



Clymer Central School District

Payroll

2023M-168 | March 2024

Contents

Report Highlights	1
Payroll.	2
What Is Accurate, Approved and Supported Employee Compensation?	2
Employee Compensation Payments Were Not Always Accurate	2
Retroactive Raises Were Paid Without Board Approval and Ineligible Employees Received Perfect Attendance Award Payments	4
District Officials Paid Overtime Compensation That Was Not Supported With Evidence of Approval	5
What Do We Recommend?	6
Appendix A – Response From District Officials	8
Appendix B – Audit Methodology and Standards	10
Appendix C – Resources and Services.	12

Report Highlights

Clymer Central School District

Audit Objective

Determine whether Clymer 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 pay rates were accurate or that compensation was paid in compliance with employment agreements. As a result, payroll errors went undetected and resulted in unnecessary and erroneous payroll payments. District officials:

- Made compensation errors totaling \$28,500 because they used incorrect pay rates or incorrect hours/days worked to calculate 16 employees' pay.
- Paid five employees a total of \$4,792 for retroactive raises that were not authorized by the Board of Education (Board) and paid 16 employees perfect attendance awards totaling \$2,550 that they were not eligible for per the collective bargaining agreement requirements.
- Did not require written prior authorization for overtime work and made 12 overtime payments totaling \$1,858 that were not supported with evidence of approval.

Key Recommendations

- Establish procedures for reviewing payroll to detect inaccurate pay rates and governing overtime approvals.
- Perform a more thorough review of payroll as part of the certification process.

District officials generally agreed with our findings and indicated that they plan to initiate corrective action.

Audit Period

July 1, 2021 – May 15, 2023

We extended our audit period to June 30, 2023 to review specific payrolls. See Appendix B for additional information.

Background

The District serves the Towns of Clymer, French Creek, Mina and Sherman in Chautauqua County. The five-member 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 District Clerk (Clerk) is responsible for the payroll process, including entering time sheet data and pay rates into the accounting system and making adjustments to pay rates when needed.

Quick Facts

2022-23 Adopted Budget	\$11.7 million
2022-23 Payroll Expenditures	\$4.9 million
Employees	142

Payroll

What Is Accurate, Approved and Supported Employee Compensation?

Employee compensation is accurate, approved and supported when employees are paid at the rate of pay approved by the school board as part of a collective bargaining agreement (CBA), written employment contract or school board resolution. A school board is also responsible for adopting written payroll and personnel policies and procedures communicating the school board's intent to employees and staff responsible for administering and processing payroll.

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 directly supervising specific departments or individual employees should certify payroll registers or similar records before checks are distributed. Reviewing the completed payroll register will help detect unusual or inaccurate payments requiring further verifications before distributing checks. 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 school district's appointed payroll certification officer, should review and certify each payroll before payments are made. The superintendent should also review payroll change reports which document any payroll changes made during a pay period including, but not limited to, changes in pay rates and time worked. This review is an essential mitigating control to ensure the individual certifying payroll is aware of the payroll changes made and investigate whether the changes made were appropriate and accurate.

Employee Compensation Payments Were Not Always Accurate

We reviewed compensation paid to all contracted employees¹ totaling \$8.9 million during the 2021-22 and 2022-23² school years and determined District officials paid inaccurate compensation to 16 employees due to calculation errors made by the Clerk when calculating annualized salaries and determining gross payrates. In total, seven employees were overpaid \$25,038 and nine were underpaid \$3,462, resulting in compensation errors totaling \$28,500 as follows:

In total, seven employees were overpaid \$25,038 and nine were underpaid \$3,462, resulting in compensation errors totaling \$28,500. ...

