



# North Syracuse Central School District Payroll Access and Certification

Report of Examination

Period Covered:

July 1, 2014 – December 31, 2015

2016M-178



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# State of New York Office of the State Comptroller

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## **Division of Local Government and School Accountability**

July 2016

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 North Syracuse Central School District, entitled Payroll Access and Certification. 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 recommendations 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 North Syracuse Central School District (District) is located in the Towns of Cicero, Clay and Salina, Onondaga County. The District is governed by the Board of Education (Board), which is composed of nine elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools (Superintendent) is the District's chief executive officer and is responsible, along with other administrative staff, for day-to-day District management under the Board's direction.

The District operates 10 schools with approximately 8,750 students and 1,500 employees. The District's budgeted appropriations for the 2015-16 fiscal year are \$151 million, which are funded primarily with State aid and real property taxes. Payroll represents a large portion of the District's annual budget. Salaries and wages including overtime totaled approximately \$67 million, or 46 percent of the District's general fund expenditures for the 2014-15 fiscal year.

The District contracts with the Central New York Regional Information System (CNYRIC) for its financial software application. In July 2013, the District changed financial software programs and had CNYRIC establish access rights for employees. The Board at its annual reorganizational meeting authorizes the Superintendent or her designee to certify payroll.

## Objective

The objective of our audit was to evaluate the District's controls over payroll user access and payroll certifications. Our audit addressed the following related question:

- Has the District adequately controlled access to the payroll system and implemented effective payroll certification procedures?

## Scope and Methodology

We examined the District's payroll user access rights and payroll certification process for the period July 1, 2014 through December 31, 2015. We expanded our scope to February 5, 2016 to review the payroll certification process.

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 recommendations have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report. District officials generally agreed with our recommendations and indicated they have taken, or plan to take, 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 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 recommendations 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 Access and Certification

Effective procedures over payroll access rights within the District's computerized financial system should allow users access to only those functions that are consistent with their job responsibilities. Procedures should also require periodic monitoring of user activity and prevent users from being involved in multiple aspects of payroll functions. If segregation of duties is not possible, the District should implement compensating controls over payroll transactions. New York State Education Law also requires the District to certify the payroll for accuracy of payments. The use of payroll change reports helps ensure that payments are correct.

The District has not adequately restricted user access and transaction rights on the computerized payroll system based on job responsibilities, which compromises the segregation of duties and could permit improper payroll changes. Six individuals had access to functions in the payroll system that were not required to fulfill their assigned job duties. Three of these individuals were in the Human Resources Department and three were in the Business Office. We also found that an elementary school secretary had more rights to the payroll system than needed for her job. Additionally, District officials are not adequately monitoring the payroll for improper or erroneous transactions. Procedures should require that payrolls are adequately certified. Without effective controls, there is an increased risk that someone could initiate and conceal inappropriate payroll transactions or that mistakes could be made and not detected in a timely manner.

### Access Rights

When school districts employ the use of computers in processing their payrolls, a proper segregation of duties can be accomplished by restricting user access and transaction rights based on job responsibilities.

Two Human Resources (HR) administrative assistants are responsible for adding new employees to the payroll system. Time sheet information is collected and entered into the system for each of the 10 individual school buildings at each respective building. The three departments that provide services to all the District buildings – Transportation, Food Service and the Business Office – enter their own departmental information. Two account clerks in the Business Office are responsible for processing the payrolls. They are also responsible for changing salaries and pay rates paid to employees based on payroll change authorizations that are signed by the Assistant Superintendent for HR and another District assistant superintendent.

Although District officials segregated these responsibilities, they did not appropriately limit staff access to the computerized payroll system. The Assistant Superintendent for HR, two HR administrative assistants and three Business Office account clerks have more access rights to the payroll system than they need. For example:

- One Business Office account clerk has access rights to the payroll system, even though she is not involved in processing payroll.
- The Assistant Superintendent for HR and two HR administrative assistants can change salaries and pay rates, even though this is not their job responsibility.
- The two Business Office account clerks responsible for processing payrolls can add new employees to the payroll system, even though the HR administrative assistants have been designated to perform this function.

Additionally, an elementary school secretary had add/modify access rights to the payroll system that allowed her to add new employees and change pay rates, which is not consistent with her job duties.

District officials told us the rights of all staff were established by CNYRIC when the District transitioned to its current financial software in July 2013. The officials indicated that they had to set up new access rights for all employees, using standard CNYRIC templates, and that the secretary was inadvertently given rights not compatible with her job duties. District officials removed the inappropriate rights from the elementary school secretary's user account after we brought the matter to their attention.

We reviewed salary payments to the seven District employees who had access rights to add new employees and change pay rates, and verified that the amounts paid agreed with their employment contracts. In addition, we judgmentally selected nine other employees<sup>1</sup> and verified that the amounts paid agreed with their employment contracts. We also verified that any additional payments (e.g., overtime) were supported by time records. Our review of the \$1.7 million paid to these 16 employees during our audit period found no discrepancies.

