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**Chappaqua Central School District
Intensive Review of Payroll
(With District's Response)**

Fulfilling the State Mandate for the Year ending June 30, 2020

Chappaqua Central School District

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TOBIN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS, PC

To the Board of Directors
Chappaqua Central School District
Chappaqua, New York

We have performed a review in the area of Payroll for the Chappaqua Central School District (the District). as agreed to by the Chappaqua Central School District (the District) for the year ended June 30, 2020. The purpose of this engagement is to ensure compliance with applicable New York State laws, regulations under the Fiscal Accountability Initiative and District's contractual agreement.

Our report provides results of attribute testing performed on the selected area.

We are pleased to have had the opportunity to serve you and look forward to reviewing this report in detail with you. We would also like to thank the Board of Education and the employees of the Chappaqua Central School District for their time and assistance during our engagement.

Sincerely,

Tobin & Company
Certified Public Accountants, PC

Tobin & Company
Certified Public Accountants, PC
March 24, 2020

Risk Assessment

At the request of the Board of Education of the Chappaqua Central School District "the District" we performed an Intensive Review of Payroll.

During our engagement we performed the following procedures:

- 1) Interview staff responsible for generating, approving and recording of payroll.
- 2) Conducted attribute testing of payroll processes and documentation including:
 - a) Time sheet paper and electronic approval process.
 - b) Payroll comparison report approval process.
 - c) Transaction register certification.
 - d) Confirmation of tax deposits.
- 3) Review of time sheets for proper approval to determine if the approved number of hours matched to the respective payroll register.
- 4) Reviewed the accuracy of attendance records by comparing the attendance sheets to the respective Aesop (automated attendance system) reports, and nVision (District accounting software).
- 5) Performed a test of payroll cutoff dates for a sample of former employees to determine proper:
 - a) Termination effective date.
 - b) Board approval.
 - c) Last payroll date.
 - d) Calculation of final payout computation present.
- 6) Reviewed security procedures over payroll relating to employee bank account information, employee change requests, and payroll wires.
- 7) Review of annual salary rollover computation for accuracy.

Key positions interviewed during our process were as follows:

Assistant Superintendent for Business

District Treasurer

Senior Office Assistant

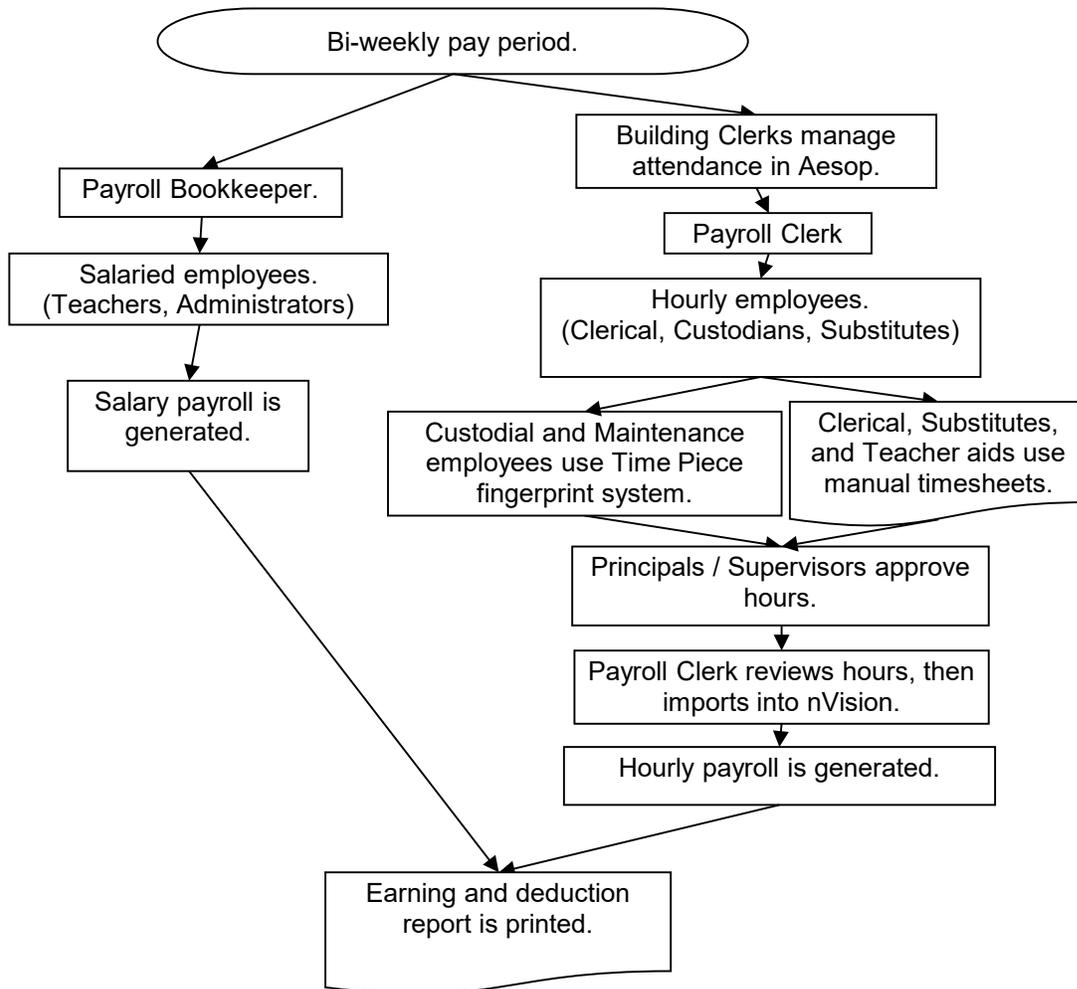
Payroll Bookkeeper

Payroll Clerk

Human Resource Assistant

Accountant

Payroll Process Overview



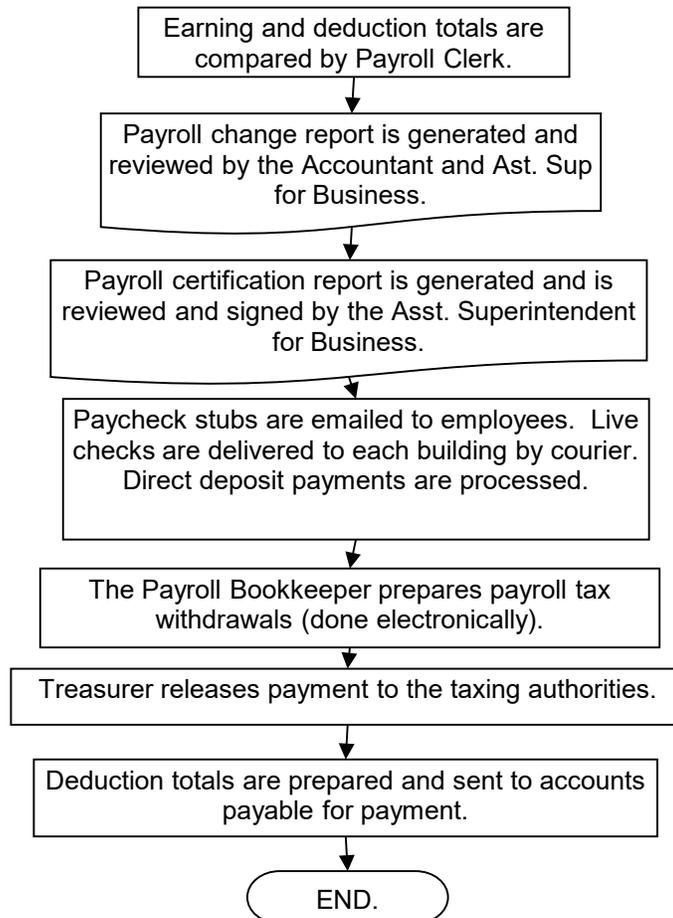
The District processes payroll on a bi-weekly pay schedule and the Payroll Department has two employees: a Payroll Bookkeeper and a Payroll Clerk. The Payroll Bookkeeper concentrates on contractual employees such as Teachers and Administrators, and the Payroll Clerk concentrates on hourly employees such as Clerical, Custodial, and Substitute Teachers.

All bargaining units, with the exception of Teachers and Buildings and Grounds employees, are required to fill out daily timesheets to track attendance and time worked. The Payroll Clerk enters hours from time sheets and uploads Aesop time into nVision to generate payroll. Teacher's hours are contractual, so no time sheets are needed. Earnings and Deductions reports are printed.