1 See Appendix B for detailed methodology.

2 Through May 15, 2023

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- Four salaried employees who each worked a partial year were overpaid by a total of \$11,193 because the Clerk used an incorrect number of days to calculate the prorated salaries. The majority of the overpayment was attributed to a single employee who was overpaid \$5,874 in 2021-22 and \$5,006 in 2022-23. In 2021-22, the Clerk incorrectly divided the annual salary by 240 workdays, a divisor used for retirement reporting and other benefit calculations. This resulted in a daily rate of \$333, but the Clerk should have divided the annual salary by 261, the actual number of contractual workdays, which would have resulted in a daily rate of \$307. The same employee worked a partial year in 2022-23 and the Clerk again used the incorrect number of days to prorate the salary. The remaining three salaried employees were overpaid a combined total of \$313. Prior to the end of our audit field work, officials had not rectified the overpayments.
 - Eight employees were paid incorrectly because the Clerk did not use the correct number of workdays when calculating these employees' annualized compensation. One employee was overpaid by \$3,865 and seven employees were underpaid by a combined total of \$1,677. The Clerk used an incorrect number of contractual workdays to calculate the annualized compensation for all eight employees. For the seven employees who were underpaid, the Clerk used 260 workdays to calculate the annualized compensation rather than 261, the actual number of contractual workdays in the year. For the employee who was overpaid, the Clerk included 11 holidays as workdays when calculating the employee's annualized compensation even though the employee's contract did not provide for paid holidays. As a result of our inquiry, the District amended this employee's contract in August 2023 to include compensation for 11 holidays and ensure the employee would be compensated correctly for the 2023-24 school year. However, officials had not rectified the over or underpayments prior to the end of our audit field work.
 - Three employees were paid incorrectly because the Clerk used the wrong number of hours when calculating these employees' daily rates of pay and annualized compensation. Specifically, two hourly employees were overpaid \$9,980 – one by \$9,817 and the other by \$163 – and one annualized hourly employee was underpaid \$1,316. For example, one employee was overpaid \$5,321 in 2021-22 because the Clerk incorrectly used six work hours per day rather than four work hours this employee actually worked per day. Similarly, the same employee was overpaid \$4,496 from July 1, 2022 through May 15, 2023 as a result of the same calculation error. Although the District reached a settlement in May 2023 with this one overpaid employee and rectified the underpaid employee's pay after we brought these matters to officials' attention, officials had not rectified the remaining overpayments prior to the end of our audit field work.

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- One employee was underpaid by \$469 because the Clerk incorrectly used the individual's previous salary to calculate their pay rate for the 2022-23 year. After we brought this matter to officials' attention, they rectified the employee's pay by issuing a check for the underpayment for the 2022-23 school year and correcting the employee's pay rate for the 2023-24 school year.

The errors occurred and went undetected because District officials did not review pay rates or the Clerk's calculations to ensure pay rates were accurate, Board-approved or supported. Although the Superintendent reviewed payroll prior to certification, her review process did not include checking pay rates and amounts for accuracy. The Superintendent stated that her review included ensuring new employees were added, former employees were removed and looking for unexpected changes based on her knowledge of the CBAs prior to certifying payroll. However, the Superintendent stated that she did not receive or review payroll change reports; therefore, it would be difficult to identify changes in the payroll.

If the District had review procedures in place to ensure days worked, hours worked and pay rates were accurate, approved and supported, these inaccuracies may have been detected and corrected. Without an adequate review process to prevent and detect errors, District officials cannot ensure employees are being paid accurately.

Retroactive Raises Were Paid Without Board Approval and Ineligible Employees Received Perfect Attendance Award Payments

District officials paid \$7,342 for retroactive pay raises and/or improper perfect attendance awards to 21 employees without Board approval.

Retroactive Pay Raises – Five employees received retroactive pay raises in February 2023 totaling \$4,792, but the raises were not approved by the Board. Although two Board members told us they were aware of the raises, the Board did not take action to amend the individual contracts or adopt a Board resolution to document the new pay rates before the payments were made. As a result of our audit, in August 2023, or seven months after the raises were received, the Board retroactively amended these employees' written employment contracts to reflect the raises.