We also selected 28 employees from payroll records and reviewed independent supporting documentation maintained outside the Business Office to determine whether each individual was, or had been, a bona fide employee. As part of this review, we determined

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<sup>1</sup> See Appendix B for our sampling methodology.

whether the Board approved the hiring of the employee and that the employees were paid at the rate approved by Board resolution or contract. Additionally, we reviewed payments to seven employees, totaling \$35,000, who received fewer than seven paychecks to determine whether they were legitimate District employees. Finally, we reviewed payments to 14 employees, totaling \$56,000, dated after the official date they left District employment to determine whether the payments may have been inadvertently continued. We found only minor exceptions which were discussed with District officials.

Although we found no significant exceptions, the inadequate control of user rights to the payroll system increases the risk of errors or irregularities in the payroll process.

## **Payroll Certification**

An effective internal control over payroll processing requires supervisory approval, or certification, of the complete payroll prior to issuing employee paychecks. To certify payroll, a District official must examine the payroll and certify that the persons included have worked the hours claimed and are paid at Board-approved rates. The use of payroll change reports can help to accomplish a thorough payroll certification.

Each year, the Board assigns the payroll certification responsibility to the Superintendent or her designee. The District's accountant has been assigned the responsibility for payroll certification. We reviewed the accountant's procedures for certifying the payroll<sup>2</sup> and found that, for salaried employees, professional development hours, and substitutes, the payroll certification is not adequate.

The District's payroll certification procedures do not require the accountant to trace the payroll amounts to source documents for the payment of salaried employees, professional development hours or substitute employees' days worked. Further, the procedures do not require the use of payroll change reports; instead, they require verifying the biweekly gross paycheck of salaried employees against the information in the payroll financial system. Because the payroll system calculates the biweekly amount, this is not a valid comparison for verifying that the payroll amount is correct. Similarly, professional development hours<sup>3</sup> and substitutes' days worked are compared to printouts generated from the payroll system, showing the hours and days entered into that system, which does not validate the accuracy of

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<sup>2</sup> The accountant uses a random number generator in a spreadsheet application to choose a sample of paychecks and direct deposits to test each pay period

<sup>3</sup> Teachers, nurses, and occupational and physical therapists are eligible for payment up to \$648.80 for the 2015-16 year for in-service training. Teacher assistants are eligible for \$252 for the 2015-16 year. Eligibility is authorized by the appropriate assistant superintendent.

payments. Rather, the gross paycheck amounts should be compared to original source documents (sign-in sheets and certificates of completion for professional development, and substitute sign-in sheets from the buildings where the substitutes worked). Our review of a payment to a middle-school custodian found that this school does not require time sheets<sup>4</sup> to be turned in showing hours worked, but only requires the head custodian to inform the school secretary if and when a custodian takes leave. Otherwise, it is assumed that the custodians worked their full scheduled hours.

District officials told us they pull lists of employees by budget codes during budget time and send these lists to department heads for verification purposes. The HR Department also reviews the salaries and wages paid.<sup>5</sup> However, while such reviews are accurate to the date of the report and regarding the employees listed at that time, they do not identify changes made before and after the reports were run and do not verify that rates paid at any other time are correct. By reviewing payroll change reports during each payroll certification process, the accountant could identify payroll changes – such as new hires or salary increases – and review the supporting documentation to verify that the changes are appropriate and properly authorized. Such a review would supplement the HR review of wages and enable the District to monitor rates for the whole pay period.

Without a proper certification process and review of payroll change reports, there is an increased risk that unauthorized changes could be made to employees' pay, fictitious employees could be added to the payroll, or other errors and irregularities could occur without being detected by District officials.

## **Recommendations**

District officials should:

1. Review the access rights granted to current users and ensure that all users' access rights are limited to those functions needed to perform their job duties.
2. Ensure that the employee designated to certify payrolls compares payroll register information to payroll source documents, such as sign-in sheets and certificates of completion, as part of the certification process.

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<sup>4</sup> We did see time sheets filled out for custodian staff at other schools in the District.

<sup>5</sup> During our audit period, an HR review of salaries and wages for non-teachers was initiated in September 2015. As of January 15, 2016, the review of the wages from the September 15, 2015 report had not yet been completed.

3. Ensure that the payroll certification procedures include the review of payroll change reports to verify that payroll changes are appropriate and properly authorized.
4. Develop a standard time sheet for all custodial staff.

## **APPENDIX A**

### **RESPONSE FROM DISTRICT OFFICIALS**

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



**North Syracuse Central  
School District**

Annette Speach  
Superintendent of Schools  
[www.nscsd.org](http://www.nscsd.org)

*Associate Superintendent for Business Services*

*Donald F.X. Keegan*

*5355 West Taft Road*

*North Syracuse, NY 13212*

*[dkeegan@nscsd.org](mailto:dkeegan@nscsd.org) (315) 218-2119*

July 13, 2016

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Dear Ms. Wilcox:

This letter is in response to the recent audit of the North Syracuse Central School District conducted by your office. This letter includes both our response and corrective action plans.

