

# Lewiston-Porter Central School District

## Payroll

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FEBRUARY 2019

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

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# Report Highlights

## Lewiston-Porter Central School District

### Audit Objective

Determine if the District accurately compensated employees.

### Key Findings

Generally, tested employees' salaries were accurately paid. However,

- Time sheets were not always approved.
- Overtime was not consistently tracked or properly approved, resulting in possible over- or underpayments.
- Seven employees were paid incorrectly for credit hours earned.

### Key Recommendations

- Ensure that time sheets, including overtime hours, are properly approved by the appropriate supervisor.
- Consult with legal counsel and take appropriate action to recover any overpayments.
- Ensure that stipends, including credit hours earned, are proper and supported.

District officials generally agreed with our recommendations and indicated they have taken or plan to take corrective action.

### Background

The Lewiston-Porter Central School District (District) serves the Towns of Lewiston and Porter in Niagara County.

The District is governed by a seven member Board of Education (Board). The Board has overall responsibility for educational and financial affairs. The Superintendent of Schools (Superintendent), along with other administrative staff, is responsible for day-to-day operations.

The Assistant Superintendent for Administrative Services (Assistant Superintendent) is responsible for supervising the payroll clerk who processes biweekly payroll.

#### Quick Facts

|  |                |
|--|----------------|
| Enrollment                               | 2,161          |
| Employees                                | 475            |
| 2017-18 General Fund Salary Expenditures | \$20.7 million |

### Audit Period

July 1, 2017 – October 9, 2018

# Payroll

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## **How Should the District Ensure Employees Are Paid Accurately?**

A board should adopt policies and school district officials should develop procedures to ensure salaries and pay rates are properly documented and authorized and that overtime is preapproved. All pay rates and stipends should be documented by a collective bargaining agreement (CBA), employment contract or board resolution. Such documentation communicates a board's intent to the administrators and employees who must execute the procedures and provides transparency to the public and other interested stakeholders.

Time records should include overtime, leave time used and compensatory time earned and used. The time records should be signed by the employees and approved by the supervisors or administrators having direct supervision over specific departments or individual employees. Payments should be supported by properly approved time records before checks are distributed. When employees receive stipends above and beyond salary payments, these should be supported by appropriate documentation.<sup>1</sup>

## **Time Records and Overtime Were Not Properly Reviewed and Approved**

Although the Board has not adopted a written payroll policy, District officials have developed payroll procedures which require the approval and documentation of salaries and pay rates. These procedures also require that all overtime is recorded on the employee's time sheet and signed by both the employee and supervisor. As per the CBA, overtime hours are worked at the supervisor's direction.

When employees covered by the Civil Service Employees Association (CSEA) CBA work overtime hours, they have the option to accrue the overtime as compensatory time. The supervisor should approve compensatory time in advance of it being used. Employees may earn a maximum of 40 compensatory hours per year and receive a payout for up to 32 hours at fiscal year-end.

In general, we found that time records for CSEA employees were not approved by the Director of Facilities (Director) as required and overtime and compensatory hours earned were not preapproved. For each payroll, the Director approves a change report from the payroll system which includes overtime hours, out-of-title hours and compensatory time used for each employee.

The CSEA employee who maintains time and attendance for CSEA employees did not track when she used compensatory time and was not inputting her own overtime hours worked into the payroll system. We compared her time sheets for the 2017-18 fiscal year to the information recorded in the payroll system and

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<sup>1</sup> Stipends paid by the District include education reimbursements, longevity, peer counseling, coaching, etc.

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found 122.75 hours of overtime recorded on her time sheets that were not entered into the payroll system.<sup>2</sup> This employee told us that she did not input these hours because she often extended her lunch hour, although that time was not recorded on her time sheets. In addition, we found that although she indicated the use of compensatory time on her time sheets, she received a payout at fiscal year-end for 16 hours of compensatory time that appears to have been used.

From our sample<sup>3</sup> of 61 employees, we identified nine other CSEA employees who were paid overtime. We reviewed their time sheets to determine if the recorded overtime hours matched their overtime payments. We found that their overtime hours were not always recorded correctly in the payroll system. Three of these employees were paid a total of 13.75 overtime hours that were not recorded on their time sheets, totaling \$476.

