Pelham Union Free School District

Internal Audit Report on Detailed Testing – Human Resources, Employee Benefits, and Payroll

October 3, 2025

PELHAM UNION FREE SCHOOL DISTRICT
Pelham, New York

CULLEN & DANOWSKI, LLP
CERTIFIED PUBLIC ACCOUNTANTS

INTERNAL AUDIT REPORT ON DETAILED TESTING –
Human Resources, Employee Benefits, and Payroll

To the Board of Education and Audit Committee
Pelham Union Free School District
Pelham, New York

We have prepared this report as the result of our detailed testing, as further described, which was agreed upon by the Pelham Union Free School District (District), on human resources, employee benefits (insurance contributions), and payroll (budget account codes) for the period July 1, 2023, through November 30, 2024.

The District's management is responsible for administering these areas.

This engagement is in accordance with auditing standards generally accepted in the United States of America and the applicable standards contained in *Government Auditing Standards* issued by the Comptroller General of the United States, or the *International Standards for the Professional Practice of Internal Audit* issued by the Institute for Internal Auditors. The sufficiency of the procedures is solely the responsibility of the District. Consequently, we make no representation regarding the sufficiency of the procedures either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are described in the following pages.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively on the District's human resources, employee benefits (insurance contributions), and payroll (budget account codes). Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We would like to express our appreciation for the cooperation and assistance that we received from the District's administration and other employees during our engagement.

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

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October 3, 2025

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Introduction:

This report is organized by area (i.e., human resources, employee benefits, and payroll), as well as by the processes within the Human Resources (HR) area (i.e., employee administration, and hiring and separation of staff), and there are four sections under each area consisting of:

- Background information
- Procedures performed during our detailed testwork
- Findings resulting from our review
- Recommendations to enhance internal controls or improve operational efficiency

Some of the recommendations may require a reassignment of personnel duties within the District and/or a financial investment. However, any improvement of controls should be done after a careful cost-benefit analysis.

Corrective Action Plan:

Commissioner of Education Regulation §170.12(e)(4) requires that a corrective action plan (CAP), approved by the Board, must be filed within 90 days of issuance with the New York State Education Department (NYSED).

The District should submit the CAP along with the respective Internal Audit Report via the NYSED Portal.

HUMAN RESOURCES – EMPLOYEE ADMINISTRATION

Background:

Sound business practice requires that the District establish appropriate segregation of duties and strong internal controls over the human resources (HR) function in school districts. The HR Department (Department) works closely with the payroll department to ensure the integrity of employee data and transactions. This collaboration is essential for maintaining the completeness and accuracy of payroll-related transactions including salaries, leaves of absence (LOA), claim forms, stipends, separation, and ensuring changes to salaries, as well as activating or inactivating payroll payments are properly documented and authorized. Given that payroll costs represent one of the District's largest expenditures, stringent internal controls are particularly critical.

At the District, HR functions are managed by the Department that oversees both the certified employees and non-certified employees. The District created the Department in the 2023-24 year, which operates under the supervision of the Executive Director for Human Resources & Leadership (Executive Director) and a Senior Office Assistant with responsibilities related to the hiring and separation of staff, communications with payroll and benefits, tracking of employee seniority and LOA, as well as responsibilities related to the annual professional performance reviews (APPR) for certified staff and annual evaluations for non-certified staff.

The District utilizes the nVision financial system that has an HR module to store employee information and a payroll module to facilitate the payroll process. This is a powerful, sophisticated product that has been tailored to meet the requirements of New York State school districts. The HR and payroll modules are fully integrated with each other and are also integrated into the financial reporting module, which is very efficient and significantly minimizes the likelihood of processing errors.

