

# Oneonta City School District

## Payroll

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DECEMBER 2017

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

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# Report Highlights

## Oneonta City School District

### Audit Objective

Determine whether District officials ensured the accuracy of compensation paid and benefits provided to employees.

### Noteworthy Achievements

District officials accurately paid and provided benefits to employees in accordance with Board-approved contracts.

- We used a combination of manual and computer-assisted auditing techniques (CAATs) procedures to review payroll records for all employees paid during the audit period and identify high-risk transactions.<sup>1</sup> District officials established effective payroll-related policies and procedures by segregating duties and providing adequate oversight.

We commend District officials for effectively designing and implementing policies and procedures that ensure the accuracy of compensation paid and benefits provided to employees.

There were no recommendations as a result of this audit.

District officials agreed with our report.

### Background

The Oneonta City School District (District) is located in the City of Oneonta, Town of Oneonta, and portions of the Towns of Laurens, Milford, Maryland, and Davenport in Otsego and Delaware Counties.

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 Official are responsible for the District's day-to-day management and for the development and administration of the District's budget.

### Quick Facts

Employees	541
Enrollment	1,700
Compensation Paid for the Audit Period	\$28 million
2017-18 Appropriations	\$38.6 million

### Audit Period

July 1, 2015 – May 23, 2017

<sup>1</sup> The use of CAATs increases efficiency and enables testing on large data sets. See Appendix B for information on our sampling methodology.

# 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. The Board is responsible for ensuring that employees are paid in accordance with collective bargaining agreements (CBAs), District policies and individual employee contracts. The Superintendent and the Business Official are responsible for ensuring that a system is in place to pay the agreed upon compensation and benefits and record these transactions in the financial system. A well-designed payroll system adequately segregates duties and provides an oversight and review process to ensure that compensation and benefits are accurately recorded and employees are paid Board-authorized compensation and benefits.

## **District Officials Provided Accurate Compensation and Benefits**

District officials ensured the accuracy of compensation and benefits provided to employees. They effectively segregated the multiple aspects of the payroll process and provided adequate oversight. For example, timekeeping and payroll procedures require multiple levels of approval during the process, and all employee pay rates recorded in the financial system are annually compared with the Board-approved agreements.

Computer access to various payroll-related accounting functions are limited to those employees who require access to perform their job duties. For example, the personnel clerk adds employees to the payroll system, but cannot enter salary amounts. The payroll clerk enters salaries, but cannot add employees to the payroll system. The timekeeping and supervisory functions are separate from payroll processing functions. Further, department heads approve staff-prepared time sheets and the payroll clerk enters this information into the payroll system.

Using a combination of manual and computer-assisted auditing techniques, we reviewed the payroll records of 541 employees to identify high-risk transactions. This resulted in testing more than 16,000 checks and direct deposits totaling over \$28 million. See Appendix B for more information about our audit testing methodology.

## **Conclusion**

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

# Appendix A: Response From District Officials

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## Oneonta City School District

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31 Center Street, Oneonta, New York 13820 \* (607)433-8226, ext. 302 \* Fax: (607)433-8290

November 29, 2017

Mr. H. Todd Eames, Chief Examiner  
State of New York  
Office of the State Comptroller  
State Office Building  
44 Hawley Street, Room 1702  
Binghamton, New York 13901-4417

Dear Mr. Eames;

We are in receipt of the draft findings regarding Payroll. We have read the findings and understand the results. The district is in agreement with the audit results provided by your office. It is our goal as a district to ensure accuracy of compensation paid and benefits provided to employees in the most efficient and effective way possible. We appreciate this opportunity to have an outside review of our payroll and benefit policies and procedures.

Again, we are grateful for your professional approach to this process and appreciate your willingness to work with us. Please feel free to contact us should you have any additional questions or concerns regarding any aspect of the district's payroll practices.

Respectfully submitted,

Joseph J. Yelich  
Superintendent

Lisa J. Weeks  
Business Manager

Cc: Board of Education

## 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, we performed the following audit procedures:

- We used CAATs to review the District's employee salaries and benefits. We obtained various data sets from the District's computerized financial database and then performed tests on them using specialized software to identify anomalies and high-risk transactions. We also reviewed the District's internal controls and procedures over the computerized financial databases to help ensure that 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 overall population of electronic data for the audit period consisted of 16,279 payroll checks and direct deposits, 541 employees (all paid employees including part-time and substitutes). As part of our review of checks and direct deposits, we looked at additional pay items and payroll withholdings.
- We used CAATs to calculate pay and perform detailed analyses of actual rates of pay made to certain employees in the District's financial system. We also used CAATs to determine whether multiple types of payments to employees were accurate. Additionally, we used CAATs to determine whether withholdings and amounts reported on W-2 forms and to various agencies were accurate. We used multiple CAAT tests to determine whether selected pay recipients were valid employees.
- We interviewed and observed District officials and employees to learn about payroll-processing procedures and related employee benefits and reviewed CBAs, employment agreements for non-union employees, personnel files, time and attendance records, leave records and other payroll source documents. We also reviewed the District's internal controls over payroll.
- We compared employee social security numbers to the US Social Security Death Index master file and 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 number, duplicate employee social security numbers, and employees using the same bank to determine whether the individuals paid were valid employees. We also reviewed a judgmentally selected a sample of employee records with the same name, address or phone number.

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- To determine whether compensation paid to employees was accurate, we recalculated the amounts withheld for FICA and Medicare taxes and assessed whether all payments made before official hiring dates were appropriate, made to valid employees and payments made to employees through the check register agreed with federal earnings amounts as reported on the 2016 W-2 forms.
  - We judgmentally selected a sample of payroll records for payments made to certain employees and key officials, balloon payments, checks written to employees who received more than 24 pays during a fiscal year, checks issued on unscheduled pay dates, longevity payments, separation payments and health insurance buyouts. We also reviewed payroll records for a judgmentally selected a sample of rounded dollar payroll payments, payments made after the employee was terminated and overtime compensation.
  - We judgmentally selected a sample of payroll records for 30 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 also reviewed a judgmentally selected sample of payroll records for the 25 employees who were paid the highest gross salaries to determine whether the payments were paid in accordance with Board-approved contracts.
  - We judgmentally selected March 2017 and judgmentally selected a sample of records for 10 employees. We recalculated all reportable compensation and contributions withheld for retirement benefits for the test month to determine whether the amounts reported and withheld for these employees were accurate and appropriate.
  - We reviewed records of all employees (268) who were reported as having no health insurance contributions withheld to determine whether they appeared on the District's health insurance bill. We reviewed records of all employees (256) who were reported as having health insurance contributions withheld to determine whether the amounts withheld were accurate. We reviewed records of all employees (398) who had no dental insurance contributions withheld to determine whether they received family coverage at no cost and records for all employees (130) who were reported as having dental insurance contributions withheld to determine whether the amounts withheld were accurate.
  - 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 relevant population size 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)

## **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

Office of the New York State Comptroller  
Division of Local Government and School Accountability  
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: [localgov@osc.state.ny.us](mailto:localgov@osc.state.ny.us)

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

Local Government and School Accountability Help Line: (866) 321-8503

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**BINGHAMTON REGIONAL OFFICE** – H. Todd Eames, Chief Examiner

State Office Building, Suite 1702 • 44 Hawley Street • Binghamton, New York 13901-4417

Tel: (607) 721-8306 • Fax (607) 721-8313 • Email: [Muni-Binghamton@osc.state.ny.us](mailto:Muni-Binghamton@osc.state.ny.us)

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