



Le Roy Central School District Payroll

Report of Examination

Period Covered:

July 1, 2015 – November 4, 2016

2016M-412



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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

February 2017

Dear School District Officials:

A top priority of the Office of the State Comptroller is to help school district officials manage their districts efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support district operations. The Comptroller oversees the fiscal affairs of districts statewide, as well as districts' compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving district operations and Board of Education governance. Audits also can identify strategies to reduce district costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the Le Roy Central School District, entitled Payroll. This audit was conducted 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.

This audit's results and recommendation are resources for district officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Le Roy Central School District (District) is located in the Towns of Le Roy, Bergen, Pavilion and Stafford in Genesee County and the Town of Caledonia in Livingston County. The District is governed by an elected seven-member Board of Education (Board), which is responsible for the general management and control of the District's financial and educational affairs.

The Superintendent of Schools is the chief executive officer and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction. The Business Administrator (Administrator) is responsible for the oversight of the payroll function. The Administrator performs payroll certifications while the District's payroll clerk, who reports to the Administrator, is responsible for the day-to-day payroll functions.

The District operates two schools with approximately 1,260 students and 225 employees. The District's budgeted appropriations for the 2016-17 fiscal year are approximately \$23.2 million, funded primarily with State aid, real property taxes and grants. Payroll payments totaled approximately \$10.1 million, or 46 percent of general fund expenditures in 2015-16.

Objective

The objective of our audit was to evaluate the accuracy of payroll payments. Our audit addressed the following related question:

- Were employee salaries, wages and separation payments accurately paid?

Scope and Methodology

We examined the District's payroll records for the period July 1, 2015 through November 4, 2016.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report. 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.

Comments of District Officials and Corrective Action

The results of our audit and recommendation have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report. District officials

agreed with our recommendation and indicated that they planned to initiate corrective action.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of 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, a written corrective action plan (CAP) that addresses the findings and recommendation in this report must be prepared and provided to our office within 90 days, with a copy forwarded to 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 Board should make the CAP available for public review in the District Clerk's office.

Payroll

An effective payroll system provides assurance that payroll transactions are appropriately supported, authorized by management and paid accurately. The Board should adopt adequate policies and District officials should develop written procedures to ensure employees are accurately paid their respective salaries and wages. The Board approves the amounts to be paid to District employees through collective bargaining agreements (CBAs), individual employee contracts and Board-established rates. Additionally, school districts often provide payments to employees for all or a portion of their earned but unused leave time when they separate from District service. The Board is responsible for ensuring departing employees are paid only the amounts to which they are entitled.

While the Board has not adopted written policies and District officials have not developed written procedures over the payroll function, we found no significant exceptions with the accuracy of the payment of salaries, wages or separation payments.

The District Clerk (Clerk) routinely records the Board's approval of individual contracts, CBAs, employee hirings, salaries, wage rates, resignations and retirements, along with the effective dates of the activities, in the Board meeting minutes. The Clerk enters new employee information into the human resources management system, and the payroll clerk then enters the Board-approved salary information, which she uses to make the respective salary or wage payments. The District Treasurer (Treasurer) calculates and processes separation payments. Additionally, the Administrator reviews and certifies the regular payrolls and separation payments.

We examined the records for 30 employees during four payroll periods and found that, other than a few minor exceptions which we discussed with District officials, regular salary payments were paid in accordance with Board approvals, correctly calculated, properly supported and certified by the Administrator.

Additionally, employees are entitled to accrue and use leave time and, in some cases, convert unused leave to cash payments upon separation in accordance with individual contracts, CBAs or Board resolution. Prior to separation, employees must notify the District in writing of their intent to leave and the reason for their separation, such as retirement, within specified time frames established in their respective individual contract or CBA. This information and the Board's response are both documented in the Board minutes.

The Treasurer maintains a file for each employee separation which includes correspondence, accrual balances and applicable contract language. The Treasurer calculates the employee's separation payment for the monetary value of unused leave based on the accrued and unused leave balance and the authorized rate of pay. The Administrator reviews the Treasurer's unused leave and separation payment calculations prior to payment. We reviewed five separation payments totaling \$104,500 and found that they were in accordance with Board authorizations, were accurately calculated and included adequate supporting documentation.

While our testing did not identify material exceptions, opportunities exist for the Board and District officials to improve internal controls over the payroll process. This would provide assurance that errors and irregularities do not occur and remain undetected and uncorrected.

Recommendation

1. The Board and District officials should develop and adopt written payroll policies and procedures.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

The District officials' response to this audit can be found on the following pages.



Le Roy Central School District

Kim M. Cox, Superintendent of Schools
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Board of Education

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Jacalyn Whiting, Vice President
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February 1, 2017

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Jeffery D. Mazula, Chief Examiner
295 Main St. Suite 1032
Buffalo, NY 14203-2510

Dear Mr. Mazula:

The Le Roy Central School District would like to thank the Office of the State Comptroller for its time and effort in performing a thorough review of the District's payroll process. We are pleased that the audit did not reveal any discrepancies in the payroll disbursements examined and accept the audit findings and recommendation to develop and adopt written policies and procedures of the payroll process.

The audit response is also serving as a corrective action plan. Please find the corrective action plan to address the following recommendation for:

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Recommendation:

The Board and the District should develop and adopt written payroll policies and procedures.

Corrective Action Plan:

- a. The Le Roy Board of Education will develop and adopt a board policy outlining the development of payroll procedures.
- b. Current payroll procedures will be documented and formalized into a Payroll Procedure Manual

Implementation Date:

- a. The Le Roy Board of Education will implement these changes effective September 1, 2017

The mission of the Le Roy Central School District is to provide an exceptional, high quality educational environment where all learners are empowered to succeed.

Person responsible:

- a. The School Business Administrator will oversee the implementation of this plan.

We would like to commend the audit team for its professionalism throughout this process and appreciate the constructive feedback that was provided.

Sincerely,

Kim M. Cox
Superintendent of schools

Cc: Donald Hobart, Board of Education President
Mr. Brian Foeller, School Business Administrator

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed and observed District officials and employees to understand the procedures used to process regular payroll and separation payments.
- We reviewed Board minutes for evidence of approval of individual employee contracts, CBAs, individual salaries, rates of pay, resignations, retirements and separation payments.
- We reviewed all pertinent payroll records of 26 randomly selected employees and four additional employees judgmentally selected based on their involvement with, and access to, the payroll process. We then randomly selected three payroll periods during our audit period and also judgmentally selected the last payroll of 2015-16 as it was the largest dollar payroll of the year, for our testing. We traced the amounts paid to individual contracts, CBAs, salary notices and Board resolutions to determine if the pay was calculated properly and paid accurately.
- We reviewed all five separation payments during our audit period totaling \$104,500 and compared the payment calculations to the applicable contract provisions, authorized rates of pay and employee attendance records to determine if they were paid accurately.

We conducted this performance audit in accordance with 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.

APPENDIX C

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