Procedures:

Our procedures related to employee administration, performed in accordance with our engagement letter dated November 27, 2024, were as follows:

- Review Board policies and District procedures related to the HR employee administration activities in detail.
- Conduct interviews with HR Office personnel responsible for HR activities to understand policies, procedures, and systems in effect. Then document the strengths, weaknesses, and key control attributes for testing.
- Review administrative procedures of the HR staff to ensure that processing is authorized, performed, and monitored at an appropriate level. Additionally, we will assess the procedures in place to identify any opportunities for potential enhancements related to best practices, operational efficiencies, and to leverage the functionality of the nVision system (e.g., position controls, data fields, etc.).
- Review the HR activities for the period under review as follows:
  - Select 10 LOA during the period and review the HR files and supporting documentation for completeness and accuracy. In addition, we will review calculations regarding stop and return dates and related payroll payments and review for proper authorization.
  - Review supporting documentation used by HR to document performance reviews. Select 10 employees to verify that a review was prepared.

Findings:

Review of Board policies and District procedures and interviews with personnel related to the HR employee administration activities and interviews with HR Office personnel responsible for HR activities noted:

- The creation of the Department is relatively new as the District added the Executive Director for Human Resources & Leadership position during the 2023-24 year to centralize the managing of human resources activities. We found that the Department has undertaken several initiatives to improve oversight and enhance processes.
- The review of administrative procedures in the Department found that the complexity of responsibilities assigned to the 2 employees in the Department include hiring, separations, LOA, seniority, tracking staff evaluations, maintaining employee HR files, and working collaboratively with other departments and main offices at the schools. The breadth of responsibilities creates challenges in ensuring completeness, accuracy, and timeliness of records, documents, and transactions.
- There are numerous Board policies related to HR within the *Series 4000: Administration* section and the *Series 6000: Personnel* section of the Policy Manual including *4110 – Administrative Personnel, 4210 – Administrative Organization and Operation, 6110 – Code of Ethics; 6120 – Equal Employment Opportunity, 6130 – Evaluation of Personnel, 6210 – Certified Personnel, 6215 – Probation and Tenure, and 6550 – Leaves of Absence.* In addition, there are employment agreements with the bargaining units and non-aligned staff that contain pertinent information related to HR, payroll, and benefits.
- The District has established formal procedures that are performed by staff related to key processes regarding HR employee administration activities including the management of LOA, seniority, and employee evaluations.
- Currently, the District maintains paper records related to the employees' HR files instead of using a web-based program (e.g., FileBound, SchoolFront, etc.) to store documents electronically. Implementing a digital or electronic system would enhance the filing, storage, and retrieval process by allowing authorized users to access these records via computers.
- The District has formal procedures to ensure that processes related to HR activities are authorized, performed, and monitored at an appropriate level. However, as noted below there are opportunities for improvement related to ensuring proper retention of these documents within the respective employees' HR files.

Selection of 10 LOA during the period and review of HR files and supporting documentation noted:

- The Department has procedures to send the Board memo to the appropriate departments regarding an employee on a LOA. However, we found that the Department lacks procedures to include this important memo in the respective employee's HR file.
- There were instances where documentation was missing or delayed in being processed. We found that letters approving the LOA were issued after the LOA had already commenced or even concluded. Additionally, some employee files lacked key documents such as signed replies to the LOA application or LOA request forms.
- There were instances where the employee HR files did not contain signatures from the employee acknowledging the LOA terms, and some lacked evidence of proper Board approval, or timely HR notifications.

- The processes related to interdepartmental communications could be improved, since we found instances where there was a lack of records showing that a notice of an employee's LOA was communicated to other relevant departments.
- There were several files where we noted discrepancies between the date the LOA began, the date forms were signed, and/or the date of Board or HR action.

Selection of 10 employees and review of supporting documentation to verify that a performance review was prepared found:

- There was 1 instance where the employee's HR file did not have any performance evaluation records.
- There were 2 instances where the last performance evaluation in the employee's HR file was from the 2012-13 year.
- There was 1 instance where the last performance evaluation in the employee's HR file was from the 2019-20 year.

