

Jericho Union Free School District

Report on Internal Audit Procedures Pertaining to the Payroll Payout Observation on May 11, 2012

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Scope of Engagement

The Jericho Union Free School District Board of Education engaged Nawrocki Smith LLP to provide internal audit services with respect to the District's policies and procedures concerning payroll. As part of this engagement, we performed analysis and validation tests of the District's financial data by way of a Payroll Payout Audit, with an emphasis on potential irregularities.

Pursuant to the request of the Board, we have analyzed the financial documents made available to us by the Jericho Union Free School District. Our analysis within each area consisted of the following:

- **Payroll Payout Observation (May 11, 2012)**
 - Complete Payroll Payout distribution of the May 11, 2012 payroll

Analysis of Payroll Payout

On May 11, 2012 we conducted a complete Payroll Payout Audit for Jericho Union Free School District. This internal audit procedure consisted of the following phases: Planning, Field Work and Follow-up, and Analysis/Results.

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Planning

During the planning phase, we obtained payroll sign in-sheets from the Payroll Department for each building location, prepared confirmation letters and self-addressed envelopes and assigned Nawrocki Smith audit team members to the following locations:

- District Administration Office
- Jericho High School
- Jericho Middle School
- Cantiague Elementary School
- George A. Jackson Elementary School
- Robert Seaman Elementary School

Field Work and Follow-Up

On the morning of May 11, 2012, we secured the current pay period pay checks from the Business Office for the locations noted above. During the distribution process, we carried out the following procedures at each District location:

- Obtained an employee photo identification and signature
- Compared the signature obtained to that on the photo identification
- Distributed paycheck upon approval
- Sent confirmation letters to employees who did not pick up a pay check
- Analyzed confirmations returned to the office of Nawrocki Smith LLP

Analysis/Results

The following is a summary and analysis of the results of the Payroll Payout Audit.

- On May 11, 2012 we secured 744 paychecks
- On May 11, 2012 we approved and distributed 594 paychecks
- Confirmation letters were sent to 150 employees
 - As of June 8, 2012, 118 (79%) confirmations were received
 - As of June 8, 2012, 32 (21%) confirmations remain outstanding
- Second confirmation letters were sent to 32 employees
 - As of September 12, 2012, 147 (98%) confirmations were received
 - As of September 12, 2012, 3 (2%) confirmations remain outstanding

<u>Paycheck or Deposit Stub</u>	<u>Number of Checks/Deposit Stubs</u>	<u>Percentage</u>
Claimed by Employee	594	80%
Mailed with Confirmation	150	20%
Total	<u>744</u>	<u>100%</u>

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It should be noted that the three (3) outstanding confirmations as of September 12, 2012 are for individuals who are no longer employed at the District.

“*Second Request*” confirmation letters were issued to thirty-two (32) employees with outstanding original confirmations on June 8, 2012.

The enclosed Exhibit I provides a summary, by location, of confirmations which were sent to employees. Additionally, Exhibit II provides a summary of outstanding confirmations that were not received as of September 12, 2012.

Recommendations

There are no recommendations at this time.