

Islip Union Free School District

Payroll

FEBRUARY 2018



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

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Report Highlights

Islip Union Free School District

Audit Objective

Determine whether District officials paid employee salaries and wages accurately.

Noteworthy Achievements

District officials accurately paid salaries and wages.

- We reviewed the gross pay calculations of 25 employees over four payroll periods, totaling approximately \$240,000, to determine whether salaries and pay rates were authorized, overtime rates and hours were accurately calculated, and other provisions of applicable employment agreements were accurately calculated and paid. Except for minor discrepancies that we discussed with officials, District officials accurately calculated and paid gross salaries and wages.

We commend District officials for establishing a well-designed system for processing payroll to ensure that employees are accurately paid the salaries and wages to which they are entitled.

There were no written recommendations as a result of this audit.

Background

The Islip Union Free School District (District) is located in the Town of Islip in Suffolk County.

The 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 chief executive officer and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction.

Quick Facts

2017-18 Employees	523
2016-17 Payroll Costs	\$40.1 million
2017-18 Budgeted Appropriations	\$82.4 million

Audit Period

July 1, 2016 – July 31, 2017

Payroll

The Board approves new positions and authorizes employee hiring. The Administrative Services (HR) Department, which maintains personnel files, accrual records and full-time employee attendance, is responsible for entering employee and salary information into the system based on new employee forms and according to terms in collective bargaining agreements (CBAs), individual contracts and salary letters prepared based on Board resolutions. Only HR can enter or modify an employee's salary or pay rate. The payroll clerk verifies the salary or pay rates and enters and modifies all employee tax withholdings, direct deposits and other payroll deductions.

The payroll clerk and payroll clerk's assistant (assistant) both review timesheets for maintenance workers and part-time employees and prepare a summary form by budget code for total hours worked by each employee. After reviewing each other's work, the assistant enters all the timesheets into the payroll system and prints a Timesheet Entry by Budget Code report that the payroll clerk matches against the original summary forms. The payroll clerk then enters any pay docks¹ based on documentation received from HR.

After payroll is processed, the payroll clerk prints a Payroll Transaction Summary and, with the assistant, matches the information in this report to the timesheet summary reports, overtime requests and pay dock forms. The information includes, but is not limited to, a summary of gross wages, federal and State withholdings, health and retirement deductions, net pay and normal and direct deposit distributions for the current payroll. The Treasurer and payroll clerk then print the payroll checks. The Treasurer is responsible for safeguarding pay checks until after the Superintendent certifies the payroll.

The payroll clerk provides the Superintendent with a detailed Payroll Transaction report and a Payroll Change report which the Superintendent reviews. The Superintendent then certifies the payroll to provide oversight of the process. The payroll clerk releases the direct deposit transfers and designated officials collect and sign for the checks they will disburse to employees in their buildings.

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 as part of a CBA, individual contract or resolution. The terms and conditions of all employment agreements should be clearly communicated to those responsible for payroll processing. Additionally,

¹ HR is responsible for preparing a "pay dock" form to inform the payroll clerk of the number of days to exclude from an employee's pay, when appropriate.

payroll authorizations should be segregated from payroll preparation and processing. Any changes in employment status or salary and wage rates should be properly authorized, approved and documented to support the changes. Finally, before checks are distributed, payroll registers or similar records should be reviewed and independently certified to provide oversight of the payroll process.

Employee Salaries and Wages Were Accurately Paid

District officials accurately paid salaries and wages according to their well-designed payroll process established to provide assurance that employees are paid in accordance with Board authorizations and that payroll transactions are appropriately supported and authorized by management. For 25 employees,² paid a total of \$1.6 million during our audit period, we reviewed the gross pay calculations over four payroll periods to determine whether salaries and pay rates were authorized, overtime rates and hours were accurately calculated and other provisions of CBAs and individual contracts were accurately calculated and paid. Thirteen employees were paid based on negotiated salaries and were not overtime eligible. Twelve employees were overtime eligible with three employees receiving overtime payments in our test period. Except for minor discrepancies that we discussed with District officials, the employee salaries and wages reviewed, totaling approximately \$240,000, were accurately calculated and paid.

We commend District officials for establishing a well-designed system for processing payroll to ensure that employees are accurately paid the salaries and wages to which they are entitled.

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

Appendix A: Response From District Officials



ISLIP PUBLIC SCHOOLS

ADMINISTRATION BUILDING • 215 MAIN STREET • ISLIP, NEW YORK 11751 • (631) 650-8210 • FAX (631) 650-8218

SUSAN A. SCHNEBEL
SUPERINTENDENT OF SCHOOLS

February 14, 2018

Office of the State Comptroller
Division of Local Government and School Accountability
New York State Office Building – Room 3A10
250 Veterans Memorial Highway
Hauppauge, NY 11788-5533

ATTENTION: Ira McCracken

Re: Islip Union Free School District's Payroll Report of Examination 2017M-291

Dear Mr. McCracken:

This letter is the official response to the draft of the Audit Report of the Islip Union Free School District's Payroll prepared by the Office of the State Comptroller (OSC). The draft of the Audit Report was received by Islip Union Free School District (the District) and the Board of Education and representatives of the District's Central Administration subsequently reviewed it.

The District would like to express its appreciation to the OSC for its efforts in assisting the District in managing its payroll responsibilities. We would also like to acknowledge the OSC Field Examiners for their professionalism in the performance of their assignment and the courtesy displayed in their interactions with District personnel during the audit process.

It is a goal of the Islip UFSD Board of Education and its District Administration to maintain the highest standards of payroll procedures. These standards include establishing a well-designed system for processing payroll to ensure that all employees are accurately paid the salaries and wages to which they are entitled. The District reviewed the information contained in the Audit Report upon receipt and view the contents as accurate and complete. We informed the OSC Hauppauge Office that we did not require an exit conference to discuss the facts contained in the Audit Report. The District appreciates the comments in the Payroll Report of Examination,

COMMITTED TO EXCELLENCE

The Islip School District hereby advises students, parents, employees and the general public that it offers employment and educational opportunities, without regard to sex, race, color, national origin or handicap. Inquiries regarding this non-discrimination policy may be directed to: Title IX coordinator and/or Section 504 Coordinator. Location: Central Administration Building, 215 Main Street, Islip, New York 11751

and we will maintain our current fiscal oversight approach in the absence of any findings and recommendations.

Sincerely,

Susan A. Schnebel
Superintendent of Schools

SAS:kc

cc: Islip UFSD Board of Education
M. Zeterberg, Assistant Superintendent for Business

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 to gain an understanding of the payroll process.
- We reviewed CBAs, individual contracts and Board meeting minutes to determine whether employee salaries were authorized.
- We traced the payroll register to the bank statement and check facsimile to ensure that check dates, check numbers, payee and amounts matched. We also verified the check date, number, amount and payee on payroll checks from the payroll bank statement and check facsimiles against the payroll register to ensure that the District's records were complete.
- We judgmentally selected a sample of 25 of the 684 employees paid during our audit period and reviewed their payroll records for salaries paid in October and November of 2016 to determine if employees are paid in accordance with Board-authorized salaries and wages and for actual days worked. The 25 employees were selected as follows:
 - We grouped employees by title and selected the third highest paid employee from each of 16 groups. For groups with less than three employees, we selected the highest paid employee in that group.
 - We selected nine employees that have the ability to create new employee profiles in the District's financial system based on our review of user permissions.

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.

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#lgmg

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

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

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

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