Recommendations:

We recommend that the District consider implementing the following to further improve internal controls and operational efficiencies within the HR area related to employee administration:

1. *Assess the Department's Staff and Duties* – Complete an assessment to determine whether current staffing levels in the Department are adequate to support the operations and duties. The current structure may not be sustainable long term and may increase the risk of delays, errors, and compliance gaps. The District should consider reassigning duties, hiring additional support staff, or leveraging automation within the nVision system to improve workload distribution and enhance processing efficiency. The District should also consider exploring cross-training opportunities with additional staff for coverage in case of absences and to reduce dependency risk.
2. *Web-Based Program* – Consider implementing the use of a web-based program (e.g., FileBound, SchoolFront, Frontline Central, etc.) to maintain the employees' files in the HR area. This would enhance operational efficiencies related to the retention of records and search/retrieval process to view documents, as well as reduce the need for maintaining hard copy records. We suggest a web-based program with functionality that provides automated reminders for missing or unsubmitted documents to allow the Department to determine if any records still need to be completed or provided.
3. *Leave of Absence Processes* – Enhance the processes regarding LOA administration by implementing the following:
    a) Require that LOA request forms are signed by the employee and submitted for Board approval prior to the LOA start date whenever feasible.
    b) Issue and obtain the "Reply to Application for Leave" form to the employee immediately following Board approval, ideally before the employee begins a LOA.
    c) Request the employee to sign the "Reply to Application for Leave" form within two weeks of receiving it to confirm understanding and acceptance of the LOA terms.
    d) Consistently enter the Board approval dates of each LOA into the HR system and attach the corresponding Board minutes to the finalized LOA documentation in each file.
    e) Attach a copy of the applicable Board minutes to the approved LOA documentation maintained in the employee's HR file.

f) Create a standardized checklist for each LOA case to ensure all required documents are collected, signed, and filed-such as the "Reply to Application for Leave" form, Board approval, HR letter, employee acknowledgment, and department notification.

g) Utilize the nVision system or another workflow management tool to track key LOA dates (e.g., submission, approval, return-to-work) and trigger automatic reminders to HR and employees to reduce potential delays and missed actions.

h) Develop a formal protocol for notifying affected departments (Payroll, IT, Security, etc.) when an employee begins or returns from a LOA . Include a routing slip or secure email confirmation process that documents when and to whom the notice was sent.

i) Perform periodic (e.g., quarterly, or semi-annually) reviews on a sample basis of active LOA files to confirm that all required forms, signatures, and supporting documents are present and timely. Any findings should be logged and shared with HR leadership for follow-up.

4. *Annual Performance Evaluations* **–** Ensure that all active employees receive annual performance evaluations as required by Board policy and applicable contracts. Consider assigning a staff member to track the completion of evaluations within the departments and schools and to follow up on any missing or overdue reviews. In addition, develop procedures to maintain written evaluations in the employees' HR files to be readily accessible for review and include the following:

   a) Document exceptions, such as employee LOA, in the HR file when evaluations cannot be completed within the regular cycle.

   b) Conduct an annual review of the employee evaluation files to verify compliance and identify any gaps in documentation.

   c) Strengthening documentation practices, implementing tracking systems for evaluations and LOA, and assessing staffing capacity or automation opportunities to support operational efficiency and compliance.

HUMAN RESOURCES – HIRING AND SEPARATION OF STAFF

Background:

Strong internal controls over the hiring and separation of employees are essential to ensure that personnel changes are properly authorized, documented, and communicated. Within school districts, the HR Department must work closely with the Payroll Department to ensure the accuracy and completeness of payroll-related transactions, including new hire setups, separation payouts, changes in salary, and the activation or deactivation of payroll records. Proper coordination between departments reduces the risk of errors and ensures compliance with Board policies, collective bargaining agreements, and individual employment contracts.

At the District, the Department is responsible for overseeing the hiring and separation processes for both certified and non-certified staff. These responsibilities include collecting and maintaining necessary documentation, obtaining appropriate approvals, coordinating with payroll to ensure timely updates to the financial and HR systems, and maintaining secure personnel records. Effective segregation of duties and adherence to standardized procedures are critical to minimize risk and support the integrity of employee records and compensation.

As part of our review, we evaluated the District's practices related to the hiring and separation of employees through policy reviews, interviews, and detailed testwork. Our objective was to assess whether the internal control environment is functioning effectively and in compliance with applicable standards and regulations.