Chappaqua Central School District

Observations and Recommendations

Payroll Process Overview (continued)



Transaction reports as well as payroll change reports are printed for salaried and hourly employees and reviewed for accuracy by the Payroll Clerk. Payroll change reports are also reviewed by the Payroll Bookkeeper, Accountant, and Assistant Superintendent for Business.

Direct Deposit is set up and payroll stubs and checks are then printed and held while payroll certification report and payroll comparison report are reviewed by the Assistant Superintendent for Business. Once certified, direct deposit payments are released, and live paychecks (for those employees still requesting) are stuffed into envelopes and delivered by courier to each building. Paystubs are e-mailed to employees. The Treasurer is given a transaction journal, which is used to transfer funds to the payroll bank account to cover the cost of payroll for the period.

The Payroll Clerks prepare electronic payroll tax payments and cut the appropriate accounts payable checks for payroll deduction disbursements. The Payroll Clerk initiates wire transfers and the Treasurer releases. Quarterly payroll tax returns are prepared by the Payroll Bookkeeper in nVision. These tax forms are reviewed and subsequently filed with the respective agencies.

Chappaqua Central School District

Observations and Recommendations

Payroll Overview (continued)

Existing Controls in Place

- 1) **(Review Control)** The Payroll Clerks review error reports each pay period.
- 2) **(Review Control)** Payroll change analysis reports are reviewed by the Payroll Bookkeeper, Accountant, and Assistant Superintendent of Business for variances prior to payment release.
- 3) **(Management Approval)** Payroll is certified by the Assistant Superintendent for Business prior to payment.
- 4) **(Segregation of Duties)** Uncollected checks are delivered to the Treasurer.
- 5) **(Efficiency and Confirmation)** Paystubs are either emailed, delivered, or mailed to employees. The District is successful in getting all but one employee to be on the direct deposit method.
- 6) **(Existence of Employees)** The District performs an annual live payroll distribution; this process is performed independently of the Payroll Department.

Test Results

During our engagement we performed tests of payroll documentation for two payroll periods for existence of the following attributes:

- Time sheet approval by appropriate Department Supervisor/Building Administrator.
- Payroll comparison report approval.
- Transaction register certification.
- Confirmation of tax deposits and approval.

We noted no exceptions.

Time Sheets

With the exception of Teachers and Buildings and Grounds employees, timesheets are used by all bargaining units. Buildings and Grounds employees use Time Piece to log hours worked. Teachers are not required to fill out timesheets since their hours are contractual. Time sheets must be signed by a supervisor and must specify an employee's time in, time out, total hours worked, total overtime hours, and if he/she was absent for a particular day. The time sheet must specify the reason (i.e.: vacation, sick, personal day, etc..) if the employee was not present. This information is then manually entered into nVision by the Payroll Clerk. Most employees use the Absence Management software in conjunction with time sheets. These employees must log into their Absence Management account and enter their absent date and the reason. This information is then uploaded into nVision.

Existing Controls in Place

- 1) **(Management Approval)** Administrator signature approval is required on all timesheets.
- 2) **(Recalculation and Accuracy)** The Payroll Clerk recalculates time worked per timesheets for accuracy.
- 3) **(Accuracy and Confirmation)** As an additional control to track attendance, bargaining units, with the exception of Teachers and Buildings and Grounds employees, use Absence Management to inform the District when they are absent.

Chappaqua Central School District

Observations and Recommendations

Time Sheets (continued)

Test Results

During our engagement we sampled 70 time sheets for testing. During our test we looked for employee and supervisor signatures, and we traced the hours back to the payroll register. In addition, we also traced absences noted on the employee time sheet to attendance records in nVision, and the timeliness of submission of timesheets. All 70-time sheets had proper approval from the Department's supervisor or school Principal/Assistant Principal. We did note the following exceptions:

- We noted one instance where an employee's time sheet indicated a half-day sick day. However, this was not entered into nVision.
- We noted various instances where timesheets were submitted 2 to 3 days after the required submission date. In addition, we noted one instance where a timesheet was not submitted until 9 days after the required submission date.

