

Clinton Central School District

Payroll

JANUARY 2018



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

Contents

Report Highlights 1

Payroll. 2

 How Should District Officials Ensure That Salaries and Wages
 Are Accurately Paid?. 2

 Employee Salaries and Wages Were Accurately Paid. 2

 What Do We Recommend? 3

Appendix A – Response From District Officials 4

Appendix B – Audit Methodology and Standards 5

Appendix C – Resources and Services. 6

Report Highlights

Clinton Central School District

Audit Objective

Determine whether employee salaries and wages were accurately paid.

Key Findings

- We reviewed 23 employees' monthly gross pay calculations totaling approximately \$97,000, and found that District officials accurately calculated and paid gross salaries and wages.
- The Head Custodian did not sign custodial employees' time records as evidence of his review of their hours worked. He also did not preapprove in writing overtime to be worked.

Key Recommendation

- Ensure the Head Custodian signs time records to evidence the review of employees' time worked and preapprove overtime hours to be worked.

District officials agreed with our recommendations and indicated they planned to initiate corrective action.

Background

The Clinton Central School District (District) is located in the Towns of Kirkland, Marshall, New Hartford, Paris, Vernon, Westmoreland and Whitestown, in Oneida County. A seven-member Board of Education (Board) is responsible for the general management and control of the District's financial and educational affairs.

The Superintendent of Schools (Superintendent) is the District's chief executive officer and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction. The Assistant Superintendent for Business Affairs (Assistant Superintendent) oversees the District's business operations.

Quick Facts

Employees	247
Enrollment	1,285
2016-17 Budgeted Appropriations	\$26.8 Million
2016-17 Total Payroll	\$10.8 Million

Audit Period

July 1, 2016 - June 30, 2017

Payroll

How Should District Officials Ensure That Salaries and Wages Are Accurately Paid?

Payroll makes up a significant portion of the District's operating costs. Therefore, District officials should establish procedures to ensure that employees are paid the salaries and wages authorized by the Board. The Board should establish and approve all salary and hourly wages by position or as part of a collective bargaining agreement (CBA). The terms and conditions of CBAs should be clearly communicated to those responsible for payroll processing. Supervisors should sign or initial employees' time records to evidence their review and approval of hours worked. Supervisors should also preapprove overtime hours to be worked to ensure that overtime is for a valid purpose and the District is not paying more overtime costs than necessary. Additionally, payroll duties should be segregated so that the work of one employee is routinely verified in the course of another employee's regular duties. Someone who is independent of the payroll process should review the payrolls for accuracy and sign (certify) the completed payrolls to indicate their review.

Employee Salaries and Wages Were Accurately Paid

The Board approves new positions and authorizes employee hiring. Employee salaries and wages are established according to terms in CBAs, individual employee contracts and Board resolutions. The District Clerk provides Board minutes containing new hire information, including position and pay rate, to the payroll clerk responsible for entering employee names and position, into the District's payroll system. The District contracts with the Oneida Herkimer Madison Board of Cooperative Educational Services (BOCES) for payroll processing. The BOCES account clerk enters pay rate information, based on Board minutes provided by the District Clerk, and activates employees in the payroll system. The payroll clerk then verifies that the information entered by BOCES agrees with Board minutes.

The payroll clerk receives time cards and time sheets, after being approved by a supervisor,¹ and enters the time worked into a spreadsheet to calculate the bi-weekly gross pay for the pay period. The payroll clerk sends this information to the BOCES account clerk, who enters the payroll information into the District's payroll system. After BOCES has processed the payrolls, the payroll clerk compares the payroll register to the wage information she calculated in her spreadsheet to ensure the gross pay agrees. She then contacts the Mohawk Regional Information Center, who prints the payroll checks for distribution.

¹ Based on our audit testing, there was no documented supervisory approval of custodial employees' time records. This is discussed later in the report.

The District prints additional reports which include, but are not limited to, gross pay, net amount of pay to be direct deposited and net amount to be paid by checks. The District also prints the combined total of checks and direct deposit payments with comparison information from the prior payroll. The Assistant Superintendent reviews these reports to provide oversight of the process. The reports also include overtime reports, and change reports including changes in pay rates and new employees. The Superintendent reviews and certifies the payroll.

