

September 18, 2019

Sherrri Fisher
South Colonie Central Schools
102 Loralee Drive
Albany, New York 12205

RE: District Response to Internal Audit Focus Area

Dear Ms. Fisher:

The firm Michael Wolff Advisory Services performed an Internal Audit for 2018-2019 school year, which included the focus area covering Payroll. As part of the audit process, they issued a report, dated June 25, 2019. The report was presented to the Board of Education's Audit-Finance Committee along with the Risk Assessment on June 26, 2019.

The 2018-2019 Payroll review resulted in the following comments and recommendations.

Comment:

The review of 12 sampled employee files noted the following:

- One Employment Eligibility Verification (Form I-9) was not signed by the official verifying the information.
- A signed salary notice could not be located for 2 employees.
- The signed Oath of Office was missing for two employee files.

Recommendation:

The new hire checklist may need to be reviewed/updated with all employees associated with the process of collecting new hire forms.

Response:

Additional staff training will be provided. Additionally, a review of the hire checklist will be initiated to ensure all items are encompassed.

Comment:

One of the strongest internal controls for payroll is the payroll certification process. This process was reviewed, and the payroll is certified every payroll, however the following was noted.

Recommendation:

To further strengthen the certification process the "Payroll Change/Audit Report" should be included in the payroll certification review process.

Response:

The Payroll Clerk was providing the "Payroll Change/Audit Report" but when we converted to our new updated payroll system, she thought that report was no longer available. The report is now being providing as part of the certification process.

Comment:

The review of employees that applied for vacation buyback or the early retirement benefit noted that the calculations were all processed appropriately, however no independent person from payroll performs a review of the calculation to ensure accuracy. Since the calculation is manually created and may include several criteria established by collective bargaining agreement, a review an independent person should occur.

Recommendation:

The final approval of an incentive/vacation buyout payment should include a recalculation by someone independent of payroll to ensure the calculation is correct.

Response:

Incentive payments are reviewed by both Human Resources as well as the Business Office Manager to ensure eligibility. Additionally, the Business Office Manager is reviewing all calculations for incentive payments. However, the Business Office Manager will work with the Payroll Department to develop a mechanism to ensure no calculation is missed. The vacation buyouts are reviewed by the Business Office Manager and signed off by the Assistant Superintendent for Management Services. The District will take the extra step of having the Business Office Manager review the calculation as well.

Comment:

The review of the payroll process and the payroll calendar noted that the first paycheck for 10-month employees contains a full (10 day) paycheck, even if the employees have worked less. This creates two issues:

- a) The "pre-payment" violates the law for gifting or loaning of public funds. Since the employees haven't provided a service, but are being paid for this service, the employees are essentially getting an interest free loan. On an employee basis this amount may not be material, however collectively, this prepayment is a substantial number out of the payroll system that must be tracked.
- b) Since the employees are being prepaid in the first payroll, they will continue to be prepaid throughout the year until the final payroll. The risk occurs if the employee leaves employment during the year. The payroll department must take these prepaid dates into consideration and manually subtract them from the employee's final paycheck. If the employee resigns/terminated without notice the school may be in a situation of trying to collect money back from the employee since they were prepaid.

Additional Comment:

Certain collective bargaining agreements specify the first payday will be the first Friday after the opening of school. This clause conflicts with legal opinions of the NYS Comptroller and of the NYS Education Department. Specific case law (Board of Education of Ramapo CSD v. Ramapo Teachers Association, (1994)).

Recommendation:

The District should evaluate the payroll calendar and adjust it to prevent the prepayment of employees. The District may also want to have legal counsel review the collective bargaining agreements to make changes and/or change them as they are renegotiated.

Response:

The District will review collective bargaining agreements and discuss options with legal counsel.

Sincerely yours,

SOUTH COLONIE CENTRAL SCHOOLS



Anjelieeque Martinez
Business Office Manager/
District Treasurer

APPROVED BY
BOARD OF EDUCATION

9-24-18



PRESIDENT, BOARD OF EDUCATION