Observations and Recommendations:

- 1) Observation (Employee Signature Line): Most time sheets list multiple employees but do not have an employee signature line.
Recommendation: Time sheets with multiple employees listed should also require signatures of each employee next to their respective hours. Having employees sign their respective time sheets helps to ensure that the time sheets are accurate by forcing the employee to attest to the hours being reported.
- 2) Observation (Timing): Although the Payroll Department requests that weekly time sheets and Aesop attendance reports be submitted by the following Tuesday morning after the end of the prior week, we noted that this was not consistently followed by various schools and departments.
Recommendation: In order to give the Payroll Department sufficient time to accurately record timesheet information and ensure all required documentation is in order, the District should continue to stress to each department and school the importance of submitting timesheets on time.
- 3) Observation (Overtime Efficiency): Employees are not required to specify overtime reasons on time sheets.
Recommendation: As part of best practice, the District should consider having employees provide a brief description of purpose of overtime on their timesheets. This could assist the District in determining whether efficiency improvements can be made in daily processes as well as help control overtime.
- 4) Observations (Time Tracking Efficiency): Although the District has the Timepiece biometric software, only Buildings and Grounds employees use it to track hours worked.
Recommendation: If feasible, the District should consider transitioning all employees to Timepiece. This could result in a more efficient means of tracking employee time as well as help reduce the potential errors associated with manual data entry and help control overtime.

Chappaqua Central School District

Observations and Recommendations

Time Sheets (continued)

5) **Observation (Compensatory Time):** Clerical employees have the option to request compensatory time instead of an overtime payment for hours worked in a week greater than their contractual requirement. Although the standard timesheet requires employees to separate contractual hours and overtime hours, we noted no designated location for employees to fill in compensatory time earned. Instead, we noted instances where this is either written in the overtime box or in another location on the form. This could potentially lead to errors when the Payroll Clerk manually inputs this information into nVision. Potential errors include inadvertently not inputting the time or mistaking compensatory time for overtime.

Recommendation: The District should update its timesheets to include a designated area for compensatory hours earned. This should be kept separate from overtime to allow the Payroll Clerk the ability to accurately distinguish and record the two.

Attendance

The District utilizes Absence Management for daily attendance tracking. Each employee has their own log in and can directly enter absences, requests for time off, sickness, and personal days. From this software, substitutes are selected and assigned to fill in for an absent teacher. Each school and the Business Office have a designated clerk in charge of managing Absence Management. Their responsibilities include submitting the attendance records timely to the Payroll Department as well as reconciling daily time sheets to Absence Management for accuracy. In addition, clerks also have override capabilities should an employee make a mistake or if they are unable to enter an absence. Employees are locked out from entering absences after 5 am each morning. Should employees not enter their absence prior to the cutoff time, the designated clerk must be notified by the employee and enter the absence into the system.

Every Tuesday, the Payroll Clerk receives an email with an attachment allowing her to transfer daily attendance records from Absence Management into nVision.

Existing Controls in Place

- 1) **(Automation)** Absence Management reports are directly uploaded into nVision. Except for certain instances, this eliminates the need for manual entry of attendance.
- 2) **(Management Approval)** Substitute teachers must be assigned by the school, teacher, or by the Human Resources Department in order for them to be entered into Absence Management.
- 3) **(Reconciliation)** Aesop is reconciled at the building level before Payroll reviews the information. Reports are certified by the Principal or Assistant Principal and submitted the Payroll Department.
- 4) **(Confirmation)** The Senior Office Assistant maintains a binder with backup of all the changes she is requested to make in Absence Management.

Test Results

During our engagement we reviewed the accuracy of attendance for a sample of 22 employees by comparing Absence Management reports for the period from January 6 through January 17, 2020 to the nVision absence reports of the same period. **We noted no exceptions.**

Chappaqua Central School District

Observations and Recommendations

Attendance (continued)

Observations and Recommendations:

- 1) Observation (Aesop Override): Designated clerks can make overriding entries in Absence Management. These are generally done if any employee does not submit their absence prior to the cutoff time or if there is a mistake entering a request into the system.
Recommendation: While we noted no exceptions, the District should consider running periodic audit trails within Absence Management to make sure there are no consistent patterns or unauthorized changes. The District should also consider this same process with Timepiece for Buildings and Grounds employees.

- 2) Observation (Aesop Usage): While the District does use the Absence Management software, they do not use it to its full capabilities.
Recommendation: Absence Management has the capability of restricting employees from entering absences once they have exceeded their contractual time off. As an additional control, we recommend the District consider implementing this feature.

Salary Rollover

The District uses two different processes for the annual salary rollover. Teachers are reviewed and processed in nVision's Negotiations Manager module. Calculations for Administrators and Teaching Assistants are performed in Microsoft Excel with schedules created by the District Accountant.

