



Pleasant Avenue Elementary • Warren Street Elementary • Knox Middle School • Johnstown High School

William T. Crankshaw, Ed.D.

Superintendent of Schools

Alicia D. Koster

Assistant Superintendent

Nicole Panton

Director of Curriculum & Instruction

Administration Center

1 Sir Bills Circle, Suite 101

Johnstown, New York 12095

Telephone: 518-762-4611

Fax: 518-762-6379; 518-762-5654

<https://www.johnstownschoools.org>

December 2, 2024

Mr. James Kampf

Director, Office of Audit Services

NYS Education Department

89 Washington Avenue, Room 471 EBA

Albany, New York 12234

RE: Education Stabilization Fund Audit ESF-0123-02

Dear Mr. Kampf,

During the course of the audit process, we appreciated the opportunity to review and respond to questions raised, provide additional supporting documentation and clarifications associated with the audit on our Education Stabilization Funds, received under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The audit period covered March 13, 2020 through September 30, 2022, and in accordance with Section 305 of the Education Law. It must be noted that our funds were fully expended in the 2020-2021 fiscal year, ending June 30, 2021, for salaries and benefits associated with five teaching positions. Since that time operational changes in business, finance, and human resources have occurred which may address the findings, recommendations, and conclusions drawn, in whole or part, associated with the Audit Report.

Please find our responses to the findings below with corrective actions that have or will be taken with completion dates for implementation.

Audit finding 1- Record Retention: Employee Personnel Files

Finding:

When teachers are hired, both the District and the new employee are required to complete a considerable amount of paperwork (e.g., tax withholding forms, health insurance and retirement enrollment forms, direct deposit forms, clearance for employment forms, and various optional benefit enrollment forms), which is then retained in the new employee's personnel file for a defined

period of time. Districts should have established procedures for the new hire process, including the specific documentation that is to be maintained in the employee's personnel file and a corresponding retention schedule.

To determine if the District followed the applicable record retention schedules for its employee files, we reviewed the personnel files for four of five employees who were reported on the FS-10-F, Final Expenditure Report for a Federal or State Project, which was submitted to the Department as a final accounting of the District's ESSER and GEER expenditures. We found the following missing from the files:

- All four employees were missing the VOTE-COPE deduction form.
- One employee was missing a direct deposit form.
- One employee was missing the Regional Food Bank salary reduction authorization form.
- One employee was missing a Health Insurance Opt-out/Buyout form or documentation that the District advised the employee of their eligibility for the benefit

Recommendation:

We recommend District officials:

1. Develop written policies and procedures for the new hire process, including a list of all required documentation to be maintained and a corresponding retention schedule based on federal and state laws and regulations.
2. Create a checklist that details the specific documents that are required to be maintained in each employee personnel file and have a supervisor review the file and sign-off on the checklist when complete.
3. Conduct periodic audits of the employees' personnel files to ensure all required documentation is on file.

District Response:

The District has deployed a checklist that is used when staff are hired to ensure that required documentation is complete and filed in the personnel file. Human Resources is now placing this existing checklist in new hire personnel files. This checklist was provided during the audit process. As of January 1, 2024, the checklist is being signed by the Assistant Superintendent prior to being placed in personnel files. Additionally, new hire forms were reviewed and updated during the 2021-2022 school year along with the process of coordinating paperwork and access to District applications.

Further, as part of our internal audit requirements, human resources and payroll functions were the focus of audit during the 2022-2023 school year. Personnel files along with required documentation were a part of this audit process. Human Resources staff are now regularly reviewing personnel files for completeness, effective September 1, 2023.

The District coordinates with our Johnstown Teachers Association which represents certified staff, on annual changes to union dues, VOTE-COPE, Regional Food Bank, etc. in order to update deductions in our financial management system, Nvision. The Business Office and Human Resources staff then review all deductions and changes to payroll by the second pay in September of each year for completeness and accuracy. The use of spreadsheets along with originally sourced

Nvision reports are utilized in this review. This process has been in place with fidelity since July 1, 2022. The checklist and associated periodic reviews of personnel files will ensure that we are not missing any pertinent forms from the personnel files in the future.

Lastly, the District has submitted as part of the procedural manual, the new hire process and forms as mentioned in the above recommendations as of February 21, 2024.

Audit Finding 2 – Policies and Procedures

Finding:

The Board is responsible for designing internal controls that help safeguard the District's resources and ensure they are used economically and efficiently. An adequate system of internal controls includes clear policies and procedures that promote effective operations, the prudent use of resources, and the adherence to applicable laws and regulations.

