Regular Meeting – Board of Education – June 3, 2026

VIII. **Business Affairs**

B. Operations

10. Acceptance of the Internal Audit Report

RESOLVED, on the recommendation of the Superintendent of Schools, the Board of Education accepts the Internal Audit Report on detailed testing on Payroll dated May 5, 2026, performed by the District's internal auditors, Cullen & Danowski, LLP.

Glen Cove City School District

Internal Audit Report on Detailed Testing – Payroll

May 5, 2026

CULLEN & DANOWSKI, LLP
CERTIFIED PUBLIC ACCOUNTANTS

INTERNAL AUDIT REPORT ON DETAILED TESTING – PAYROLL

To the Board of Education and Audit Committee
Glen Cove City School District
Glen Cove, New York

We have prepared this report as the result of our detailed testing, as further described, which was agreed upon by the Glen Cove City School District ("the District"), on payroll for the period July 1, 2024, through October 31, 2025.

The District's management is responsible for administering this area.

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 payroll. 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 ("the 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.

Cullen & Danowski, LLP

Port Jefferson Station, New York
May 5, 2026

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Introduction:

This report is organized into four sections 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.

PAYROLL

Background:

Good business practice requires the District to establish appropriate segregation of duties and an effective system of internal controls over the payroll function. These controls should provide reasonable assurance that payroll-related transactions are initiated, reviewed, and approved in accordance with District policies and applicable agreements (i.e., collective bargaining agreements, individual employee contracts, etc.). Accordingly, controls should help ensure that payroll is processed only for authorized employees, calculated using approved rates, disbursed in a timely manner, and supported by complete and accurate documentation retained in accordance with District policy and applicable records retention requirements. In addition, these controls should address the administration of payroll-related system access to help ensure that updates to employee records, pay rates, and other payroll data are properly authorized, appropriately restricted, and subject to periodic independent review.

The expenditures related to payroll are typically the largest part of the annual budget for school districts. The District's 2024-25 and 2025-26 adopted budgets for salary-related expenditures totaled $52,489,517 and $53,279,474, respectively. These amounts include contractual compensation, hourly wages, longevity payments, and stipends. Given the magnitude of these expenditures, well-designed and consistently applied payroll controls are important to help ensure that employees are paid in accordance with authorized agreements and Board actions, that payroll calculations are accurate, and that errors or unsupported payments are prevented or identified and corrected on a timely basis.

Payroll processing is administered within the Business Office's Payroll Department ("the Department"). The Department is staffed by a full-time Payroll Supervisor and a full-time Senior Account Clerk, with assistance from other District employees as needed. The Payroll Supervisor has served in the role since April 2025, following the prior Payroll Supervisor's retirement, and the Senior Account Clerk has served in the role since October 2023. The Assistant Superintendent for Business and Operations (Assistant Superintendent) is responsible for the oversight of the Department and its payroll processing activities.

The District utilizes the nVision financial system (nVision) to process payroll. This is a powerful, sophisticated product that has been tailored to meet the operational and reporting requirements of New York State school districts. The payroll module is fully integrated into the financial reporting module, which supports efficient processing and consistent posting to the general ledger and significantly reduces the likelihood of processing errors. The effectiveness of system-supported processing, however, remains dependent on the adequacy of user access controls, the accuracy of employee records, and the consistent performance of key reviews and reconciliations.

In accordance with the engagement letter dated July 1, 2025, we reviewed the District's payroll function to assess the design and operating effectiveness of key controls. Our procedures included interviews with relevant personnel, process walkthroughs, and targeted testwork of selected transactions and control activities. During our fieldwork, we obtained an understanding of historical practices, current initiatives, and any planned changes affecting payroll operations, including staffing and system-related processes. The objective of this work was to identify control strengths and opportunities for improvement and to determine whether payroll processes and controls are operating in a manner that supports the District's objectives for completeness, accuracy, authorization, and documentation.

Procedures:

Our procedures, in accordance with our engagement letter dated July 1, 2025, were as follows:

- Review Board policies and District procedures related to payroll.
- Interview Business Office employees regarding policies, procedures, and systems in effect related to payroll processes.
- Review all collective bargaining agreements and a sample of individual employment agreements to understand the terms and conditions.
- Review the current payroll cycle process and identify the strengths, weaknesses, and key control attributes for testing.
- Perform a payroll reconciliation from one cycle to the next during this fiscal year and document the process. Review supporting documentation for a sample of activities in one of the payrolls.
- Review payroll-related activity during the period under review as follows:
  - For contractual payments – select a sample of 25 payments to ensure the amount paid agrees with employee records and contract (if applicable), and the 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.
  - For non-salary payments (hourly, stipend, overtime, etc.) – select a sample of 25 payments and review for proper approval, amount, and account distribution.
  - For new hires – select a sample of 15 payments to ensure that the payment amounts are correct (i.e., salary amount agrees to Board approval or employee's contract), appointment was Board approved prior to start date, and proper documentation is on file (e.g., certifications, etc.).
  - For separation payments - select a sample of 15 payments to ensure final payments are correct (i.e., retirement incentives; accumulated unused time), proper documentation is on file (i.e., retirement or resignation letter from employee; Board resolution), and compliance with specifications in the respective contract.
  - For staff on leave of absence – select a sample of 10 employees to review the cut-off and restoration activity related to the payroll.
  - For disbursements to third parties as a result of withholdings (union dues, taxes, etc.) – select a sample of 2 payments for each type of withholding (or benefit) and compare to payments made to the applicable third party.
  - For changes to the payroll module data – select a payroll change report for 2 months to ensure a sample of edits are appropriate as well as properly approved and supported (i.e., Board approval).
  - For substitute teacher payments – review and document the procedures and select a sample of these payments from 2 pay cycles to ensure accuracy and completeness, as well as reconcile these payments to the permanent teachers' absences and ensure the absences are properly recorded.

Findings:

Review of Board policies and District procedures, and interviews with Business Office employees related to payroll found:

- There are Board policies related to payroll that include *#1120 – School District Records*, *#6800 – Payroll Procedures*, *#6830 – Expense Reimbursement*, *#9160 – Personnel Records*, *#9240 – Recruiting and Hiring*, *#9260 – Conditional Appointment and Emergency Conditional Appointment – Student Safety*, *#9500 – Compensation and Benefits*, *#9520.2 – Family and Medical Leave, #9520.5 –Leave of Absence*, and *#9800 – Negotiations*.
- The Department and Personnel staff utilize the nVision system-generated reports to review and analyze key data, including payroll change reports, employee attendance reports, and other employee-related reports.
- The Personnel staff creates the new employee records within nVision and activates the new hires in the Human Resources module. After the Personnel Staff sets up the new employee, the Department enters the salary information, direct deposit, and payroll tax withholdings to begin the payroll payments. The new employee only starts receiving paychecks after the Department has completed these steps, resulting in appropriate segregation of duties related to payroll processing for new hires.
- The Department performs a thorough review of the salary changes related to the annual rollover process. This includes using nVision system-generated payroll reports (e.g., contract and rate reports, salaried employees payroll comparison reports, etc.), double-checking the salary tables, and confirming the salary amounts for the various employee "types" within nVision. While these changes are reviewed and approved as part of the salary certification process, there is no documented secondary administrative review specifically focused on the rollover process. Given the complexity of the rollover process and the extent to which it updates salary information for nearly all employees, an additional administrative review would help provide further assurance that changes are complete, accurate, and appropriately authorized.
- The Department and Personnel staff maintain a shared spreadsheet to track and manage employee leaves of absence. However, we were informed that the spreadsheet is not always updated in a timely manner and, in some instances, contains inaccurate information. Although the spreadsheet may facilitate coordination between departments, implementing a standardized notification process (e.g., email notifications and/or standardized hardcopy or digital forms) would improve the timeliness and accuracy of leave information and provide documentation of communications.
- The District relies on hardcopy time sheets to document employee time and attendance rather than using an electronic time and attendance system. Manual timekeeping increases the risk that hours worked may be recorded inaccurately, altered without detection, or submitted/approved without adequate supporting documentation. As a result, the District may have limited assurance that payroll payments are based on complete, accurate, and properly authorized time records.
- The District has standard procedures related to the administration of the payroll area:
  - No person may be added to the payroll prior to approval by the Board of Education.
  - The Department is responsible for preparing all payrolls.
  - No payment should be made to any employee prior to services being rendered to the District.
  - The Annual Reorganization Meeting includes a resolution stating that the Superintendent, or in their absence, the Assistant Superintendent for Business and Operations, certifies all payroll reports of the District.

- Effective at the end of the 2024-25 year, the District implemented a periodic payroll audit procedure requiring building and department administrators to periodically review an nVision system-generated listing of employees paid from their budget location codes and return the signed report to the Department. The Department then reviews the returned reports, investigates any noted discrepancies, and retains the documentation with the payroll records. This process is an important internal control intended to help confirm that paychecks are issued only to active employees. Our understanding is that the District will continue to perform this procedure three times per year going forward.

Review of all collective bargaining agreements and a sample of individual employment agreements noted:

- The terms and conditions in these agreements were understandable, and this information was needed to complete our testwork related to the selected payroll payments that we reviewed during our fieldwork.

Review of the current payroll cycle process found:

- The Department performs a complete review during each payroll cycle using a worksheet along with several nVision system-generated reports to compare earnings, deductions, and withholdings (e.g., federal taxes, state taxes, annuities, etc.) and maintains appropriate supporting documentation.
- Throughout our review of the payroll cycle, there were no exceptions or errors noted regarding payroll contractual amounts. There is adequate segregation of duties, and all payments tested had been supported by collective bargaining agreements and appropriate authorization and approvals.