Because the Director was not properly reviewing and approving time sheets and overtime hours worked, we could not confirm that overtime hours were properly paid.

### **Teacher Stipends Were Not Always Properly Supported**

Teachers are eligible for various stipends which are outlined by the Lewiston-Porter United Teachers (LPUT) CBA. Some of the stipends are for additional duties, such as coaching intramurals, supervising the fitness center or chaperoning school functions. These stipends are paid as they are earned and reported to the payroll department using time sheets. Teachers are also eligible for salary credit for courses taken based on graduate credit hours earned and various continuing education courses. The District tracks the credit hours earned using a software program supported by Orleans/Niagara Board of Cooperative Educational Services (BOCES). Based on credit hours from courses meeting the requirements outlined by the LPUT CBA, these credit hours are entered into the payroll system to be paid and updated twice a year. These stipends are added to the teachers' salaries.

To determine if credit hours were paid correctly, we reviewed the payroll records for 27 teachers receiving credit-hour stipends totaling \$108,408, from our sample<sup>4</sup> of 61 employees. Of these, we identified seven employees who received payments for credit hours earned that did not agree with the hours earned recorded in the BOCES tracking software. Five of these employees were paid for more credit hours than were recorded, for a total of 28 credit hours (\$1,820).

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2 Over a period of 185 days

3 See Appendix B for details on our sampling methodology.

4 See Appendix B for details on our sampling methodology.

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The remaining two employees were not paid for all credit hours recorded,<sup>5</sup> for a total of 23 credit hours (\$1,495). This occurred because there were discrepancies between the credit hours recorded in the tracking software and those recorded in the payroll system.

### **An Administrator’s Salary Was Miscalculated**

The New York State Education Department has a specific formula that is to be used when a teacher or administrator’s salary needs to be prorated.<sup>6</sup> The formula outlines how to prorate a salary based on the number of working days. The District relied on BOCES to recalculate an administrator’s annual salary when a new contract was negotiated during the school year, resulting in an increased salary. We recalculated the salary using the approved formula and found that the administrator was overpaid \$955. District officials indicated that they agreed with our calculation, and that they had relied on BOCES to provide them with the calculation.<sup>7</sup>

Although we found that the remaining salary payments made to employees in our sample were accurate, without adequate oversight there is an increased risk that the District could improperly pay employees.

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

The Board should:

1. Adopt a written payroll policy.

The Board and District officials should:

2. Update the payroll procedures to address the proper approvals of overtime.
3. Ensure employees are properly paid and consult with legal counsel and take appropriate action to recover any overpayments.
4. Ensure prorated salary calculations are accurate.

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5 After we identified the discrepancies, District officials adjusted the payroll for one of the employees we identified as underpaid. For one of the employees paid for more hours earned than were recorded, officials identified an adjustment that had been made in payroll without a corresponding adjustment in tracking of credit hours.

6 Established in the Matter of Swaim (9 Ed. Dept. Rep., 23) based on Subdivision 3, Section 3101 of the New York State Education Law.

7 District officials informed us that they would work with the District’s attorney to recover the overpayment.

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The Director should:

5. Properly review and approve time sheets and overtime.
6. Ensure that employees he supervises properly and accurately record overtime and compensatory time/leave usage on their time sheets.

District officials should:

7. Ensure that stipends, including credit hours earned, are proper and supported.

# Appendix A: Response From District Officials

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## *Lewiston-Porter Central School District*

*Aiming Higher*

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February 8, 2019

By Regular and Electronic Mail

Jeffrey D. Mazula  
Chief Examiner  
Buffalo Regional Office  
295 Main Street, Suite 1032  
Buffalo NY, 14203-2510

RE: Lewiston- Porter Central School District

Dear Mr. Mazula,

The following is the Lewiston-Porter Central School Districts response to the initial draft of the examination issued by our office titled "Payroll" for the audit period of July 1, 2017 through October 9, 2018.

The District would like to express its gratitude for the professionalism and patience with which your staff has carried out its duties.