Additionally, Uniform Guidance, 2 CFR §200.303, requires non-federal entities receiving federal awards to establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

District officials could not provide Board-approved procedures that contained sufficient detail to complete the business processes conducted by District personnel on a daily or regular basis, including but not limited to, accounting, grants management, human resources, payroll, and fringe benefits. We requested a detailed financial policies and procedures manual and detailed procedures for the accounting, grants management human resources, payroll, and fringe benefit functions. Although District officials provided various approved Board policies, they did not contain sufficient detail for staff to carry out the day-to-day operations of each function. Specifically, District officials provided a draft version of the GJSD Procedure Manual that included basic instructions, employee notes, and other informal instructions for some payroll functions. However, we found the procedures were not comprehensive of the entire processes for hiring, onboarding, payroll, and accounting, nor did they include the requirements for federal grants or Board approval. Additionally, we found that some of the informal notes District officials provided related to the human resources and payroll processes did not reflect current procedures.

The District's ability to update its procedures in a timely manner was impacted by the COVID-19 pandemic and further exacerbated by turnover of Business Office staff during the last few years. Lack of comprehensive policies and procedures: (1) weakens the District's internal control structure, (2) places an unnecessary burden on employees who lack familiarity with specific functions, (3) increases the chances of errors and irregularities going undetected, and (4) increases the risk of noncompliance with federal and state laws and regulations, which could impact future funding.

Recommendation:

We recommend District officials:

1. Develop comprehensive, detailed procedures to complete the business processes conducted by District personnel on a daily or regular basis, including but not limited to, accounting,

grants management, human resources, payroll, and fringe benefits. These procedures should be reviewed, updated on a regular basis (i.e., at least annually), and approved by the Board.

2. Provide the Office of Audit Services with a copy of the Board approved procedures, along with the Board resolution within 30 days of said approval and adoption.

District Response:

The District uses Nvision as its financial management system. This system does contain a manual or how-to guides for every process conducted in Nvision which all authorized staff have access to. The Board approved Comprehensive Procedural Manual was provided to the Office of Audit Services on February 21, 2024. This manual will be useful and relevant to our District's specific processes. We recognize the value a comprehensive procedures manual provides to key functions of District operations, and the consistency in process, review and compliance, a manual lends to safeguarding district assets.

Audit Finding 3 – Time and Attendance

Finding:

We selected four of five teachers who were reported on the Final Expenditure Report (FS10-F) to determine if their time and attendance records were properly completed, reviewed, approved, processed in a timely manner, and verified the compensation had been calculated correctly. We requested policies and procedures, payroll registers, timecards, certifications or staff activity reports, and other relevant time and attendance records. We traced payroll report information to source documents, including pay rate approvals, withholdings, and benefits.

Although we found that staff salaries for all certified staff were properly calculated and paid in accordance with the salary schedule in the collective bargaining agreement, we noted the District does not have a system in place to track when certified staff (i.e., teachers, teacher assistants, tutors) are present at the schools, track their beginning and ending work hours and total days worked. Furthermore, the District does not require an attestation from supervisors to confirm that their staffs' full hours were worked or that their attendance record for the period is accurate and complete prior to processing each payroll other than charges to accruals.

District officials stated that certified staff are not required to complete timecards in the time clock system. Only classified, hourly staff, such as custodial, clerical, food service, transportation, nurses, monitors, aides, and maintenance staff use the time clock system to record beginning and ending of daily work times, which is used to calculate their payroll.

The Board and District officials did not establish adequate internal controls over certified employee time and attendance to ensure employees' time was accurate and properly reported and failed to require the review and approval of the employee's supervisor, or someone with knowledge of the employee's actual daily attendance, prior to each payroll being processed.

Recommendation:

We recommend District officials:

1. Require certified staff complete a self-attestation each pay period certifying that their full hours were worked, except for time charged to accruals, and their supervisor should perform timely reviews of time and attendance for completeness and errors and provide approval before payroll is processed.
2. Include in the District's written procedures the requirements for salary and wage expenditures charged to federal grants to ensure all required documentation is accurate, complete, and on file.

District Response:

The District acknowledges the importance of accounting for time and attendance for all staff to ensure that their full working hours are performed, minus use of accruals. A system is in place to properly account for when staff are not present at work, and that process does lead to a review of hours worked each pay period, albeit an attestation form for hours worked has not been completed for each pay period.

Certified staff are considered salaried employees and therefore do not use a time clock system to account for being present at work. However, each school building principal is responsible for providing sub coverage when staff are not present at work. They maintain logs of when staff are absent and how the absence was covered.

Since the 2020-2021 school year, many updates to processes have been made. We are now on Frontline Absence Management (web based online platform) that tracks absenteeism and accruals, that is then reconciled to Nvision. This reconciliation occurs at the Building level, and then at the District level through Human Resources on a daily basis. Additionally, both the Superintendent and Assistant Superintendent review the daily absences of staff. Furthermore, as part of our annual rollover of attendance, absences are reviewed and reconciled once more prior to rolling over remaining accruals to the new school year, and we periodically send attendance calendars to staff requiring them to review their use of accruals and sign and return the calendar to the Human Resources office.

