



# **Barker Central School District**

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Payroll

**2023M-19 | June 2023**

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# Report Highlights

## Barker Central School District

### Audit Objective

Determine whether Barker Central School District (District) employee compensation payments were accurate, approved and supported.

### Key Findings

Employee compensation payments were not always accurate, approved or supported. District officials did not ensure the pay rates were accurate or overtime was approved and supported. Therefore, payroll errors went undetected and resulted in unnecessary and erroneous payroll payments.

- Seven employees were paid amounts that were inconsistent with Board-approved contracts or collective bargaining agreements (CBAs), resulting in erroneous compensation calculations totaling \$3,131.
- One employee was paid \$2,948 for overtime despite language in the individual's employment agreement which suggests the employee was not eligible to receive overtime payments.
- One employee was paid \$657 in overtime work that was not preapproved as required.

In addition, 10 employees were paid \$26,297 for overtime without being required to seek preapproval per their CBAs or District policy.

### Key Recommendations

- Adopt a written payroll policy governing the use of overtime and establish procedures for reviewing payroll to detect unusual payments or inaccurate pay rates.
- Require preapproval for overtime to ensure the employee is eligible to work overtime and overtime is for a valid and necessary purpose.
- Perform a more thorough review of payroll during the payroll certification process.

District officials generally agreed with our recommendations and have initiated or indicated they would initiate corrective action. However, they disagreed with certain findings. Appendix B includes our comments on issues raised in the District's response.

### Background

The District serves the Towns of Somerset, Hartland and Newfane in Niagara County, and the Towns of Ridgeway and Yates in Orleans County. The seven-member Board of Education (Board) is responsible for the District's general management and control of financial affairs.

The Superintendent of Schools (Superintendent) is the chief executive officer responsible for the District's day-to-day management and is the Board-appointed payroll certification officer.

The School Business Administrator (Administrator) oversees the District's business operations and is also the Board-appointed assistant payroll certification officer responsible for overseeing the payroll process. The Administrator is also responsible for entering pay rates into the accounting system and making adjustments to pay rates when needed.

The District contracts with a Board of Cooperative Educational Services (BOCES) to help segregate payroll processing duties. BOCES employees enter time sheet data, create and enter payroll journal entries, and set up payment files needed to process payroll.

#### Quick Facts

2021-22	
Adopted Budget	\$17.3 million
Payroll Expenditures	\$8.1 million
Enrollment	699
Employees	278

### Audit Period

July 1, 2020 – November 10, 2022

# Payroll

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## What is Accurate, Approved and Supported Employee Compensation?

All pay rates and compensation should be documented in written employment contracts, CBAs or school board resolutions and policies and should include employees' terms of employment, job descriptions and responsibilities, work hours and compensation schedules. This written documentation communicates a school board's intent to employees and to the staff who are responsible for administering and processing payroll. A school board is also responsible for establishing and monitoring compliance with written payroll and personnel policies and procedures.

Prior written authorization should be required for all nonemergency overtime hours and should be granted only for specific, verifiable purposes, which are consistent with any CBAs. In emergency situations, school district supervisors should verbally preapprove overtime to be incurred and follow up with a review of overtime records to determine the appropriateness of the overtime hours incurred.

To mitigate risk and help ensure accuracy, the school district officer or employee having direct supervision over specific departments or individual employees should certify payroll registers or similar records before checks are distributed. A review of the completed payroll register will help detect unusual or inaccurate payments requiring further verifications before checks are distributed. The certification should indicate that to the best of the supervisor's knowledge, services were actually performed by the persons listed on the payroll and that days and hours worked, including overtime, are accurate, approved and supported. The Superintendent, as the appointed payroll certification officer, should review and certify each payroll before payments are made.

## Seven Employees Were Not Paid Accurately

The Board did not establish a written payroll policy and District officials did not establish written procedures for payroll processing. While most employees we tested were paid in accordance with approved rates from CBAs, salary notices and/or Board resolutions, we identified the following pay discrepancies:

- Three employees were underpaid a total of \$1,214 and one employee was overpaid \$266 in stipends for performing out-of-title work because an incorrect pay rate was used.
- One employee was overpaid \$890 because they were compensated at their 2022-23 contractual rate during the 2021-22 school year.
- One employee was underpaid \$410 because the Administrator did not apply the correct salary increase as of July 1, 2021.

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The Board did not establish a written payroll policy and District officials did not establish written procedures for payroll processing.

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- One employee was overpaid \$351 at retirement because they were entitled to a payment for 116.5 sick days but were paid for 120 days.

The Administrator stated these discrepancies occurred due to clerical errors. However, had there been review procedures in place to ensure the rates entered into the accounting system were accurate prior to payrolls being processed, these inaccurate pay rates may have been detected and corrected.

The Administrator told us she prints a payroll certification report for each payroll and provides it to the Superintendent for review and approval before payroll payments are distributed. However, the Superintendent told us his review of payroll certification reports was not very thorough and was mainly to determine whether there were any names he did not recognize. Because the Superintendent's review process did not entail checking pay rates and amounts for accuracy, these errors went undetected.

