

**EDEN CENTRAL SCHOOL DISTRICT  
RESERVES**

DATE	ITEM	ENTRY #	BUDGET CODE	reestablished 9/15/10 BOE UNEMPLOYMENT RESERVE #815	established 8/19/09 BOE RETIREMENT CONT RESERVE #827	reestablished 8/19/09 BOE RESERVE FOR TAX CERT #864	established 6/19/03 BOE RESERVE FOR EMP BENEFITS #867	established 5/17/07 VOTER CAPITAL RESERVE #878	est 2/10/10 BOE funded 5/18/10 VOTER REPAIR RESERVE #882	GASB/Audit Entry PREPAID RESERVE #806(was #889)	
<b>06/30/04</b>				<b>\$ 25,000.00</b>		<b>\$ 36,000.00</b>	<b>\$ 54,775.00</b>				<b>\$ 115,775.00</b>
10/20/04	TAX CERTIORARI ORDER	GJ-022	A-1964-479			\$ (4,263.37)					\$ (4,263.37)
	TAX CERTIORARI ORDER	GJ-022	A-1964-479			\$ (7,051.55)					\$ (7,051.55)
12/15/04	TAX CERTIORARI ORDER	GJ-028	A-1964-479			\$ (407.32)					\$ (407.32)
	UNEMPLOYMENT EXPENSES			\$ (19,837.41)							\$ (19,837.41)
				\$ (230.00)							\$ (230.00)
06/30/05	INTEREST - 2004-05					\$ 565.18					\$ 565.18
06/30/05	-----RETURN TO UNRESERVED FUND BAL			\$ (4,932.59)							\$ (4,932.59)
06/30/05	BOE - RESERVES <i>appd 7/22/05 BOE mtg</i>			\$ 25,000.00			\$ 25,000.00				\$ 50,000.00
<b>2004-05</b>	<b>RESERVE BALANCES</b>			<b>\$ 25,000.00</b>	<b>\$ -</b>	<b>\$ 24,842.94</b>	<b>\$ 79,775.00</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 129,617.94</b>
06/30/06	INTEREST - 2005-06					969.37					969.37
06/30/06	-----RETURN TO UNRESERVED FUND BAL			\$ (25,000.00)							\$ (25,000.00)
06/30/06	BOE - RESERVES <i>appd 8/16/06 BOE mtg</i>	JE-41		\$ 25,000.00		\$ (25,812.31)	\$ 92,385.00				\$ 91,572.69
<b>2005-06</b>	<b>RESERVE BALANCES</b>			<b>\$ 25,000.00</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 172,160.00</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 197,160.00</b>
06/30/07	PREPAID HEALTH INSURANCE	JE-445								141,416.65	141,416.65
06/30/07	INTEREST - 2006-07	JE-383		1,274.42			8,383.71				9,658.13
06/30/07	BOE - RESERVES <i>appd 6/19/07 BOE mtg</i>	JE-358		\$ (26,274.42)			\$ 26,274.42				\$ -
<b>2006-07</b>	<b>RESERVE BALANCES</b>			<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 206,818.13</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 141,416.65</b>	<b>\$ 348,234.78</b>
	JULY HEALTH INSURANCE - EXPENSE	JE-171								(141,416.65)	(141,416.65)
02/29/08		CR-15						43,347.00			43,347.00
06/30/08	INTEREST - 2007-08	JE-369					9,143.60	1,891.16			11,034.76
06/30/08	BOE - RESERVES <i>appd 8/20/08 BOE mtg</i>	JE-379						\$ 80,000.00			\$ 80,000.00
<b>2007-08</b>	<b>RESERVE BALANCES</b>			<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 215,961.73</b>	<b>\$ 125,238.16</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 341,199.89</b>
06/30/09	REAL LEASE - PERF CONTRACTS 7/15/09	JE-322								136,598.80	136,598.80