Ineligible Perfect Attendance Award Payments – One of the District's CBAs states each employee who is present each workday of the quarter, except for personal days, vacation days and days off for bereavement, are eligible for a quarterly \$150 monetary award for perfect attendance. District officials made 17 perfect attendance award payments totaling \$2,550 to 16 employees even though the employees were not eligible to receive the award(s) because they did not meet

If the District had review procedures in place to ensure days worked, hours worked and pay rates were accurate, approved and supported, these inaccuracies may have been detected and corrected.

the requirements specified in one of the District's CBAs. Specifically, these employees were ineligible for the payments because (some had more than one exception):

- 14 used COVID leave time,
- One took unpaid leave,
- One used both COVID leave and unpaid leave during the incentive periods they were awarded for, and
- One used COVID leave twice and received the award for two different quarters.

The Superintendent and Business Official stated that they did not want to penalize employees for using COVID leave and, therefore, paid employees the perfect attendance award. However, there was no Board resolution authorizing the Superintendent to pay employees who did not meet the Board-established eligibility requirements for the perfect attendance award. The Superintendent did not provide an explanation for paying the incentive to the employees that used unpaid leave. One Board member stated that, based on her understanding of the CBAs, the use of COVID or unpaid leave would make an employee ineligible for the perfect attendance award.

District officials deviated from the terms of the Board-approved agreements by compensating employees amounts that were not provided for in their employment agreements and by not enforcing compliance with the District's perfect attendance award requirements as defined in the CBAs. To preserve the controls that Board-approved employment agreements are intended to provide, any deviations from existing agreements should be discussed with and formally approved by the Board before any action is taken.

District Officials Paid Overtime Compensation That Was Not Supported With Evidence of Approval

While one of the District's CBAs states all overtime hours and hours worked in excess of the regularly scheduled hours must be authorized and approved by the Superintendent or his/her designee prior to such hours being worked, it does not require written approval and does not address what actions should be taken when emergency overtime work may be needed. Of 27 overtime payments totaling \$3,099 that we reviewed, 12 totaling \$1,858 were not supported with evidence that approval was obtained from the Superintendent prior to the overtime work commencing. The remaining 15 overtime payments were supported and authorized by provisions of a contractual agreement approved by the Board.

District officials deviated from the terms of the Board-approved agreements by compensating employees amounts that were not provided for in their employment agreements. ...

The Superintendent stated that most overtime work was related to situations in which a bus driver was needed, and she verbally approved the request, but did not document the approval. Without documentation to support who was approved to work overtime, when the work was to take place and for what reason, it would be difficult for someone reviewing payroll to verify the authenticity of the overtime worked.

The Board and Superintendent have not established a clear written policy or specific procedures for documenting overtime approvals. Without clear written guidance governing the approval of overtime, District officials cannot be certain that they are not incurring unnecessary overtime costs.

What Do We Recommend?

The Board and Superintendent should:

1. Develop and adopt written policies and procedures for reviewing payroll to detect inaccurate days worked, hours worked and pay rates.

The Board should:

2. Consult with legal counsel and determine the appropriate course of action to address the inaccurate payments identified in this report.
3. Formally approve all employee pay rates, including retroactive increases.
4. Require the Superintendent to conduct a thorough review before certifying payroll or appoint another designee to do so.
5. Update the CBAs or adopt a written policy or specific procedures to require written prior authorization for overtime work, specify what actions should be taken when emergency overtime work may be needed, and define documentation to be maintained to support overtime work.

The Superintendent should:

6. Ensure that employees are only compensated amounts that have been authorized by the Board through a CBA, written employment agreement and/or Board resolution.
7. Develop review procedures to detect inaccurate payments and ensure days worked, hours worked and pay rates entered in the accounting system are accurate.
8. Perform a thorough review of payroll including reviewing payroll change reports as part of the certification process.

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9. Document the approval of overtime.
 10. Ensure that perfect attendance awards are only paid to employees who meet the Board-approved eligibility requirements.
 11. Establish written procedures for approving overtime and maintaining records to support such approval.

Appendix A: Response From District Officials

Jarrett Wiggers
Business Official

Brianne Fadale
Building Principal



Beth Olson
Superintendent

Stephanie Leek
District Clerk

Clymer Central School District—8672 E. Main St. Clymer, NY 14724

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March 7, 2024

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

Dear Ms. Myers,

The Clymer Central School District has received and thoroughly reviewed the draft audit report regarding payroll between July 1, 2021 and May 15, 2023 (Report of Examination 2023M-168). On behalf of the Board of Education, we appreciate the opportunity to provide our response.