**Audit Recommendation #1:**

*Review the access rights granted to current users and ensure that all users' access rights are limited to those functions needed to perform their job duties.*

**Implementation Plan of Action(s):**

We agree that access rights should be reviewed. We will implement a process whereby all permissions will be reviewed annually to insure that all users' access rights are limited to those functions needed to perform their job duties. In addition, we will periodically review a permission change report indicating changes made to permissions.

One reason for other employees having access was to provide both backup coverage and proper segregation of duties when we only had one employee in payroll. The account clerk responsible for payroll is not allowed to enter her own payroll changes. Therefore, other personnel were required to have this access. However, in January of 2015, a second account clerk was added to the payroll function eliminating this need. We have removed the access rights for the business office account clerk that does not process payroll.

Due to the fact that the Human Resource Assistants set up new employees and change positions titles, they need to have access to the screen where employees are added and position codes are entered. This is the same screen where rates can be adjusted.

We believe that the Assistant Superintendent for Human Resources, as supervisor of the Human Resource Assistants, should have the same [REDACTED] access as the department staff.

Finally, the two Business Office account clerks responsible for processing payrolls can add new employees to the payroll system, even though the HR administrative assistants have been designated to perform this function. We agree that these account clerks should not have the access to add new employees to the payroll system and have removed these access rights.

**Implementation Date:**

The New Procedures described above will be implemented effective 2016-17 school year.

**Person Responsible for Implementation:**

Vincent Love, Treasurer

**Audit Recommendation #2:**

*Ensure that the employee designated to certify payrolls compares payroll register information to payroll source documents, such as sign-in sheets and certificates of completion, as part of the certification process.*

**Implementation Plan of Action(s):**

We agree and the employee designated to certify payrolls will compare payroll register information to payroll source documents.

**Implementation Date:**

The New Procedures described above will be implemented effective 2016-17 school year.

**Person Responsible for Implementation:**

Al Verrette, Accountant

**Audit Recommendation #3:**

*Ensure that the payroll certification procedures include the review of payroll change reports to verify that payroll changes are appropriate and properly authorized.*

**Implementation Plan of Action(s):**

We agree and will use the payroll change reports generated by our [REDACTED] software to identify payroll changes that will be selected for further review and verification to determine that they are appropriate and properly authorized.

**Implementation Date:**

The New Procedures described above will be implemented effective 2016-17 school year.

**Person Responsible for Implementation:**

Al Verrette, Accountant

**Audit Recommendation #4:**

*Develop a standard time sheet for all custodial staff.*

**Implementation Plan of Action(s):**

While we agree that all time worked by custodial staff should be recorded formally, the format for these reports varies by building due to the nature of staff and number of shifts. However, they contain the same data elements which enable the proper reporting of both time worked and leave time. We acknowledge that one school building was hand writing this information on blank paper. We have provided the head custodian of this building an appropriate form and he is using it to report his custodian's time.

**Implementation Date:**

The New Procedures described above was implemented effective June 2016.

**Person Responsible for Implementation:**

Amy Brisson, Account Clerk responsible for payroll

Sincerely,

Donald F.X. Keegan, Associate Superintendent for Business Services

C: Annette Speach, Superintendent of Schools  
Michael Shusda, Board President

## APPENDIX B

### AUDIT METHODOLOGY AND STANDARDS

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

- We obtained a permissions report from the financial application to determine if payroll access rights granted were based on each user's job duties.
- We interviewed the District's accountant about his process for payroll certification.
- In total, we reviewed salary payments to 16 employees judgmentally selected due to identified risk factors: seven District employees who had transaction input rights to add new employees and change pay rates, three employees who had potential influence over the employees with the input rights, and six employees who had the same last names as the employees who had the input rights or potential influence. We verified that the amounts paid to the employees in our sample agreed with their employment contracts.
- We randomly sampled 28 employees from three categories (new hires, substitute teachers and those paid under multiple budget codes). We examined the supporting documentation in their personnel files and verified that the Board's approval of each employee's appointment was documented in the minutes of the Board's proceedings. We also verified that the employees were paid according to Board resolution or contract.
- Out a total of 197 District employees who received less than seven paychecks during the 2014-15 fiscal year, 61 employees each received gross pay of more than \$1,500 in their combined paychecks. Of the 61, we randomly selected six employees (10 percent), who received a total of \$34,100. We added one judgmentally selected employee who received less than seven paychecks totaling under \$1,500 (\$900 combined). We traced the wages paid to the employees' respective personnel folders. We also checked Board minutes for hiring and time records (time sheets or time cards) to verify that they were legitimate District employees.
- We reviewed payments to a total of 14 employees, totaling \$56,000, dated more than 14 days after the official date they left District employment, to determine whether the payments were inadvertently continued.

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.

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