The Board of Education and Administration is committed to ensuring that the Districts Financial operations are conducted with the highest level of integrity. The Board has reviewed the draft of your report and will be working with District administration to correct any weaknesses in the system. This report was of great value to the District as we continue to implement policies and procedures that enhance accountability.

The District is currently in the process of creating a corrective action plan to address the specific findings and recommendations in the report. The District wishes to note that many of the concerns and recommendations issued in the report have already been addressed prior to the issuance of the Report of Examination.

### **Payroll**

Issue: *Time sheets are not always approved*

Response: This issue was specific to our buildings and grounds department. Additional training was provided to the Supervisor and clerical payroll staff to ensure that moving forward all time cards are approved and reflect an accurate accounting of hours worked and time taken. A periodic check will be made by the Assistant Superintendent to ensure that time cards are being approved.

Issue: *Overtime was not consistently tracked or properly approved resulting in possible over or under payments.*

Response: Our payroll procedures were updated to include the recording of all time taken in our electronic payroll and attendance system. These updated procedures were reviewed with the Administrative team and shared with all payroll clerks in charge of tracking overtime and compensation. Only one overpayment was verified, it was an oversite, and the funds were returned to the District.

Paul J. Casseri,  
*Superintendent of Schools*  
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Issue: *Seven employees were paid incorrectly for credit hours earned.*

Response: The current system we use to track payments of credit hours has been working to reflect hours paid. Unfortunately, that same system was used in prior years to track all staff development paid and unpaid. We do not have a system in place to go back in time and verify old data. We are confident that for the last 4 years these numbers and payments are a true reflection of the work performed.

Issue: *An Administrator's Salary was miscalculated*

Response: One administrator changed positions during the school year. As part of this change his old position and salary was pro-rated and his new salary was entered and prorated. Because of the complexity of the calculation we sought guidance from our financial software support group. During the process a portion of the salary was cancelled from the prior year and did not carry forward, causing an error in pay. In the future we will hand calculate each certificated employee changing jobs, or leaving the District to ensure that the Payroll is calculated properly using the matter of Swaim method. We are working with our Legal firm to recover the overpayment made to this individual.

Conclusion:

The interaction between the Comptroller's Office and the District during this audit process was helpful to focus the Administration on updating procedures that enhance accountability. One of the Board of Education's top priorities is fiscal responsibility to taxpayers. The Board of Education would like to thank the Comptroller's Office for their assistance in helping our District move forward with this goal.

Please let us know if you have any questions regarding this response to your report. We look forward to future opportunities to work with your office.

Sincerely

Jodée Riordan  
President, Board of Education

Paul Casseri  
Superintendent of

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## 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 interviewed District officials and reviewed policies, procedures and Board minutes to gain an understanding of the District's payroll procedures.
- We reviewed the pay rates, time sheets and payroll payments for a sample of 61 employees, paid a total of \$4.7 million, to determine whether employees were paid at the appropriate amount and for the correct amount of time worked. We selected 51 employees based on risk and included the highest paid employees, employees involved in the payroll process, those who have an individual employment contract and five employees covered by each of the four CBAs. We also randomly selected 10 additional employees using a computerized random number generator.
- We reviewed CBAs, employment contracts and Board minutes to determine whether employees were paid at the appropriate amount and for the correct amount of time worked for their appointed positions, Board-approved stipends and extra activities.
- We reviewed all time records for employees who received payouts for unused compensatory time at year-end 2018 to determine whether hours earned and used were tracked correctly and compensation for these hours was accurate and supported.
- We reviewed all duplicate checks, all manual checks, voided checks and the checks paid during a randomly selected month to determine whether they were appropriately paid. The random month was selected using a computerized random number generator. We also reviewed the check sequence to ensure that no checks were missing during 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.

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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 2116-1(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 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. We encourage the Board to make the CAP available for public review in the District Clerk's office.

## 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)

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

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

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

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

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

[www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm](http://www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm)

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

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

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

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

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

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

### **Training** – Resources for local government officials on in-person and online training opportunities on a wide range of topics

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

## Contact

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