Without an adequate review process, the Board and officials cannot provide assurance employees are being paid accurately or as intended.

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Because the Superintendent's review process did not entail checking pay rates and amounts for accuracy, these errors went undetected.

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### **Overtime Compensation Was Not Approved and Supported**

The District paid 17 employees a total of \$31,561 for overtime work, including \$2,948 to one employee whose individual employment agreement contains language which suggests this individual was not eligible to receive overtime. Of the remaining 16 employees entitled to overtime, six were required by a CBA to obtain approval prior to working overtime and were paid \$2,316 in overtime pay, and 10 were not required by their CBA to obtain prior approval for overtime work and were paid \$26,297 in overtime pay. The District does not have a policy requiring prior approval for overtime work in instances where employee contracts or CBAs are silent on such.

Of those required to obtain prior approval for overtime, one employee received 13 overtime payments totaling \$657 for working overtime without prior approval. The Administrator told us the overtime was due to the employee being required to take on additional duties while another employee was on leave. However, the Administrator could not provide documentation supporting the overtime approval or how many overtime hours were to be worked. The remaining overtime payments reviewed<sup>1</sup> were preapproved.

Of the 17 employees paid overtime, five were paid unsupported overtime totaling \$511, of which \$338 was due to clerical errors. For example, one employee was paid an additional half hour of overtime, because when the Administrator totaled the hours the employee recorded on their time sheet, the total was miscalculated

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<sup>1</sup> Refer to Appendix C for information on sample selection.

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by a half hour. The remaining \$173 in overpayments were due to employees receiving overtime when they used leave time for part of the workday. For example, one employee whose normal workday is eight hours, indicated on their time sheet that they worked for five hours and used four hours of leave time. Because the employee's time sheet totaled nine hours and the employee's normal workday was only eight hours, the employee was paid one hour of overtime.

These errors occurred and went undetected because officials did not provide adequate oversight or establish written guidance regarding overtime, requiring all employees to obtain written preapproval. Without clear written guidance governing the use of overtime, District officials cannot be certain that they are not incurring additional unnecessary overtime costs.

### **What Do We Recommend?**

The Board should:

1. Consult with legal counsel and determine the appropriate course of action to address the inaccurate payments identified in this report.
2. Adopt a written payroll policy governing the use of overtime, including requiring preapproval for all overtime work, and establishing procedures for reviewing payroll to detect unusual payments or inaccurate pay rates.
3. Require the Superintendent to conduct a thorough review and certify the payroll or appoint another designee to do so.

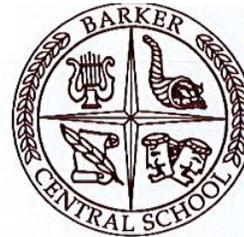
The Superintendent and Administrator should:

4. Perform a more thorough review of payroll as part of the certification process or develop additional review procedures to detect unusual or inaccurate payments and ensure pay rates entered in accounting system are accurate.
5. Require preapproval for overtime, verify employee overtime eligibility and the need for overtime before overtime work commences.
6. Ensure overtime payments made to employees are accurate, approved and supported.

# Appendix A: Response From District Officials

## Barker Central School

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**Jacob L. Reimer, Ed.D.**  
Superintendent of Schools  
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5/31/2023

Melissa A. Myers, Chief of Municipal Audits  
Office of the State Comptroller  
295 Main Street, Suite 1032  
Buffalo, NY 14203-2510

Dear Ms. Myers,

The Barker Central School District has received and reviewed the draft audit report concerning payroll between July 1, 2020 and November 10, 2022 (Report of Examination 2023M-19).

The Administration and Board of Education are pleased to know that no fraud, waste, or other deliberate misappropriation of funds has occurred, and all the errors identified in this report were simply human errors.

See  
Note 1  
Page 7

We appreciate the comptroller's insight into our practices and areas we can improve, however, we do not agree with certain aspects of the report.

The first aspect of the report the district disagrees with is the finding that an employee paid \$2,948 in overtime was not entitled to such overtime compensation. It was clearly noted to the audit team that the identified employee was an hourly employee paid at an annualized basis. The district provided the Comptroller's audit team with a United States Department of Labor opinion letter related to the exact scenario of our employee indicating the employee should be entitled to overtime. While we disagree with the auditors' findings for this particular scenario, we will adjust future individual agreements to more clearly reflect the past practices of compensating this type of employee at an annualized hourly wage.