Effective January 1, 2024 formally, attestation forms for staff charged to Federal grants are completed on a monthly basis. The building principal reviews these forms for accuracy of time worked, approve, sign, and returns to the Business Office where the School Business Manager will maintain as part of our grants management files, and a copy placed with our payroll files for that particular month. The School Business Manager will reconcile any discrepancies with the applicable payroll periods on a monthly basis. This process is documented as part of our comprehensive procedures manual.

Update, effective December 1, 2024, attestation forms for all staff will be completed each payroll period. These attestation forms will include a review of their complete attendance record.

Audit Finding 4 – Fringe Benefits

Finding:

District officials are responsible for ensuring costs charged to federal awards are allowable, accurate, supported with sufficient source documentation and properly allocated. Furthermore, Uniform Guidance, 2 CFR §200.431(c) states “The costs of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and workers’ compensation insurance (except as indicated in §200.447); pension plan costs (see paragraph (i) of this section); and other similar benefits are allowable, provided such benefits are granted under established written policies. Such benefits must be allocated to federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such federal awards and other activities and charged as direct or indirect costs in accordance with the non-federal entity's accounting practices.”

The District charged employee benefits to both the ESSER and GEER grants, which included social security, workers’ compensation, unemployment insurance, health insurance, and teacher's retirement totaling \$128,630 and \$12,005. We requested payroll registers, quarterly payroll tax reports (i.e., Form 941, NYS-45 reports), payroll reconciliation reports, invoices, the methodology used to determine the individual benefit rates, the supporting documentation of the benefit rates, payment documentation, such as, canceled checks or electronic funds transfers, and bank statements. The District did not provide sufficient documentation to determine if benefits charged to the grants were accurate or paid. The District did not provide documentation for individual benefit rates and payments for workers’ compensation and unemployment insurance, an allocation methodology for equitable distribution of costs, and did not reconcile total benefit costs with the general ledger for the fiscal year. We have detailed each benefit below, as follows:

- The social security charged to the ESSER and GEER grants totaled \$17,588 and \$3,730. Social security included Social Security and Medicare taxes at the federal mandated rates of 6.2 and 1.45 percent, which we recalculated using a combined rate of 7.65 percent of the employee’s gross total salaries. The recalculated amounts agreed with the social security amount charged to the grant. However, in our review of the District’s payroll reconciliation for the fiscal year 2021, we found discrepancies between the general ledger salary accounts total and the Form 941 for the period from July 1, 2020 to June 30, 2021, the total salaries, and payroll taxes for two of the four quarters had unreconciled differences totaling (\$809.11), for which District officials had no explanation.
- The workers’ compensation insurance charged to the ESSER and GEER grants totaled \$8,599 and \$1,824, which was calculated at a rate of 3.74 percent of total gross salaries. The District is self-insured for workers’ compensation insurance through a consortium of twelve schools and provided a copy of the Workers’ Compensation plan liability report on June 30, 2019 with 2020 funding level projections. However, the District did not provide supporting documentation of the 3.74 percent rate, total workers’ compensation costs for FY 2021, invoices, allocation methodology of total costs, or payment documentation. The Business Manager/District Treasurer stated the rate calculations for both workers’ compensation and unemployment insurance were performed by a former employee and they continued to use the same rates previously calculated. District officials did not know when the rates were last

calculated or have any other documentation. The workers' compensation insurance charged the ESSER and GEER grants totaling \$8,599 and \$1,824 were not supported.

- The unemployment insurance charged to the ESSER and GEER grants totaled \$3,449 and \$731, which were calculated at a rate of 1.5 percent of total gross salaries. The District is registered as a reimbursable employer that pays dollar for dollar on unemployment charges and is billed quarterly by the state. The District provided copies of the FY 2021 Benefit Charged Detail Reports for each quarter, which totaled \$81,988. District officials did not provide documentation or an explanation how the rate was determined, unemployment insurance expense account general ledger detail, allocation methodology for total unemployment insurance costs, or payment documentation for the quarterly claims. The workers' compensation insurance charged for ESSER and GEER grants totaling \$3,449 and \$731 were not supported.
- The teachers' retirement system (TRS) charged to ESSER and GEER grants totaled \$21,910 and \$4,647, which were calculated at a rate of 9.53 percent of the total gross salaries. The District provided the final bill documentation from the TRS website to confirm the FY 2020-21 contribution rate was 9.53% and we found the charges were reasonable. However, the District did not reconcile the fiscal year 2021 total teacher retirement contributions (i.e., employer and employee) paid through a reduction of the District's State Aid payment with the payroll system annual teacher retirement reports, and the general ledger expenditure detail account. When we recalculated the total contributions, we found there was an unexplained variance. Specifically, the amount paid through a reduction in the District State Aid was \$40,612 more than our recalculated contributions.
- The health insurance charged the ESSER and GEER grants totaled \$77,084 and \$1,070. We recalculated the amounts charged to the grant for health insurance utilizing the GJSD rates notification provided to the employees for FY2021, the JTA bargaining agreement employer contribution percentages, and the CDPHP invoice for June 2021. The total health insurance costs for employees charged to the ESSER and GEER grants for FY 2021 were \$81,403 and \$16,705, which exceeded the amount charged to the grants, and District officials stated the costs that were charged to the grants were limited to the budget amounts. However, instead of allocating these costs monthly, the District waited until the end of the grant performance period and made a journal entry for the budgeted amount. The District was advised that costs should be allocated when they are incurred and not to wait till the end of the grant performance period.