Performing a payroll reconciliation from one cycle to the next during this fiscal year, and review of supporting documentation for selected activities in one of the payrolls noted:

- There were no exceptions noted during the review of the May 23, 2025 and October 24, 2025, payroll reconciliations, as the activities selected for review appeared appropriate and were properly supported.
- The District maintains the proper records related to the payroll reconciliation that the Department completes for each payroll cycle. This includes utilizing nVision system-generated reports: *Detailed Payroll Earnings Register*, *Timesheet Entry Report, Payroll Comparison Report, Check Sign Sheet, Payroll Deduction Register,* and *Payroll Transaction Report,* as part of the detailed review process.
- The District was able to provide the requested documentation to support the changes recorded in the nVision system-generated *Payroll Comparison Report*, which lists all earnings and deductions variances from one payroll cycle to the next. This included the supporting records for all employees with changes to their contractual payroll code amount, the selected employees with changes to other payroll codes, and explanations for variances to certain payroll codes in total.
- The payroll certification process includes the submission of the nVision system-generated *Payroll Transaction Journal, Payroll Transaction Summary*, and *Payroll Change Analysis* reports to the Superintendent, or in their absence, the Assistant Superintendent for Business and Operations, for their review to certify each payroll cycle.

Review of the selected 25 contractual payments to employees found:

- There were no exceptions related to the payment amounts, as we noted all of these contractual payments had been accurate based on the employee's salary amount as per their respective employment contract, and the amounts withheld were properly supported.

Review of the selected 25 non-salary payments (hourly, stipend, overtime, etc.) to employees noted:

- There were no exceptions related to the payment amounts, as we noted all these non-salary payments were accurate based on the employee's rate of pay as per their respective employment contract, and all payments were properly approved.

Review of the selected 15 new hires and the procedures to add these employees to the payroll found:

- There were no exceptions related to the payroll amounts of the selected employees, as we noted the payments had been accurate based on the employee's salary amount as per their respective employment contract.
- There was 1 instance where an employee's start date was prior to the Board appointment date. We were informed that the employee had to start on the first day of school, which was prior to the Board appointment date. Further review found this employee was not paid until after the Board approval date.

Review of the selected 15 separations and the procedures to remove these employees from the payroll noted:

- There were no exceptions related to the payroll amounts of the selected employees as the separations were Board-approved, and the proper documentation was on file.
- The separation payments were properly supported with adequate documentation that included a detailed calculation of the payout, employees' attendance calendar, employees' resignation letter, and Board minutes approving the employees' separation. In addition, we noted that the payments agreed to the employees' bargaining unit contract information related to the separation payouts.
- The District has appropriate procedures to remove employees from the payroll based on staff changes related to employee separations.

Review of the selected 10 staff on leave of absence and the procedures to add and remove these employees to/from the payroll found:

- There were no exceptions noted as the cut-off and restoration activity related to payroll were appropriate. In addition, the absences related to these leaves were properly recorded in nVision, and the amount of benefit time used agreed with the employees' remaining benefit time balance.

Review of the disbursements to third parties as a result of withholdings for the selected 2 payroll cycles noted:

- The third-party payments related to withholdings were processed correctly and in a timely manner.

Review of the payroll module data changes for the selected payroll change reports from 2 months found:

- There were no errors related to the selected payroll change amounts, as we found that these revisions were appropriate, supported, and properly approved (i.e., Board resolution). The reasons for these differences are formally documented on the *Payroll Comparison Report* during the review of each payroll cycle, as noted above.

Review of the substitute teacher payments from the selected 2 payroll cycles noted:

- There are formal procedures and standard forms that are used by the District related to processing payments to substitute teachers. All payments were properly authorized, and the amounts were correct. We also traced that the teacher being substituted for had the proper recording in the attendance records when applicable.

Recommendations:

We recommend that the District consider implementing the following to further improve internal controls and operational efficiencies related to payroll:

1. *Leave of Absence Notifications* – Implement a standardized process for communicating and documenting employee leave activity between the Payroll and Human Resources Departments (e.g., email notifications and/or standardized hardcopy or digital forms) to improve the timeliness, accuracy, and retention of leave records.
2. *Electronic Time and Attendance System* – Evaluate and implement an electronic time and attendance system (e.g., biometric or electronic swipe timeclocks) that captures time in/out entries, enforces supervisory review and approval, and maintains an audit trail to strengthen timekeeping controls and improve the accuracy and reliability of payroll processing.
3. *Secondary Review of Salary Rollover* –Establish and document a secondary administrative review of the annual rollover process, including review and sign-off of key nVision rollover reports, to provide additional assurance that salary changes are complete, accurate, and properly authorized