Many of the findings highlighted in the audit are results of inconsistent practice and procedure stemming from a high rate of staffing changes prior to the audit period. It is essential to highlight that the district took immediate corrective actions based on the findings. Moreover, in cases where overpayments were made to active employees, the district diligently attempted to recoup the overpayment within the limitation of the law.

The audit identified an inaccurate number of workdays used as a divisor in calculating the daily rate used to prorate salaries and determining the full entitlement for a few annualized hourly employees. These calculations were based on pay profiles that were set up prior to the current business office personnel start of employment in the district. The 240-day divisor that was used was based on past practice with previous administrator agreements and is consistent with the Teachers Retirement System. The pay profiles with inaccurate number of workdays have been updated and district officials are aware of the discrepancy between the fluctuating number of workdays in a given calendar year (depending on weekends, leap year, etc.) and the divisor expressed in the collective bargaining agreement. We will collaborate with the collective bargaining unit to update this language moving forward.

The Superintendent bears the responsibility of overseeing daily operations of the district, including negotiations with all Collective Bargaining Units and non-affiliated personnel. The Superintendent informed the Board of Education all details concerning renegotiated agreements prior to implementation. The District acknowledges that timely board resolution is the appropriate protocol prior to financial changes in personnel agreements.

The COVID-19 pandemic presented unprecedented challenges for everyone. School districts, including ours, navigated evolving guidance from the CDC and Department of Labor regarding staff absences due to the pandemic. The Superintendent determined that employees with qualifying absence due to a mandatory quarantine would still be eligible for the attendance award. Penalizing employees for circumstances beyond their control contradicted the incentive's purpose. The district understands the Comptroller's perspective on this matter and will seek Board resolution in future similar circumstances.

The District does not contest the OSC finding regarding overtime payments. However, due to the immediate nature of some of the overtime needs, verbal approvals were granted to ensure the continuity of District operations. The District acknowledges the necessity of proper documentation for such approvals moving forward and has already implemented this practice.

The District appreciates the effort, transparency, and communication demonstrated by the auditors throughout the process. We recognize our fiduciary responsibility to safeguard taxpayer resources and are committed to implementing enhanced practices based on the audit recommendations.

Respectfully,

Beth Olson
Superintendent

Ed Mulkearn
Clymer BOE President

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. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed District officials and employees to gain an understanding of payroll-processing procedures.
- We obtained and reviewed the District's CBAs and Board-approved contracts for non-union employees.
- We reviewed annual gross salary and wages, and supplemental payments including stipends, vacation buybacks, incentives and health insurance buyouts for all contracted employees from July 1, 2021 through May 15, 2023, totaling \$8.9 million, to determine whether employees were paid accurately based on approved rates. We reviewed all 165 contracted employees including current employees, new hires, and those who retired, resigned or were terminated during the audit period.
- We selected a sample of timecards for all 57 non-salaried employees from July 1, 2021 through May 15, 2023. We used our professional judgment to select eight out of 47 pay periods representing a combination of the beginning, middle and end of the fiscal year to ascertain the reasonable number of hours worked by each of the non-salaried employees and to review the accuracy, approval and eligibility of overtime hours worked. We recalculated annualized wages for each employee using timecards and approved pay rates to determine whether amounts paid were correctly calculated. The check dates selected resulted in a sample of 27 overtime payments that we reviewed for accuracy, approval and eligibility.
- We reviewed all 52 timecards for an 11-month employee and documented the number of days worked from July 1, 2021 through June 30, 2022, and July 1, 2022 through June 30, 2023, and compared the total days worked to the employee's workday calendar.

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.ny.gov/files/local-government/pdf/regional-directory.pdf

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/fiscal-monitoring

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/resources/planning-resources

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

www.osc.ny.gov/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.ny.gov/local-government/required-reporting

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

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