The lack of documentation for employee benefits and discrepancies noted above are the result of the District not having detailed written policies and procedures for employee benefits management. Additionally, staff were not trained in all aspects of benefit calculations and did not have knowledge of the rate calculation methodologies.

Recommendation:

We recommend the Board and District officials:

1. Establish written procedures for all employee benefits the District manages that include detailed steps on how each is managed including enrollment, documentation, employer and employee sharing, and payment processing for both the employer and employee.

2. Ensure adequate documentation is maintained to support employee benefit rates and charges to federal grants
3. Ensure that when there is a staff vacancy, all of the duties of the position are reassigned to staff that have been previously cross trained and District officials or supervisors are knowledgeable of all functions under their direction, including benefit rate calculations and costs allocation methodologies.
4. Perform quarterly payroll reconciliations between general ledger accounts and Form 941, NYS-45, and TRS employee contributions to ensure expenditures are accurate and in agreement. If adjustments or discrepancies are identified, explanations should be documented.
5. Contact the Department's Office of ESSA-Funded Programs for instructions, referencing this report, and submit a revised Final Expenditure Report through the NYSED Application Business Portal reflecting a reduction of \$12,048 (ESSER) and \$2,555 (GEER) for the unallowable/questioned costs reflected in this report. The Grants Finance Office will send Form FS-80, Notice of Overpayment, to your District confirming the amount overpaid, and provide remittance instructions.

District Response:

While the District provided much documentation and information concerning fringe benefits during the audit process, including our preliminary responses dated September 25, 2023, we recognized the need for written procedures including methodologies for calculating benefit costs charged to Federal grants, staff understanding and knowledge, and the timeliness in which benefits costs are charged and reconciled to Federal grants.

The district submitted as part of the comprehensive procedures manual, procedures regarding employee benefits charged to Federal grants, including cost methodologies as per the recommendation above as of February 21, 2024. In addition, by April 1, 2025, the District will expand upon the written procedures for workers' compensation and unemployment, minimally: the methodology and components of the annual rate calculation, updates to the payroll system for rate changes, how it allocates the costs each pay period, how the accounts are funded or paid, reconciliation of costs, and the frequency of these reconciliations. .

Further, as mentioned previously, the structure of the Business and Human Resources functions and job responsibilities has been updated since the use of these funds, and has been refined more since December 1, 2023. This has allowed for more cross-training of key functional areas and will continue to provide continuity of operation moving forward. A copy of these job responsibilities are included in the comprehensive procedures manual.

Effective January 1, 2024, the District formalized the quarterly payroll reconciliation between general ledger accounts and Form 941, NYS-45, and TRS employee contributions to ensure expenditures are accurate and in agreement. This is inclusive of documenting adjustments or discrepancies found, which we believe, was the essence of the recommendation.

Moreover, per recommendation number two (2), the fiscal year 2021 invoices with payment documentation were sent under separate cover for workers compensation and unemployment

insurances. The District requested a review of previously submitted documentation concerning workers compensation and unemployment be performed. As a result, the final report noted, “no documentation supporting the rate calculation methodology, allocation methodology, or reconciliation of the total costs was provided. Consequently, we could not determine if the unemployment insurance and workers’ compensation insurance costs were accurate since the District did not provide all requested documentation. We determined the District has questioned costs in regard to employee benefits of \$12,048 (ESSER) and \$2,555 (GEER), respectively.” The District will, by December 1, 2024, contact the Department's Office of ESSA-Funded Programs for instructions, referencing this report, and submit a revised Final Expenditure Report through the NYSED Application Business Portal reflecting a reduction of \$12,048 (ESSER) and \$2,555 (GEER) for the unallowable/questioned costs reflected in this report.

Thank you for the opportunity to share our responses to the Audit Report, and for the time and attention your team spent with our staff during the course of this audit.

Sincerely,

William T. Crankshaw
Superintendent of Schools

Alicia D. Koster
Assistant Superintendent

Cf: Board of Education Approval, December 2, 2024
Ms. Melissa Baker, School Business Manager