Procedures:

Our procedures related to the hiring and separation of staff, in accordance with our engagement letter dated November 27, 2024, were as follows:

- Review Board policies, District procedures, collective bargaining agreements, and employee contracts pertaining to the hiring and separations of employees.
- Conduct interviews with employees responsible for tasks related to the hiring and separation processes regarding policies, procedures, and systems in place.
- Evaluate the internal controls and procedures associated with employee hiring and separation processes. Identify strengths and weaknesses within the processes and determine the key control attributes for testing.
- Select 10 new hires during the period under review and test compliance with key internal controls.
- Select 10 separations during the period under review and test compliance with key internal controls.

Findings:

Review of Board policies, District procedures, collective bargaining agreements, and employee contracts; interviews with staff; and evaluating the internal controls related to hiring and separation of employees noted:

- There are Board policies related to hiring and separation of staff that include *6160 – Professional Growth and Staff Development, 6212 – Certification and Qualifications, 6217 – Professional Staff: Separation, 6220 – Temporary Personnel, 6310 – Appointment: Support Staff, and 6430 – Employee Activities*.
- The HR Department has established formal procedures that are performed by staff related to key processes including on-boarding new hires and managing employee separations, along with maintaining the required documents related to the hiring and separation of staff. However, as noted below there are opportunities for improvement related to ensuring proper retention of these documents within the respective employees' HR files.

Selection of 10 new hires during the period and testing compliance with key internal controls noted:

- There were 9 instances where the employee's HR file was missing required records based on the new hire's position.
- There were 6 instances where the employee's HR file was missing the Board Minutes or Board appointment records that would include the salary amount and effective start date.
- There were 5 instances where the New Hire Checklist in the employee's HR file was missing or was not properly completed.

Selection of 10 separations during the period and testing compliance with key internal controls found:

- There were 2 instances where the Insurance (Dental/Disability/Life) Form was missing from the employee's HR file.

- There was 1 instance where the HR Memo to the Business Office (Payroll and Benefits) regarding the separation payout to be paid was missing from the employee's HR file.
- There were 2 instances where the Board sheet notifying Payroll to end the employee in the system was missing from the employee's HR file.

Recommendations:

We recommend that the District consider implementing the following to further improve internal controls and operational efficiencies within the HR area related to hiring and separation of employees:

5. *Completeness of Employee HR Files* – Establish procedures to ensure that the employee HR files are complete and include the appropriate documents within their records related to hiring and separation of employees. We recommend that the District enhance the processes by implementing the following:
   a) Require the use of an updated and standardized checklist for all new hires, ensuring it includes all required documents (e.g., appointment letters, Board minutes, background checks, credentials, transcripts, salary verification), and including the completed checklist in the employees' HR file.
   b) Maintain a copy of the official Board appointment minutes in each employee's HR file. Where timing is delayed, include interim documentation (e.g., confirmation email) until formal minutes are available.
   c) Require that official transcripts, certifications, and other required credentials be verified and documented prior to the employee's start date. Unopened documents should be reviewed and included in the file with verification notation.
   d) Ensure that offer and appointment letters are sent in advance of the employee's start date and reference Board approval, where applicable. Include a signed acknowledgment from the employee confirming receipt and acceptance.
   e) Perform periodic reviews of new hire files (e.g., quarterly, or semi-annually) to ensure compliance with documentation standards. These reviews should be conducted by someone independent of the hiring process.
   f) Utilize checklists, ensure timely Board approvals, credential verifications, maintain detailed records for salary and payouts, and conduct periodic file audits. These steps will enhance compliance, reduce risk, and promote enhanced efficiency during staff transitions.

EMPLOYEE BENEFITS – INSURANCE CONTRIBUTIONS

Background:

The proper administration of the health insurance reconciliation, including insurance contributions, is an important function of the District. The Benefit Clerk is primarily responsible for this process. The procedures include verifying the enrollees in the SWSCHP (State-Wide Schools Cooperative Health Plan), ensuring the accuracy of the payroll deductions from employees towards health insurance, and collecting the correct contribution amounts from retirees towards health insurance. This includes obtaining the SWSCHP invoice and report each month and utilizing a detailed spreadsheet to facilitate the reconciliation.

