

Greater Johnstown School District

Payroll

MARCH 2019



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

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Report Highlights

Greater Johnstown School District

Audit Objective

Determine whether employee salaries and wages were accurately paid.

Audit Results

District officials ensured employees were accurately paid their approved salaries and wages. We reviewed all payroll records for 35 employees who were paid approximately \$1.7 million during the audit period. District officials effectively designed and implemented procedures to ensure that compensation payments were accurate and properly authorized.

There were no recommendations as a result of this audit.

District officials agreed with our audit results.

Background

The Greater Johnstown School District (District) is located in Fulton County and serves the Cities of Johnstown and Groversville and the Towns of Ephratah, Johnstown and Palantine. The District is governed by a Board of Education (Board) comprised of nine elected members that is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools is responsible for the District's day-to-day management.

The District's payroll clerk is responsible for processing payroll. The School Business Manager oversees the payroll process to ensure accuracy prior to printing and disbursing payroll checks.

Quick Facts

Employees	490
2018-19 Appropriations	\$35.6 million
2017-18 Salaries/Wages Paid	\$13 million

Audit Period

July 1, 2017 – September 31, 2018

Employee Compensation

How Should District Officials Ensure Employees Are Paid Accurately?

Employee salaries and wages are a significant portion of District operating expenditures. The Board should establish and approve all salary and hourly wages by position or in a collective bargaining agreement (CBA) or individual employment contract. The Business Manager is responsible for ensuring that a system is in place to pay the agreed-upon salaries and wages and record these transactions in the financial system. Supervisors should sign or initial employees' time records to evidence their review and approval of hours worked. A well designed payroll process adequately segregates duties and provides an oversight and review process, to the extent possible, based on staffing levels. Changes to payroll must be authorized by someone independent of the payroll process. Payrolls should be reviewed for accuracy prior to the disbursement of paychecks.

Employee Salaries and Wages Were Accurately Paid

The Board approves new positions and authorizes employee hiring. Employee salaries and wages are established according to the terms in CBAs, individual contracts and Board resolutions. The Assistant Superintendent of Schools (Assistant Superintendent) provides Board minutes and a new-employee hire form, including new employees' positions and pay rates, to the payroll clerk (clerk) responsible for entering employee names, pay rates and positions into the District's payroll system, and for processing payroll.

The manual time sheets are submitted to the payroll clerk prior to the deadline for processing payroll. The clerk reviews the timesheets for mathematical accuracy and supervisory approval and assigns expenditure codes. The time sheets are then grouped by expenditure code and entered into a spreadsheet to calculate the biweekly gross pay for the period, and the clerk enters the payroll information into the District's computerized payroll system for processing. After the payroll is processed, the clerk generates several reports which include gross pay, net pay, deductions, direct deposits and a variance report indicating changes from the prior payroll. To ensure accuracy and provide additional oversight, the Business Manager reviews the reports generated by the clerk. On a biweekly basis, designated supervisors review and approve the time records of employees who are independent of their supervision. Following this review, the clerk notifies the Business Manager of the total number of checks and total amount of funds necessary for the payroll expenditure. After being notified, the Business Manager inputs her unique password into the financial management system and signs the checks electronically. Finally, the Assistant Superintendent reviews and certifies the payroll by signing the payroll certification page.

We reviewed the gross pay calculations of 35 employees¹ in 2017-18, totaling \$1,733,746, to determine whether the annual earnings were accurate and in accordance with CBAs, individual contracts and Board resolutions. We also verified the number of hours employees worked and were paid for by comparing them to manual timesheets approved by Supervisors to support biweekly payments made during four pay periods to the 35 employees. We found that annual salaries, wages and biweekly payments were accurate and paid as authorized.

Conclusion

District officials effectively designed and implemented procedures to ensure that compensation payments were accurate and properly authorized. Employees' salaries and wages were accurately paid and in accordance with Board-approved contracts, resolutions and CBAs.

¹ See Appendix B for our sample selection methodology.

Appendix A: Response From District Officials



Greater Johnstown School District

Administration Center • 1 Sir Bills Circle, Suite 101, Johnstown, NY 12095 • Telephone 518-762-4611

Patricia N. Kilburn, Ed. D.
Superintendent of Schools
Nicole M. Panton
Coordinator of Curriculum & PD
Fax: 518-762-6379

Ruthie D. Cook
Assistant Superintendent
Melissa L. Baker
School Business Manager
Fax: 518-762-3127

February 25, 2019

NYS Office of the State Comptroller
Division of Local Government and School Accountability
One Broad Street Plaza
Glens Falls, NY 12801-4396

Re: Draft Report of Examination – Payroll – District Response

To the Office of the State Comptroller:

The Greater Johnstown School District has reviewed the draft audit referenced above, which was transmitted to the district by electronic mail on February 15, 2019. In addition, the Assistant Superintendent, Business Manager and I attended an exit conference to discuss the findings and the process of response to this audit.

Upon review, the District is in agreement with the draft report noted therein. As noted in the report, District officials ensured employees were accurately paid their approved salaries and wages. District officials effectively designed and implemented procedures to ensure that compensation payments were accurately and properly authorized. As a result of this audit, there were no recommendations.

On behalf of the Board of Education and District Administrators and Staff, I would like to thank and acknowledge the Office of the State Comptroller for their courtesies and professionalism during this review. We appreciate your comments made during this audit.

Sincerely,

Patricia N. Kilburn, Ed. D.
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 New York State General Municipal Law. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed District officials and employees and reviewed District policies, CBAs, individual employee contracts, Board resolutions and various financial records and reports. We also physically observed the payroll process to gain an understanding of the District's procedures related to the payroll process.
- We judgmentally selected 35 employees (11 percent of full-time employees) to obtain a sample that included six hourly, 10 instructional and 19 non-instructional employees. We reviewed their salary documentation and had discussions with District officials to determine the employees' authorized annual compensation. Our selection included the Assistant Superintendent, Business Manager and payroll clerk who are directly involved in the payroll process. We compared the annual gross salaries paid from July 1, 2017 through June 30, 2018 to the authorizations for each employee.
- We judgmentally selected four payroll periods to determine whether the selected employees were accurately paid. We selected the October 12 and December 7, 2017 payrolls during the 2017-18 school year to examine pay periods in the first few months of the school year. We also selected the June 21 and June 22, 2017² payrolls as the last pay dates in the school year which, therefore, have an increased risk of unauthorized transactions being made before the year closes and errors occurring due to employees receiving multiple checks. We also chose one pay period from the 2018-19 school year (the September 27, 2018 payroll) to test the accuracy of payroll at the beginning of the school year when office/school routines are being established, and new pay rates are in effect. We compared the payroll registers to the electronic time records and the manual sign-in logs to determine whether the payrolls were adequately supported.

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.

² The District established two pay dates in June, which both encompass the same pay period. June 21 is the regularly scheduled biweekly payroll and June 22 is for additional payroll obligations due to be paid prior to the end of the school year (i.e., separation payments and payments to those electing to be paid salaries over 12 months rather than 10 months).

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/pubs/cyber-security-guide.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.ny.gov

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

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

GLENS FALLS REGIONAL OFFICE – Jeffrey P. Leonard, Chief Examiner

One Broad Street Plaza • Glens Falls, New York 12801-4396

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