

Syosset Central School District
Internal Audit Report on Payroll Processing
For the Period Ending April 30, 2021

Syosset Central School District
Internal Audit Report on Payroll Processing

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Board of Education
Syosset Central School District
99 Pell Lane
Syosset, NY 11791

We have been engaged by the Board of Education (the “Board”) of the Syosset Central School District (the “District”) to provide internal audit services with respect to the District’s internal controls related to the payroll processing for the period July 1, 2020 through April 30, 2021.

The objectives of the engagement were to evaluate and report on the District’s internal controls pertaining to the payroll processing and to test for compliance with laws, regulations, and the District’s Board policies and procedures.

In connection with the following procedures, we have provided findings and recommendations for the internal controls related to payroll processing. Our procedures were as follows:

- Reviewed the District’s policies, procedures, and practices with regards to the internal controls related to payroll;
- Interviewed key District employees involved in payroll a detailed walkthrough of the payroll process;
- Tested a sample of newly hired employees to verify the Board approved the new hire in the Board minutes and the employee’s salary and/or hourly rate as indicated on the *Detailed Payroll Check Register* report, and agreed to the applicable employment contract and/or Board approved pay rate;
- Tested a sample of contractual and non-contractual payroll to verify the employee’s salary and/or hourly rate as indicated on the *Detailed Payroll Check Register* report agreed to the applicable employment contract and/or Board approved pay rate; for non-contractual pays, the hours/days paid per the *Detailed Payroll Check Register* report agreed to the hours/days worked per the employee’s timesheet, and the timesheet was reviewed and approved by the employee’s supervisor, and the employee’s withholdings as indicated on the *Detailed Payroll Check Register* report agreed to the withholding as per the employee’s IRS Form W-4.
- Tested a sample of employees who received overtime pay and verified overtime hourly rates were properly calculated and agreed to employment contracts; timesheets were calculated accurately; the reason for overtime was listed on the timesheet; and overtime hours worked were properly approved;
- Tested a sample of employees who received stipend pay and verified stipend amounts agreed to employment contracts and/or Board minutes; proper documentation existed such as a timesheet, and stipend payments were properly approved;
- Tested a sample of employees who substituted for a permanent teacher and verified the contracted rate agreed to employee contracts and/or Board minutes and to teaching certification, if applicable to pay rate; the time sheet was properly approved and indicated the permanent employee who was substituted for, and attendance records for the permanent employee who was substituted for indicating the employee were absent or otherwise required class coverage;

- Tested a sample of employees whose bi-weekly salary or deductions changed per the *Payroll Change Analysis* and verified the change was supported by appropriate documentation;
- Tested a sample of bi-weekly payrolls and verified the *Payroll Change Analysis*, *Payroll Check Register*, and *Payroll Transaction Report* was reviewed and approved by a responsible administrator; the payroll was certified by an administrator who was appointed by the Board as the payroll certification officer, and the District's Internal Claims Auditor reviewed and approved the payroll wire transfers;
- Tested a sample of employees who separated from the District and verified the payroll department was provided with written notification of the separation prior to the separation date; the resignation, retirement, or termination was formally accepted by the Board; the employee's final contractual paycheck was properly calculated, reviewed, and approved by an appropriate administrator, and verified the employee was properly inactivated in the payroll module of the accounting information system;
- Tested the quarterly IRS Forms 941 verifying amounts agreed to the general ledger and were reconciled quarterly, and that the reconciliation was reviewed and approved by an appropriate administrator.
- Tested a sample of employees with salaries charged to a federal grant code to verify payroll certification is on file and complete; percentage of time attested to agrees with processed payroll, and verified certification was approved by a grant administrator or supervisor.

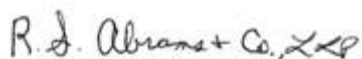
The results of our procedures are presented on the following pages.

Our procedures were not designed to express an opinion on the internal controls related to the payroll processing, and we do not express such an opinion. As you know, because of the inherent limitations of any internal control, errors or fraud may occur and not be prevented or detected by internal controls. Projections of any evaluation of the accounting system and controls to future periods are subject to the risk that procedures may become inadequate because of changed conditions.

We would like to acknowledge the courtesy and assistance extended to us by personnel of the District. We are available to discuss this report with the Board or others within the District at your convenience.

This report is intended solely for the information and use of the Board, the Audit Committee, and management of the District. This report is not intended to be and should not be used by anyone other than those specified parties.

Very truly yours,



R.S. Abrams & Co., LLP
July 13, 2021

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GOVERNANCE

During our review of the Board policy manual, we noted that the District has adopted the following policy that relates to payroll processing:

Payroll Procedures

The District's *Payroll Procedures Policy* No. 6810, states that a duly certified payroll has been examined and approved by the Superintendent of Schools, the Deputy Superintendent, or the Assistant Superintendent for Business. The policy assigns the Assistant Superintendent for Business and his or her staff the responsibility to prepare and certify all payrolls.