Procedures:

Our procedures related to employee benefits, in accordance with our engagement letter dated November 27, 2024, were as follows:

- Review the District's reconciliation of the monthly (or other period) invoice for each insurance provider to the District's employee and payroll records of all enrollees that include the required contributions from employees.
- Select 1 month (or other period) to ensure the accuracy of the payroll deductions from employees for insurance contributions (i.e., health [SWSCHP], life, and additional disability) based on the respective bargaining unit contracts or employment agreement.

Findings:

Review of the District's reconciliation of the monthly invoice for each insurance provider to the employee and payroll records noted:

- There are formal procedures to perform a detailed review of the SWSCHP invoice and the use of a spreadsheet to facilitate the comparison of enrollees with District information related to payroll deductions and collections from retirees.
- The health insurance reconciliations reviewed during the period found that these were prepared timely and there were no exceptions or weaknesses related to the procedures.

Selection of 1 month of invoices and testing each insurance provider payment found:

- The review of invoices and payments for coverage during the selected month of October 2024 found that the payments were accurate, processed timely, properly supported, posted correctly, and properly approved.

Recommendations:

We have no recommendations related to our review of the employee benefits related to insurance contributions.

PAYROLL

Background:

Good business practice requires that the District establish proper segregation of duties and adequate controls over the payroll area. These controls should ensure the completeness and accuracy of payroll related transactions (e.g., salaries, claims forms, stipends, separation payouts, etc.), changes to salaries, user account revisions, and the retention of proper documentation supporting the activities.

The expenditures related to payroll are usually the largest part of the annual budget for school districts. The Business Office has a full-time Payroll Clerk to manage the District's payroll processing with assistance and reviews from other employees in the Business Office. The District utilizes the nVision financial system to process payroll. This is a powerful, sophisticated product that has been tailored to meet the requirements of New York State school districts. The payroll module is fully integrated into the financial reporting module, which is very efficient and significantly reduces the likelihood of processing errors.

Procedures:

Our procedures related to employee benefits, in accordance with our engagement letter dated November 27, 2024, were as follows:

- Select a sample of 50 payroll payments to employees to ensure that the contractual earnings and any non-contractual earnings (overtime, period coverages, lunch coverages, after school, etc.) are charged to the correct budget account codes and earnings codes.

Findings:

Review of the selected sample of 50 payroll payments to employees during the period noted:

- The contractual earnings and any non-contractual earnings (overtime, period coverages, lunch coverages, after school, etc.) were charged to the correct budget account codes and earnings codes.
- Although there were no exceptions found regarding the 50 selections, we note there is opportunity to strengthen the payroll procedures and mitigate potential errors because the Payroll Clerk does not use a checklist as part of the processing and review performed during each payroll cycle.

Recommendation:

We recommend that the District consider implementing the following recommendation to further enhance operational efficiencies related to payroll activities:

6. *Utilize Payroll Checklists* – create payroll checklists that include the key steps performed during the processing and review of each payroll cycle and any other key procedures (e.g., mid-year salary increases, vacation day buyouts, etc.) completed by the Payroll Clerk.

PAYROLL – BUDGET ACCOUNT CODES

Background:

The District utilizes the nVision financial system that has an accounting module and budget module to facilitate the recording and reporting of payroll related budget account codes and earnings codes. This includes setting up the budget, entering account codes based on the type of payroll-related costs, and posting the payments to employees to the designated budget account codes and earnings codes. The Payroll Clerk has duties that include ensuring the accuracy of setting up the proper codes related to contractual earnings, as well as non-contractual earnings paid to staff. The nVision financial system also has budgetary controls set up at the account code level to prevent over expenditures in any specific payroll-related budget account code.

Procedures:

Our procedures related to payroll, in accordance with our engagement letter dated November 27, 2024, were as follows:

- Select a sample of 50 payroll payments to employees to ensure that the contractual earnings and any non-contractual earnings (overtime, period coverages, lunch coverages, after school, etc.) are charged to the correct budget account codes and earnings codes.

Findings:

Review of the budget account and earnings codes for the selected 50 payroll payments to employees found:

- There were no exceptions or errors related to the review of the selected 50 payroll payments as the contractual earnings and non-contractual earnings were charged to the correct budget account codes and earnings codes.

Recommendations:

We have no recommendations related to our review of the payroll payments.