to the draft audit report conducted by the New York State Comptroller's Office for the Weedsport Central School District. The period covered by the examination reports is July 2019 – October 2021.

On behalf of the school board and community, we would like to thank the staff at the New York State Comptroller's Office for taking the time to review, analyze, and suggest ways to improve our financial operations in the District. We are currently working on our corrective action plan which will give pointed responses to all issues that were identified describing exactly what steps we will take to address each specific matter. We are constantly looking at ways to develop and improve our practices and will use these Draft Reports as tools to improve. The District is in general agreement with the findings included in the Draft Reports, and we are pleased to see that there is no evidence of fraud or deliberate wrongdoing.

The District office administrators and staff have already started to address some of the matters outlined in the audit results so as to implement procedures that align with Commissioner's Regulations and the policies set by the Board of Education that will be detailed in our Corrective Action Plan.

We would like to comment positively on the field staff that performed this audit. We found your staff to be professionally competent and profoundly patient as they diligently performed their work. They deserve to be lauded for a job well done.

Respectfully,

Renee Munn
President, Board of Education

Shaun A. O'Connor
Superintendent of Schools

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 CBAs, Board-approved contracts for nonunion employees, time and attendance records, leave records and other payroll source documents.
- We reviewed the records of eight District officials and staff who were paid a combined total of \$2.45 million to determine whether the compensation paid to these individuals was accurate, supported by adequate documentation and properly authorized during the period July 1, 2019 through August 15, 2021. We chose to review these eight employees based on our audit objective, which included administrators and business office personnel. We chose the time frame July 1, 2019 through August 15, 2021 to review the July and August payrolls that occurred during our audit period for testing related to prepaid salaries. We summarized the compensation paid to these individuals during each school year and compared it with the provisions in CBAs and Board-approved contracts and/or agreements and examined salary amounts, leave payouts and any additional compensation paid.
- We reviewed leave accruals, payouts and carryovers for seven District officials and staff for accuracy, adequate supporting documentation and proper authorization, according to the provisions in CBAs and Board-approved contracts and/or agreements. We chose to review these seven employees based on our audit objective, which included administrators and business office personnel.

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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