

# Northeast Central School District

## Payroll

OCTOBER 2018



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

# Contents

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- Report Highlights . . . . . 1**
  
- Payroll. . . . . 2**
  - How Do Districts Provide Accurate Compensation and Benefits? . . . 2
  - District Officials Provided Accurate Compensation and Benefits . . . 2
  - Conclusion . . . . . 2
  
- Appendix A – Response From District Officials . . . . . 3**
  
- Appendix B – Audit Methodology and Standards . . . . . 4**
  
- Appendix C – Resources and Services. . . . . 6**

# Report Highlights

## Northeast Central School District

### Audit Objective

Determine if compensation paid to employees was in accordance with collective bargaining agreements (CBAs) and Board-approved contracts.

### Noteworthy Achievements

- Except for a few minor discrepancies, which we discussed with District officials, District officials accurately paid and provided benefits to employees in accordance with CBAs and Board-approved contracts.
- We used a combination of manual and computer assisted auditing techniques (CAATs) to review payroll records for all employees paid during the audit period. District officials established effective payroll-related policies and procedures to segregate duties and provide oversight.

There were no recommendations as a result of this audit.

District officials generally agreed with our report.

### Background

The Northeast Central School District (District) is located in the Town of Amenia, in Dutchess County. The Board of Education (Board) is responsible for the general management and control of the District's financial and educational affairs.

The Superintendent and the Business Manager are responsible for the District's day-to-day management and the development and administration of the District's budget.

#### Quick Facts

Employees	287
Enrollment	737
Compensation Paid for the Audit Period	\$10.9 million

### Audit Period

July 1, 2016 – September 29, 2017

# Payroll

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## How Do Districts Provide Accurate Compensation and Benefits?

Employee compensation and benefits are a significant portion of district operating expenditures. A board is responsible for ensuring that employees are paid accurately and provided benefits in accordance with CBAs and individual employee contracts. The superintendent and business manager are responsible for ensuring that a system is in place to pay the agreed upon compensation and benefits and for recording these transactions in the financial system. A well-designed payroll system adequately segregates duties and provides an oversight and review process to ensure that employees are paid board-authorized compensation and benefits and that compensation and benefits are accurately recorded.

## District Officials Provided Accurate Compensation and Benefits

District officials ensured the accuracy of compensation and benefits provided to employees. They established policies and procedures to effectively segregate the multiple aspects of the payroll process and provided adequate oversight. For example, timekeeping requires multiple levels of approval and employee pay rates in the financial system are annually compared with Board-approved agreements. Furthermore, payroll audits are conducted annually at the beginning of each year to validate that each employee on payroll exists.

Computer access to various payroll-related accounting functions is limited to those employees who require access to perform their job duties. For example, the human resources clerk is responsible for entering and updating employee information excluding pay rates and the Business Manager is responsible for updating pay rates. Also, timekeeping and supervisory functions are separated from payroll processing. In addition, department heads approve staff-prepared time sheets and the payroll clerk enters information into the system.

Using a combination of manual techniques and CAATs,<sup>1</sup> we reviewed the payroll records of all 287 employees to identify high-risk transactions. This resulted in testing of more than 5,000 checks and direct deposits totaling \$10,904,517. Except for some minor discrepancies, which we discussed with District officials during fieldwork, salaries and wages paid and benefits provided to employees agreed with CBA stipulations and Board-approved contracts.

## Conclusion

Compensation paid and benefits provided to employees were in accordance with CBAs and Board-approved contracts. We commend District officials for effectively designing and implementing policies and procedures that ensure the accuracy of compensation and benefits provided to employees.

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<sup>1</sup> CAATs enable testing on larger data sets and provide a higher level of accuracy because a greater portion of the population can be examined.

# Appendix A: Response From District Officials

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## WEBUTUCK CENTRAL SCHOOLS

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September 25, 2018

Office of the State Comptroller  
Newburgh Regional Office  
33 Airport Center Drive, Suite 103  
New Windsor, NY 12553

RE: Response to Comptroller Audit:

In response to the review conducted by your office, please see the district response:

Thank you for the recent examination of our payroll department to determine that compensation to employees is being handled in accordance with collective bargaining agreements and Board-approved contracts. We are pleased to hear there were no findings and that no corrective action plan is necessary.

The district would like to thank your staff for their professionalism and assistance during this audit process. Please contact me if you have any questions.

Sincerely,

Cynthia Hawthorne  
School Business Administrator

**The Strength of Webutuck Is In The "We"**

## Appendix B: 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 used CAATs to review employee salaries and benefits. We obtained data sets from the District's computerized financial database and performed tests using specialized software to identify anomalies and high-risk transactions. We reviewed internal controls and procedures over the computerized financial databases to determine whether the information produced by such systems was reliable.
- A significant portion of our testing used electronic accounting data from the District's accounting program. The population consisted of 5,250 payroll checks and direct deposits for 287 employees (all paid employees including part-time and substitutes). As part of our review, we looked at additional pay items and payroll withholdings.
- We used CAATs to calculate pay and perform detailed analyses of actual pay rates to certain employees. We also used CAATs to determine whether multiple types of payments were accurate and whether selected pay recipients were valid employees.
- We interviewed and observed District officials and employees to learn about payroll processing procedures and employee benefits and reviewed CBAs, employment contracts for non-union employees, personnel files, time and attendance records, leave records and other payroll source documents. We also reviewed internal controls over payroll.
- We compared employee Social Security numbers to the Social Security Death Index master file. We reviewed employee addresses outside of a 45-mile school radius, employee addresses with post office boxes or no address, payroll checks with the same check numbers, duplicate employee Social Security numbers and employees using the same bank to determine whether the individuals paid were valid employees. We also reviewed all employee records with the same name, address or phone number.
- We reviewed all payments to key officials and employees who received more than 26 pays during a fiscal year. We also reviewed all longevity payments, health insurance buyout payments, payments made on unscheduled pay dates and payments after employee termination dates.
- We judgmentally selected a sample of 10 balloon payments totaling approximately \$104,900 out of 59 total balloon payments totaling approximately \$751,000. From the payroll records, we categorized payments greater than \$7,000 as balloon payments. We selected all six payments outside the last fiscal payroll cycle and randomly selected four payments

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during the last fiscal payroll cycle totaling \$36,228.90. We reviewed payroll records to determine whether payments were accurate and supported.

- We judgmentally selected 25 rounded dollar amount payments totaling approximately \$94,000 out of 272 rounded dollar amount payments totaling approximately \$820,000. We selected our sample based on dollar amounts and earnings categories. We reviewed payroll records to determine whether payments were accurate and supported.
- We judgmentally selected 61 overtime payments totaling approximately \$12,800 out of 344 total overtime payments totaling approximately \$35,900. We selected the highest payment to each of the 36 employees receiving overtime pay and then selected the second highest payment for those employees who received multiple overtime payments for the audit period. We reviewed payroll records to determine whether payments were accurate and supported.
- We judgmentally selected the 25 highest paid employees and compared the salary rates paid with Board-approved salary schedules (including stipends), CBAs and Board-approved employment contracts to determine whether these employees were accurately paid.
- We performed data reliability tests, which included evaluating the propriety of all manual checks written in our audit period and all gaps in payroll check sequence numbers. We also tested the propriety of all voided checks in our audit period.

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.

# Appendix C: Resources and Services

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## **Regional Office Directory**

[www.osc.state.ny.us/localgov/regional\\_directory.pdf](http://www.osc.state.ny.us/localgov/regional_directory.pdf)

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[www.osc.state.ny.us/localgov/index.htm](http://www.osc.state.ny.us/localgov/index.htm)

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