06/30/09	INTEREST - 2008-09	JE-269				3,509.14	1,778.02				5,287.16
06/30/09	BOE - RESERVES <i>appd 8/19/09 BOE mtg</i>	JE-313			\$ 350,372.00	\$ 20,000.00	\$ 171,038.00	\$ 188,517.00			\$ 729,927.00
<b>2008-09</b>	<b>RESERVE BALANCES</b>			<b>\$ -</b>	<b>\$ 350,372.00</b>	<b>\$ 20,000.00</b>	<b>\$ 390,508.87</b>	<b>\$ 315,533.18</b>	<b>\$ -</b>	<b>\$ 136,598.80</b>	<b>\$ 1,213,012.85</b>
07/01/09	REAL LEASE - PERF CONTRACTS 7/15/09	JE-95								(136,598.80)	(136,598.80)
	PROP#3 05/18/10	JE-183							102,206.00		102,206.00
06/30/10	REAL LEASE - PERF CONTRACTS 7/15/10	CD-54								136,598.80	136,598.80
06/30/10	INTEREST - 2009-10	JE-309			2,008.93	114.66	2,178.99	1,462.34	63.85		5,828.77
06/30/10	BOE - RESERVES <i>appd 9/15/10 BOE mtg</i>	JE-317		\$ 310,635.00	\$ 169,137.00		\$ 128,511.00	\$ 83,735.00			\$ 692,018.00
<b>2009-10</b>	<b>RESERVE BALANCES</b>			<b>\$ 310,635.00</b>	<b>\$ 521,517.93</b>	<b>\$ 20,114.66</b>	<b>\$ 521,198.86</b>	<b>\$ 400,730.52</b>	<b>\$ 102,269.85</b>	<b>\$ 136,598.80</b>	<b>\$ 2,013,065.62</b>
07/01/10	REAL LEASE - PERF CONTRACTS 7/15/10	JE-50								(136,598.80)	(136,598.80)
04/25/11	SIEMENS - YEAR 6 SAVINGS GUARANTEE	CR-10							16,486.00		16,486.00
06/30/11	REAL LEASE - PERF CONTRACTS 7/15/11	CD-54								136,598.80	136,598.80
06/30/11	INTEREST - 2010-11	JE-263		1,132.31	2,277.81	94.82	2,319.76	602.45	494.79		6,921.94
06/30/11	BOE - RESERVES <i>appd 8/08/11 BOE mtg</i>	JE-269		\$ 389,218.00	\$ 53,989.00						\$ 443,207.00
<b>2010-11</b>	<b>RESERVE BALANCES</b>			<b>\$ 700,985.31</b>	<b>\$ 577,784.74</b>	<b>\$ 20,209.48</b>	<b>\$ 523,518.62</b>	<b>\$ 401,332.97</b>	<b>\$ 119,250.64</b>	<b>\$ 136,598.80</b>	<b>\$ 2,479,680.56</b>
07/01/11	REAL LEASE - PERF CONTRACTS 7/15/11	JE-35	A9789							(136,598.80)	(136,598.80)
02/09/12	NATL FUEL 6 YEAR GUARANTEE(12/2003)	JE-103							20,000.00		20,000.00
02/22/12	SIEMENS - YEAR 6 SAVINGS GUARANTEE	CR-8							23,206.00		23,206.00
05/07/12	BOE - RESERVES <i>appd 5/07/12 BOE mtg</i>	JE-122				\$ (20,267.38)					(20,267.38)
06/18/12	BOE-TSF UNASSGND FB TO EXCEL (67,217)	CD-47	A 9950.900								-
06/30/12	REAL LEASE - PERF CONTRACTS 7/15/12	CD-48								133,297.00	133,297.00
06/30/12	INTEREST - 2011-12	JE-208	A2401	2,153.78	1,883.25	57.90	1,726.20	683.15	437.39		6,941.67
06/30/12	<i>7/2 BOE -TSF UNASSGND FB TO EMR (72,591)</i>	JE-203	A 9950.900								-
06/30/12	<i>8/6 BOE -TSF UNASSGND FB TO EXCEL (20,846)</i>	JE-253	A 9950.900								-
06/30/12	BOE - RESERVES <i>appd 8/06/12 BOE mtg</i>	JE-251		131,741.00	1,900,000.00						\$ 2,031,741.00
<b>2011-12</b>	<b>RESERVE BALANCES</b>			<b>\$ 834,880.09</b>	<b>\$ 2,479,667.99</b>	<b>\$ -</b>	<b>\$ 525,244.82</b>	<b>\$ 402,016.12</b>	<b>\$ 162,894.03</b>	<b>\$ 133,297.00</b>	<b>\$ 4,538,000.05</b>