See  
Note 2  
Page 7

The second aspect of the report that we do not completely agree with is in how the approval of overtime is portrayed. Per the report, elements of accurate, approved, and supported employee compensation include but are not limited to: *"Prior written authorization should be required for all nonemergency overtime hours and should be granted only for specific, verifiable purposes, which are consistent with any CBAs. In emergency situations, school district supervisors should verbally preapprove overtime to be incurred and follow up with a review of overtime records to determine the appropriateness of the overtime hours incurred (page 4)."*

See  
Note 3  
Page 7

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During the audit process, the district clearly indicated to the auditors that virtually all overtime worked by staff and identified in this report was emergency based and was verbally pre-approved (with some overtime also approved in writing), with follow up investigation by the business administrator to ensure the overtime was appropriately paid after timecards were submitted. We believe this process was done with fidelity. However, after additional discussion with the Comptroller’s audit team, we agree that we can improve our processes by changing the way we document the approved overtime, again even though all timecards and overtime worked was reviewed by the Business Official and other staff prior to payment. The district will work with our external auditors to adjust our process to include additional documentation of overtime as appropriate. Additionally, the district will also investigate whether a digital timeclock system can be used to help eliminate the need to calculate hours worked and overtime by hand, which is where some of our errors occurred. This change might help eliminate future potential errors.

See  
Note 3  
Page 7

Related to the issue identified concerning the certification of payroll, the district believes a valid process is in place, as described by Comptroller guidance. However, the district understands there were instances where processes were not followed perfectly and errors were made. As such, we will work with our external auditors to add additional safeguards to ensure errors are caught as best as possible through our review process.

See  
Note 1  
Page 7

The district will review all errors identified by the Comptroller’s audit and correct errors as appropriate and per all applicable laws.

We look forward to further dialogue with the Comptroller’s office on how we can continue to improve our already sound practices.

Sincerely,

Jacob L. Reimer, Ed.D.  
Superintendent

Randall B. Atwater  
Board of Education President

# Appendix B: OSC Comments on the District's Response

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## Note 1

Our audit was limited to determining whether employee compensation payments were accurate, approved and supported. Therefore, this audit does not eliminate the possibility of fraud, waste or misappropriation in other District operations. The audit findings show that an inadequate payroll certification process and a lack of clear written guidance and oversight of payroll, including overtime, resulted in payroll errors. For example, an employee was not paid the correct contract rate for the entire 2021-22 school year. Had payroll been properly certified, these errors could have been detected and corrected.

Allowing individuals to work overtime without obtaining proper approval and allowing individuals to earn overtime pay on days they use vacation time are not errors.

## Note 2

Based on the language set forth in the employee's employment agreement, the agreement suggests that the employee is salaried, and not paid on an hourly basis. For example, according to the employee's employment agreement, the employee receives a yearly salary, paid in equal installments pursuant to the policy of the District governing payments of other professional staff members in the District. The agreement also indicates that "[t]here will be no reason for additional time (i.e., per diem) to complete items that are a necessary part of the health services program." Furthermore, the agreement states that "[t]he District retains the right to adjust the annual school year salary of the ...[employee] during the term of her employment by the District, provided that such salary adjustment shall not reduce the rate of the annual salary." Therefore, under the terms of the current employee agreement, the agreement suggests the employee is salaried.

However, to the extent the District is of the opinion the employee is "an hourly employee paid at an annualized basis," and, therefore, subject to the overtime provisions of the Fair Labor Standards Act, we recommend that the District consult with its legal counsel as to the appropriateness of the employee receiving overtime under such circumstances. We have also made edits to the report to better reflect our concern with the current employee agreement and the earning of overtime.

## Note 3

District officials could not support or demonstrate that any of the overtime paid was emergency-based.

## Appendix C: Audit Methodology and Standards

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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 obtained and reviewed CBAs, Board-approved contracts for non-union employees, and Board appointments for those employees who were not covered by CBAs or contracts.
- We reviewed time and attendance records, leave records, health insurance forms and other payroll source documents.
- We reviewed annual gross salary and wages for all contracted employees from July 1, 2020 through June 30, 2022, totaling \$13.8 million, and supplemental payments including stipends, vacation buybacks, retirement incentive and health insurance buyouts to determine whether employees were paid accurately based on approved rates.
- We used our professional judgement to select a sample of the six highest paid check dates for hourly employees for the 2020-21 and 2021-22 school years. We selected the six largest payrolls from each school year which included about 31 percent of the total population for hourly employees. We compared the amounts paid to salary notices, Board resolutions, CBAs, employee contracts and time sheets to determine whether employees were accurately compensated.
- We used our professional judgement to select a sample of employees who received stipends in addition to contracted amounts. We selected the 11 largest stipends which included over 90 percent of the total stipends paid. We tested to determine whether the payments were accurate by reviewing Board meeting minutes, extra-duty assignment documentation (blue sheets) and CBAs.
- We tested the accuracy of all retirement payments, including sick leave buyouts, totaling \$379,887.
- We reviewed relevant employee agreements for all 17 employees who received overtime totaling \$31,561 for July 1, 2020 through June 30, 2022 to determine whether those employees were entitled to overtime and whether preapproval for overtime work was required. Of these 17 employees, six required preapproval for overtime work and using our professional judgement we selected the three employees with the highest amount of overtime paid, totaling \$2,034, to determine whether preapproval was provided.

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- We used our professional judgment to select overtime payments exceeding \$100, totaling \$27,207 and recalculated payments using the approved pay rates and time sheets to determine whether amounts paid were correctly 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 D: Resources and Services

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### **Regional Office Directory**

[www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf](http://www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf)

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

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