NEW HIRE PROCESSING

Based upon our interviews and observations, we noted the guidelines and procedures for the new hire processing to be as follows:

- Once an individual has been hired and formally appointed by the Board, personnel in the human resources department is responsible for obtaining required documentation listed on the new hire checklist for certified and non-certified employees.
- Documentation compiled by personnel would consist of the following salary offer form, letter of intent, salary notice, fingerprints, references, etc. Once all documentation is retained on file, personnel is responsible for creating the employee account in *WinCap*, and entering the demographic information, salary, and pay rate.
- Once the employee has been set up in *WinCap*, a board action or memorandum is created, which the Board of Education will review and approve the information set up by personnel.
- For certified and non-certified employees, once the payroll department receives the memorandum from the human resources department, the payroll department will verify the information entered into *WinCap*, by comparing the entered information to the corresponding employment contract, salary schedule, and Board action. The benefits department will inform the payroll department of the employees' deductions to be entered into the *WinCap*.
- The payroll department will set up the employees' direct deposit information and activate the employee within *WinCap*. The Payroll Supervisor and the Assistant Payroll Supervisor each can enter direct deposit information and will review each other's inputted data for accuracy.

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PAYROLL PROCESSING

Based upon our interviews and observations, we noted the guidelines and procedures for the payroll process to be as follows:

- Payroll is processed by the District on a bi-weekly basis. As of the date of this report, all District employees are currently enrolled in direct deposit.
- For hourly and per diem employees, timesheets are completed by the employee each pay period. The employee signs the timesheet and submits it to his or her supervisor for review. The supervisor reviews the timesheet for accuracy, signs to indicate approval, and forwards the timesheet to the payroll department to be processed.
- Overtime is submitted by timesheet to the employee's supervisor. All overtime must be preapproved; however, preapproval of overtime is not submitted to the payroll department prior to the event. The District offers overtime (time and half and/or double time) in accordance with contractual agreements.
- Hourly, per diem, and overtime pays are processed by the payroll department. The payroll department reviews the timesheets for clerical accuracy and proper approvals and enters the information into *WinCap*.
- For school monitors, tutors, and permanent substitutes, the District utilizes an online time tracking program called *WinCapWeb Timesheets*. Instead of physical timesheets, employees would enter time directly into the web program. Time entered by the employee would be reviewed and approved by the department supervisor.
- Contractual payroll is processed through *WinCap*. The Payroll Supervisor and/or Assistant Payroll Supervisor enter all changes received from human resources into the *Contractual Earnings Register* and compare them to the totals in *WinCap*. The Payroll Supervisor and/or Assistant Payroll Supervisor then runs the *Employee Payroll Period Comparison Report* to verify that all changes were processed correctly. Changes that may appear on this report include, but are not limited to, changes in hourly pay, overtime, salary adjustments, and employee deductions.
- Before posting payroll, the Payroll Supervisor will check to see if there are any employee self-service change requests and post them as well. Once the contractual and supplemental payroll is proved out, the Payroll Supervisor and/or Assistant Payroll Supervisor will then check the *Payroll Error Report* and address any items listed on the report. Once completed, the payroll is posted. After the payroll is posted and the ACH file is created and sent, the District will receive an email confirmation from the banking institution used to process the payroll.
- The Accountant/Deputy Treasurer will perform an independent review of the non-contractual pay and will submit the testing summary and timesheets tested to the payroll department.
- The Payroll Supervisor or the Assistant Payroll Supervisor will provide the Assistant Superintendent for Business the payroll packet and the *Payroll Check Register report*, where the Assistant Superintendent for Business will select five transactions and test each transaction for accuracy and

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agree the salary and rate to the contract. Once the review is complete, the Assistant Superintendent of Business will certify payroll for that period.

PAYROLL DISTRIBUTION

W noted that all district employees are currently under direct deposit and therefore physical checks are not printed.

ANNUAL SALARY ROLLOVER PROCESS

Based upon our interviews and observations, we noted the annual salary rollover procedures to be as follows:

- The Accountant/Deputy Treasurer must first initiate the new fiscal year within *WinCap*. The Assistant Superintendent of Human Resources would begin the process by rolling over and updating salary tables to reflect current year agreements.
- Once updated, the personnel department would be responsible for reviewing the salary tables, applying position end dates, and ensuring salary increments are marked correctly within *WinCap*.
- Once the accounting department has successfully entered the current year's budget information, the personnel department would complete the rollover process.
- The Payroll Supervisor and the Assistant Payroll Supervisor will run salary reports for each employee to ensure agreement with employment contracts. After it has been reviewed, payroll would activate each employee for payroll within *WinCap*.

EMPLOYEE SEPARATIONS

- If an employee is separating from the District, the personnel department will notify the payroll department via email.
- The Payroll Supervisor and Assistant Payroll Supervisor review Board agendas for any employees that are separating from the District.
- Either the Payroll Supervisor or the Assistant Payroll Supervisor will calculate the employee's final contractual paycheck and any applicable separation payment. Any applicable separation payment is prepared by human resources, approved by the Assistant Superintendent for Human Resources, then sent to payroll for processing.
- After the final paycheck has been issued, human resources will inactivate the employee in the payroll module.