# Eden Central School District



## Agreed Upon Procedures System Test of Payroll



For the month ended March 31, 2012

**BAHGAT & LAURITO-BAHGAT, CPAs, P.C.**

Providing The Tools For Financial Success!



**INTERNAL AUDIT**

**Phase II: System Test – Payroll**

**Agreed Upon Procedures**

**INTERNAL AUDIT**  
**Phase II: System Test of Payroll**

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*This report provides management with information about the condition of risks and internal controls at a specific point in time. Future changes in environmental factors and actions by personnel will impact these risks and internal controls in ways that this report cannot anticipate.*

# Independent Accountants' Report on Applying Agreed-upon Procedures

To the Audit Committee of  
Eden Central School District:

We have performed the procedures contained in the enclosure to this letter, which were agreed to by the audit committee and management of the Eden Central School District, solely to assist you with performing certain internal audit procedures of the Eden Central School District as of March 31, 2012. We conducted our work in accordance with the U.S. generally accepted government auditing standards, which incorporate financial audit and attestation standards established by the American Institute of Certified Public Accountants. These standards also provide guidance when performing and reporting the results of agreed-upon procedures.

You are responsible for the adequacy of these procedures to meet your objectives and we make no representation in that respect. The procedures we agreed to perform consist of various tests of payroll. The enclosure contains the agreed-upon procedures and our results.

All procedures were performed as of March 31, 2012, unless otherwise noted. The procedures and findings are described on pages 4-7.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management of the District, the Board of Education and the Audit Committee of the Eden Central School District and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

**Bahgat & Laurito-Bahgat,  
Certified Public Accountants, P.C.**

**May 3, 2012**



## Procedure # 1

A selection of 50 employees, throughout the various departments of the District were chosen for inspection. We tested the employees chosen for the internal control attributes listed on page 5.

## Summary of Results

We randomly and subjectively chose a sample of employees that were paid during March 2012 for the internal control attributes listed on the following page. A detailed listing of the exceptions related to the individual attributes tested appear on the following page. An exception indicates that the internal control attribute established was not followed on the transaction that was tested. The testing indicated only a few exceptions in the use of form IT-2104 and authorization of union dues withheld from employees. Please see page 8 for our recommendations regarding the exceptions that we found during our test period.

Procedure #1 (Continued)

Internal Control Attribute Tested	Number of exceptions
Amount paid agrees with appropriate contract/Board minutes	None
TRS/ERS election on file	None
Deferred compensation request matches the amount of deferred compensation withheld	None
Signed salary agreements on file	None
Teacher/Administrator certification included in personnel files	None
Flex enrollment form on file	None
Aflac enrollment form on file	None
Direct deposit request on file	None
Health insurance deduction calculated correctly	None
Completed Form I-9 included in personnel files	None
Completed Form W-4 included in personnel files	None
Completed Form IT-2104 included in personnel files	2
Union dues deduction in accordance with agreement	None
Union dues authorization card on file	6
Vote-Cope deduction agreement on file and deduction amount agrees to agreement	None
Current evaluation included in personnel files	None
Fingerprinting clearance for employment on file	None

## Procedure # 2

We traced the March 2012 health insurance payment to payroll deductions to determine agreement to coverage paid by the District.

## Summary of Results

We did not find any exceptions related to the health insurance deductions.

## Procedure # 3

A sample of transportation staff payroll for the pays in March 2012 was chosen for inspection. We tested the payroll run for the following internal control attributes:

- The hours worked are correctly calculated and paid
- Reasonableness of hours reported on a day to day basis
- Verified the hourly rate paid is accurate based on contracted rates
- Verified that drivers are paid for extra runs that they were assigned to and confirm the hours paid are based on the requested hours on the extra run sheets

## Findings

- During the examination of payroll it came to our attention that the mechanics are paid overtime for hours that are not considered working hours according to the Eden Central School CSEA Contract. Article 7, Section 7.1.1 of the Contract refers to the following: An employee shall be paid one and one-half times his regular rate of pay for all hours worked over 40 in a given work week (Friday through the succeeding Thursday). If the District applies the contract then the individuals that counted the sick days as worked hours would have been overpaid. For the payroll checks date 3/9/12 and 3/23/12 the amount of overpayment amounted to \$245.71.

## Findings (continued)

- One driver was paid for an additional 15 minutes for their regularly scheduled run. The additional time was not approved by the transportation supervisor.
- One driver had an approved timesheet which noted 6 hours for a fieldtrip. The driver was paid 6.5 hours for the fieldtrip resulting in an overpayment of one half hour.