For two pay periods within our audit period, we reviewed 23 employees² gross pay calculations totaling approximately \$97,000 to determine whether salaries and pay rates were authorized, payees were valid and active employees, and overtime rates and hours were accurately calculated and paid. In addition, we selected 10 pay periods to review for overtime payments totaling \$11,264 and determine whether overtime was approved on time records. We found that salaries and wages reviewed were accurately calculated and paid. However, there was no written supervisory approval of custodial employees' time records.

The District employs a Head Custodian who oversees 16 custodial staff. The Head Custodian told us that he reviews the hours worked on time records. However, he did not sign-off on this review. In addition, he does not preapprove in writing overtime³ hours to be worked for custodial staff. While the overtime payments included in our gross pay review appeared to be reasonable, without these controls, there is an increased risk that the District could be paying for more hours than were actually worked or incurring higher overtime costs than necessary.

What Do We Recommend?

District officials should ensure:

1. Supervisory review is documented on custodial employees' time records.
2. The Head Custodian preapproves overtime in writing in advance of work performed.

² See Appendix B for a detailed description of our sample selection.

³ Of the \$11,264 in overtime payments identified in the 10 pay periods we tested, \$10,036 was applicable to custodians and cleaners.

Appendix A: Response From District Officials

CLINTON CENTRAL SCHOOL DISTRICT

75 Chenango Avenue
Clinton, New York 13323-1395
(315) 557-2253
Fax (315) 853-8727
Website: www.ccs.edu

January 16, 2018

████████████████████
Office of the State Comptroller
State Office Building, Room 409
333 East Washington Street
Syracuse, NY 13202

Dear ██████████

Please accept this letter as the official Audit Response and Corrective Action Plan from the Clinton Central School District regarding the Audit Report on "Payroll: 2017M-252". On behalf of the District I would like to extend our appreciation for the work conducted by your office. The professionalism and expertise that your staff demonstrated during the audit helped us identify opportunities for improvement to our financial operations.

Below is the response to the findings and required corrective action plan.

Audit Recommendation #1:

Supervisory review is documented on all custodial employees' time records.

Corrective Action:

The Head Custodian will sign-off on time records for all custodial staff.

Audit Recommendation #2:

The Head Custodian should preapprove overtime in writing in advance of work performed.

Corrective Action:

The District will implement new procedures including an overtime approval form that will require supervisor approval prior to working overtime.

Sincerely,

Stephen L. Grimm,
Superintendent of Schools

Appendix B: Audit Methodology and Standards

We conducted this audit pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, we performed the following audit procedures:

- We interviewed District officials and employees and reviewed District policies, CBAs, individual employee contracts, Board resolutions and various financial records and reports to gain an understanding of the District's procedures related to the payroll process.
- We verified salaries, wages and specific employment conditions by reviewing the CBAs, individual employment contracts and Board resolutions. To verify employees' salaries and pay rates were accurate, we selected a random sample of 20 employees paid in February 2017, and judgmentally selected three employees who are involved in the payroll process, to recalculate their pay for the two applicable pay periods.
- To determine whether overtime payments were properly authorized and approved, we selected a random sample of 10 pay periods and reviewed the related payroll journals. We then reviewed the time records of all employees who received overtime payments.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

A written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law, Section 2116-1(3) (c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make the CAP available for public review in the District Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/localgov/costsavings/index.htm

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/localgov/planbudget/index.htm

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/localgov/finreporting/index.htm

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/localgov/researchpubs/index.htm

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/localgov/academy/index.htm

Contact

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.state.ny.us

www.osc.state.ny.us/localgov

Local Government and School Accountability Help Line: (866) 321-8503

SYRACUSE REGIONAL OFFICE – Rebecca Wilcox, Chief Examiner

State Office Building, Room 409 • 333 E. Washington Street • Syracuse, New York 13202-1428

Tel:(315) 428-4192 • Fax: (315) 426-2119 • Email: Muni-Syracuse@osc.state.ny.us

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