

# Avoca Central School District

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## Payroll

2025M-14 | June 2025

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# Audit Results

## Avoca Central School District



### Audit Objective

### Audit Period

Did Avoca Central School District (District) officials accurately pay employees' salaries and wages?

July 1, 2022 – January 28, 2025

### Understanding the Program

School district officials should establish an effective payroll system that provides assurance that payroll transactions are adequately supported, authorized by management and accurately paid in accordance with board-approved collective bargaining agreements (CBAs), individual employee contracts and board-established rates.

The payroll clerk is responsible for entering and adjusting employee salary, pay rates and hours worked into the financial software, as well as processing payroll each period.

The District employed a total of 218 employees who were paid a total of \$13 million during the period July 1, 2022 through October 10, 2024.

## Audit Summary

District officials generally paid employees' salaries and wages accurately during the period July 1, 2022 through October 10, 2024. We reviewed 35 employees' salaries and wage payments totaling \$417,720 and determined that District officials generally<sup>1</sup> paid employees' salaries and wages accurately during the period. We also determined that District officials did not adequately segregate duties or establish mitigating controls over the payroll processing. Without adequate segregation of duties or mitigating controls over payroll processing, errors and irregularities could occur and go unnoticed.

The report includes four recommendations that, if implemented, will improve the District's payroll process.

District officials agreed with our recommendations and indicated they plan to initiate corrective action.

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. Our methodology and standards are included in Appendix C.

<sup>1</sup> We discussed the lack of support for one employee's salary and wage payments during the audit period.

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The Board of Education (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 the New York State General Municipal Law, Section 2116-a (3)(c) of the 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.

# Payroll Findings and Recommendations

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Payroll makes up a significant portion of a school district's operating costs. An efficient and effective payroll system helps ensure payroll transactions are supported by appropriate documentation, authorized by the school board, and enhances accuracy. Duties within the payroll function should be adequately segregated or sufficient mitigating controls implemented.

Additional criteria used in this report is included in Appendix A.

## **Finding 1 – Employee compensation was generally accurate and supported but payroll functions were not adequately segregated.**

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The District made payroll payments totaling \$13 million to 218 employees during the period July 1, 2022 through October 10, 2024. We tested payments made to 35 employees totaling \$417,720 and determined that District officials generally<sup>2</sup> paid employees' salaries and wages accurately during the period.

The payroll clerk performs all aspects of the payroll function and many aspects of the human resource function, including entering employee salary and pay rate information and leave accruals into the financial software, affixing the District Treasurer's password protected signature to paychecks and releasing the direct deposit transfer file, all with minimal oversight. Furthermore, the payroll clerk stated that she prefers to manually enter the employees' hours each pay period instead of relying on the timekeeping software to accurately transfer employees' hours worked in the financial software. However, this increases the risk of an error or irregularity occurring. While the Superintendent of Schools (Superintendent) performs a payroll certification that includes reviewing a change report before every payroll is released, this control alone does not provide sufficient oversight of the payroll process.

Without adequate segregation of duties or mitigating controls over payroll processing, errors and irregularities could occur and go unnoticed.

## **Recommendations**

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District officials should:

1. Ensure payroll processing duties are appropriately segregated from human resource functions and authorizations or create mitigating controls to ensure someone outside of the payroll process performs a proper review of payroll.
2. Ensure all salaries and pay rates are adequately supported by a CBA, employment contract or Board resolution.

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<sup>2</sup> Ibid.

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The District Treasurer:

3. Should personally release the direct deposit payroll file and affix their saved signature to all checks.

The payroll clerk:

4. Should use the timekeeping software interface to transfer employees' hours worked into the financial software's payroll module.

# Appendix A: Profile, Criteria and Resources

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## Profile

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The District serves the Towns of Avoca, Bath, Cohocton, Fremont, Howard, Prattsburgh and Wheeler in Steuben County.

The elected five-member Board is responsible for managing the District's educational and financial affairs. The former Superintendent, currently under contract as the Interim Superintendent through June 30, 2025, is the chief executive officer responsible for the day-to-day management of the District under the Board's direction and reviews and certifies the payroll.

The School Business Administrator/District Treasurer oversees the District's business operations. The payroll clerk is responsible for processing the payroll. The District employed a total of 218 employees who were paid a total of \$13 million during the period of July 1, 2022 through October 10, 2024.

## Criteria – Payroll Program

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School boards should approve employee compensation rates through CBAs, individual contracts and board-established rates. CBAs and employment contract language should clearly state employees' work schedules and compensation schedules. Additionally, school district officials should provide all employee agreements and supporting documentation, such as timesheets and leave requests, to individuals responsible for payroll processing to ensure payroll is calculated accurately for each employee.

Payroll authorizations should be segregated from payroll processing and check distribution. Individual payroll amounts should be traceable to authorization documents and supported by time and attendance records. Any changes in employment status or salary and wage rates should be properly authorized, approved and documented to support the changes.

An efficient and effective payroll system enhances accuracy by limiting manual entries to the extent possible and requires compensating control tasks to be performed in a timely manner to ensure payroll is accurate at the time of payment. The functions of entering pay rates, processing biweekly payroll including inputting hours and accruals and paying employees should be segregated or have mitigating controls. The affixing of the approving signature on paychecks should be controlled by the person whose signature it is. A formal process should be in place to routinely review the system for internal control weaknesses and implement improvements. Manual processing of employee payroll data unnecessarily introduces the potential for error, exposing a school district not only to direct errors in payroll, but also to unintentional compliance issues.