## Procedure # 4

A sample of buildings and grounds staff payroll for the pays in March 2012 was chosen for inspection. We tested the payroll run for the following internal control attributes:

- The hours worked are correctly calculated and paid
- Reasonableness of hours reported on a day to day basis
- Verified the hourly rate paid is accurate based on contracted rates

## Findings

- During the examination of payroll it came to our attention that the custodial staff are paid overtime for hours that are not considered working hours according to the Eden Central School CSEA Contract. Article 7, Section 7.1.1 of the Contract refers to the following: An employee shall be paid one and one-half times his regular rate of pay for all hours worked over 40 in a given work week (Friday through the succeeding Thursday). If the District applies the contract then the individuals that counted the sick days as worked hours would have been overpaid. For the payroll checks date 3/9/12 and 3/23/12 the amount of overpayment amounted to \$137.21.

The following are recommendations that will enhance the existing internal control system of the District's payroll processes:

### Form IT-2104

During our testing, we found the District lacked Form IT-2104 for one employee and one employee whose Form It-2104 did not match the employee's actual withholdings. We recommend the District have employees fill out new IT-2104 when they want to change their payroll withholdings. The payroll clerk should ensure all required forms get filled out timely and completely.

### Union dues authorization cards

We found 6 employees did not have signed dues authorization cards on file, which is required for any employee paying union dues per their respective contracts. We recommend the District put into place a procedure to issue dues authorization cards to new employees to be signed to ensure the employee is authorizing the deduction of union dues from their pay.

### Transportation Mechanics and Custodial Staff

We recommend that the District note the questionability of the practice of considering sick, vacation, and holiday hours as "work" hours in the calculation of overtime. Since this has been past practice to consider sick, vacation, and holiday hours as "work" hours, we recommend that the District address this practice through the collective bargaining process when the CSEA contract expires at the end of the 2012-2013 year. This could amount to a substantial saving to the District.

## One and one half hour guaranteed minimums

The District does not have a one and one half hour minimum guaranteed for either drivers or bus attendants according to Eden Central School District Transportation Handbook. We recommend the District further review the current procedure of paying a 1.5 hour guaranteed minimum as it could result in a savings to the District.

## Approved extra time sheets

During the course of our testing we noted one employee who did not have an approved time sheet for the time that they were paid over their normally scheduled run and one driver which was paid for a half hour over what their extra trip was approved for. We recommend that the District continue to require an approved timesheet for any extra time that they drivers are paid for.

### Form IT-2104

The District lacked Form IT-2104 from one employee. This employee was hired in 1980. Page 30 on NYS-50, Employer's Guide to Unemployment Insurance, Wage Reporting, and Withholding Tax states that "in determining the tax to be deducted and withheld, you may allow the same number of withholding allowances for New York State, New York City, and Yonkers as the number the employee claimed on federal Form W-4." This is what was done when this individual was hired. Since then, the employee changed his federal withholdings but that change didn't flow through to state withholdings. When brought to our attention, the individual was contacted and completed a new IT-2104 (as he wanted to change his withholdings anyway).

The second employee had an IT-2104 on file, but was being deducted at the married rate rather than the single rate. This correction was made as soon as it was brought to the payroll clerks attention.

### Union dues authorization cards

The ETA has been contacted and signed dues authorization cards have been requested for the six employees in question. They will be placed in the employees file once received.

### Transportation Mechanics and Custodial Staff

The District previously questioned the practice of considering sick, vacation and holiday hours as hours worked in the calculation of overtime and "time worked". The legal advice we received was that paid time should be considered time worked. The District can review this with their new legal counsel and get an updated opinion.

### One and one half hour guaranteed minimums

The District agrees that guaranteed minimum hours are costly to the District. This practice was previously questioned and the legal advice we were given is that this is a "past practice" and if we changed this, we would be grieved. The District can review this with their new legal counsel and get an updated opinion.

### Approved extra time sheets

The District has reviewed the process and procedures with the transportation department of having employees complete a "green" timesheet for any hours worked over their normally scheduled times and reiterated the importance of the Transportation Supervisor signing off on all additional time worked. All payroll adjustments will be noted on the "green" sheet and the Transportation Supervisor will also sign off on these adjustments. The Transportation Supervisor will also compare the "green" timesheets with reports sent to the payroll office.

The District reviewed and concurs with the fact that one driver that was paid half an hour over what the extra trip was approved for. The Transportation Department will make an adjustment on the 6/29/12 payroll and dock her for the half hour that she was overpaid.