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FINDINGS AND RECOMMENDATIONS

Based on our interviews and detailed testing, we provide our findings and recommendations to further strengthen the District's internal controls as they pertain to the payroll processing procedures outlined above.

It should be noted that these recommendations are provided to assist management in improving the accounting and internal controls and procedures as they relate to the District's payroll processing. It is important to note that our findings and recommendations are directed toward the improvement of the system of internal controls and should not be considered a criticism of, or reflection on, any employee of the District.

Payroll Procedures

Procedure Performed: We reviewed the District's Board policies, procedures, and practices with regard to the District's internal controls related to payroll.

Finding: No exceptions were noted as a result of applying these procedures.

New Hires

Procedure Performed: We selected a sample of fifteen newly hired employees to verify the following:

- Board approval of the new hire in the Board minutes;
- The employee's salary and/or hourly rate as indicated on the *Detailed Payroll Check Register* report agreed to the applicable employment contract and/or Board approved pay rate.

Finding: No exceptions were noted as a result of applying these procedures.

Payroll Accounting

Procedure Performed: We selected a sample of twenty-five contractual and fifteen non-contractual employees to verify the following:

- The employee's salary and/or hourly rate as indicated on the *Detailed Payroll Check Register* report agreed to the applicable employment contract and/or Board approved pay rate;
- For non-contractual pays, the hours/days paid per the *Detailed Payroll Check Register* report agreed to the hours/days worked per the employee's timesheet, and the timesheet was reviewed and approved by the employee's supervisor;
- The employee's withholdings as indicated on the *Detailed Payroll Check Register* report agreed to the withholding as per the employee's IRS Form W-4;

Finding: No exceptions were noted as a result of applying these procedures.

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Overtime

Procedure Performed: We selected a sample of ten employees who received overtime pay to verify the following:

- Overtime hourly rates were properly calculated and agreed to employment contracts;
- Timesheets were calculated accurately;
- The reason for overtime was listed on the timesheet; and
- Overtime was properly approved by a department head/supervisor.

Finding: No exceptions were noted as a result of applying these procedures.

Stipends

Procedure Performed: We selected a sample of ten employees who received stipend pay and verified the following:

- Stipend amounts agreed to employment contracts and/or Board minutes;
- Proper documentation existed such as timesheets;
- Stipend payments were properly approved.

Finding: No exceptions were noted as a result of applying these procedures.

Substitutes

Procedure Performed: We selected a sample of ten employees who substituted for a permanent teacher and verified the following:

- The contracted rate agreed to employment contracts and/or Board minutes and to teaching certification, if applicable to pay rate;
- The timesheet was properly approved, and indicated the permanent employee who was substituted for;
- Attendance records for the permanent employee who was substituted for indicate the employee was absent or otherwise required class coverage.

Finding: No exceptions were noted as a result of applying these procedures.

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Payroll Review and Certification

Procedure Performed: We selected a sample of two bi-weekly payrolls, and verified the following:

- The *Payroll Change Analysis*, the *Payroll Check Register*, and the *Payroll Transaction Report* were reviewed and approved by a responsible administrator;
- The payroll was certified by an administrator who was appointed by the Board as the payroll certification officer;

Finding: No exceptions were noted as a result of applying these procedures.

Employment Separations

Procedure Performed: We selected a sample of ten employees who separated from the District, and verified the following:

- The payroll department was provided with written notification of the separation prior to the separation date;
- The resignation, retirement, or termination was formally accepted by the Board;
- The employee's final contractual paycheck was properly calculated, and was reviewed and approved by an appropriate administrator; and
- The employee was properly inactivated in the payroll module of *WinCap*.

Finding: No exceptions were noted as a result of applying these procedures.

941 Reconciliation

Procedure Performed: We tested the quarterly IRS Forms 941 verifying amounts agreed to the general ledger and were reconciled quarterly, and that the reconciliation was reviewed and approved by an appropriate administrator.

Finding: No exceptions were noted as a result of applying these procedures.

Salaries Charged to a Federal Grant

Procedure Performed: We selected a sample of ten employees with salaries charged to a federal grant code to verify payroll certification is on file and complete; percentage of time attested to agrees with processed payroll, and verified certification was approved by a grant administrator or supervisor.

Finding: We noted payroll certifications for employees charged to federal grants were prepared in accordance with Circular A-87 rather than Uniform Grant Guidance.

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Recommendation: We recommend the District prepare payroll certifications under current federal guidelines. We do note that when this was brought to the District's attention, district staff immediately began working towards correcting this issue.

Finding: We noted employee payroll certifications for salaries charged to a federal grant are not reviewed by a grant administrator or supervisor.

Recommendation: We recommend that all payroll certifications for salaries charged to a federal grant be signed and dated by both the employee and a grant administrator or supervisor prior to payment.

CORRECTIVE ACTION PLAN

The District is required to prepare a corrective action plan in response to any findings contained in the internal audit reports. As per Commissioner's Regulations §170.12, a corrective action plan, which has been approved by the Board, should be submitted to the State Education Department within 90 days of the receipt of a final internal audit report.

The approved corrective action plan and a copy of the respective internal audit report should be submitted using the NYSED Business Portal.