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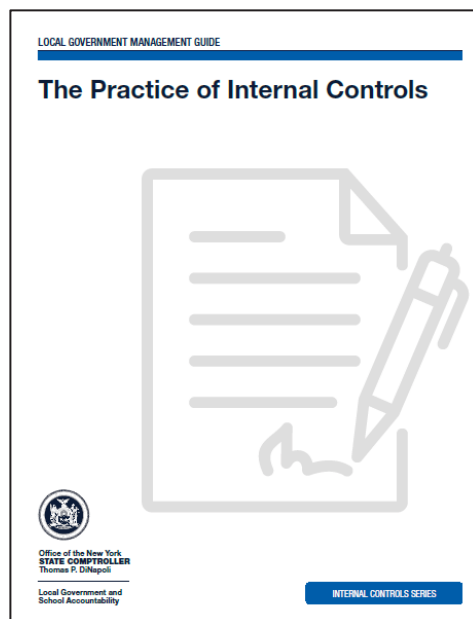
## Additional Payroll Resources

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**FIGURE 1: OSC Publication**

OSC *Local Government Management Guides* are available on our website to help officials understand internal controls.

### The Practice of Internal Controls



<https://www.osc.ny.gov/files/local-government/publications/pdf/the-practice-of-internal-controls.pdf>

In addition, our website can be used to search for audits, resources, publications and training for officials: <https://www.osc.ny.gov/local-government>.



# Appendix B: Response From District Officials

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AVOCA

Central School District



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April 11, 2025

Office of the State Comptroller  
Stephanie Howes, Chief of Municipal Audits  
110 State Street  
Albany, New York 12236

To: Ms. Howes, Chief of Municipal Audits

We are in receipt of the draft *Report of Examination* of the Avoca Central School District Payroll for the period of July 1, 2022 through January 28, 2025. The report was reviewed with district staff and officials at our exit conference on April 8, 2025. We would like to thank the staff from the Office of the State Comptroller involved with the field work for their professional and courteous execution of their duties during the course of the audit.

We appreciate the opportunity to respond to the draft findings and recommendations. The district acknowledges and agrees with *Finding 1* and the determination that “District officials generally paid employee’s salaries and wages accurately during the period.” We also agree that adequate segregation of duties can be challenging to achieve in a small school setting. As we develop our Corrective Action Plan, we will work to introduce procedures that will serve to mitigate that potential risk.

Respectfully Submitted,

Stephen Saxton  
Superintendent of Schools

# Appendix C: Audit Methodology and Standards

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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 one Board member and reviewed the District's policies, procedures and contracts to gain an understanding of the District's payroll process.
- We reviewed Board resolutions, individual employee contracts and CBAs to determine authorized salaries and wages.
- From July 1, 2022 through October 10, 2024, the District paid 218 employees a total of \$13 million. We selected 35 employees to conduct payroll testing across five groups. From the following collective bargaining groups we selected three employees from the administrator's group, seven employees from the Civil Service Employees Association group, eight employees from the teacher's association, all six employees with individual employment contracts, and 11 employees that did not belong to a collective bargaining group or have an individual employment contract.<sup>3</sup> We used our professional judgment to select 17 of the 61 pay periods in the test period (28 percent) to include a review a variety of earnings codes. We recalculated compensation for each employee selected based on documents including timesheets, salary/wage notices, CBAs, individual contracts and Board policies and resolutions.

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 relevant population size and the sample selected for examination.

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<sup>3</sup> Encompassing hourly and per-diem employees whose pay rates are set by Board resolution.

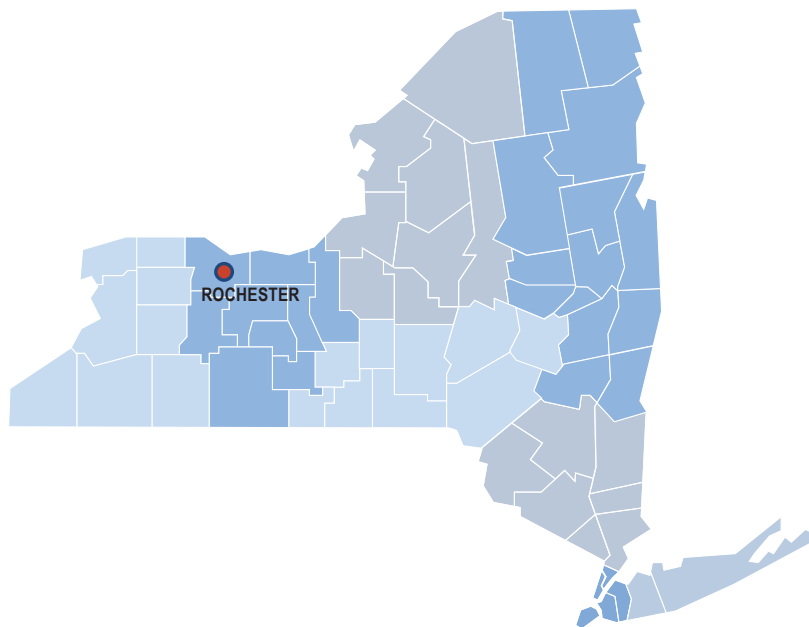
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