Existing Controls in Place

- 1) Schedules are created by the Accountant and then independently reviewed by the Human Resources Assistant and the Senior Office Assistant.

Test Results

During our engagement we reviewed and recalculated the contracted salary rollovers for 100 Teachers, Administrators, and Teaching Assistants. We noted one exception.

- The District did not give one Teaching Assistant her contractual ten-year base enhancement adjustment of \$1,294. As a result, the employee's June 30, 2019 and June 30, 2020 salaries were incorrect, and the employee was underpaid.
 - Since bringing this finding to the attention of the District, the Teaching Assistant has been notified, a separate payroll check has been issued for their prior year underpayment, and their current year payroll has been corrected.

Observations and Recommendations:

- 1) Observation: (Independent Review Improvement) While we did note an independent review of salary rollover schedules during our interview process, which is a valuable control, we did not see any signatory approval indicating when and who the reviewer was. We noted one instance where the projected salary schedule was prepared prior to the approval of an administrator's contract. Although we confirmed actual payment for the employee was accurate, the schedule itself was outdated.
Recommendation: As an additional control, we recommend the reviewer date and sign off on the schedule. This will help ensure the salary rollover schedule is current and up to date.

Observations and Recommendations

Payroll Cut-off

Upon retirement, employees can cash out their remaining vacation and sick time. Unused accrued sick days are paid at a contractual rate set forth in each bargaining unit's contract. In addition, payment varies depending on the employee's bargaining unit. For instance, Clerical and Custodians can cash out approved accrued unused sick days and receive payment in a final payroll check. In contrast, Teachers' and Administrators' approved accrued unused sick days are paid through Accounts Payable and payments are directly wired to the employees' OMNI 403(B) accounts.

Existing Controls in Place

- 1) **(Exit Checklist)** The Payroll Department uses an exit interview checklist. The exit interview checklist highlights important details, such as the employee's leave date, remaining unused accrued sick and vacation days used to calculate final payouts, and important benefit information.
- 2) **(Cross Check and Management Approval)** Final sick pay calculations for teachers' and administrators' 403(B) accounts are prepared by the Accountant, reviewed by the Payroll Bookkeeper, and then approved by either the Treasurer or Assistant Superintendent for Business.

Test Results

During our engagement we reviewed the payroll for 18 randomly selected employees who were recently terminated, resigned, or retired to determine when their respective end dates were effective, whether a final payment calculation was present, and whether the final payroll date was appropriate. For any employee whose last payroll date was after the termination date, we reviewed to ensure that payroll was for vacation time, sick time, longevity pay, etc.

No exceptions were noted during these tests.

Observations and Recommendations:

- 1) **Observation (Exit Checklist Improvement)**: While we do believe the use of the above exit interview checklist is a good control, we noted that the checklist does not include a line indicating the employee's bargaining unit. Important payroll information, such as dollar value of unused accrued sick pay, is driven by each bargaining unit contract.
Recommendation: The District should consider adding a line on the payroll exit interview checklist to indicate the employee's bargaining unit. This would assist in the review process and could easily tie back to the bargaining unit's contract to ensure that final pay rates are accurate.
- 2) **Observation (Cross Check)**: Although an employees' accrued vacation and sick days are housed in nVision, the Payroll Department must manually enter these days in the Payroll module when preparing the employee's final check. There is no independent review to check if days paid agree to the employees accrued days.
Recommendation: Prior to processing an employee's final payout for accrued vacation and sick days, an independent Department, such as Human Resources, should review and approve the total number of days and rates being paid for accuracy.

Chappaqua Central School District

Observations and Recommendations

Payroll Security

During our engagement, we reviewed security procedures over payroll processing.

Existing Controls in Place

- 1) **(Segregation of Duties)** Payroll wires require two independent employees: an initiator and approver.
- 2) **(Security and Confirmation)** In the event an employee requests to change their direct deposit banking information, they must fill out and sign a change form. E-mails are not accepted, and the employee must physically submit the form to the Payroll Bookkeeper for the banking information to be changed.

While we noted overall good controls, the District may want to consider the following recommendation:

Observations and Recommendations:

- 1) **Observation (Positive Pay):** The District does not utilize "Positive Pay" for payroll.
Recommendation: As a deterrent to check fraud, the District should consider using positive pay for payroll. This procedure is already used for the accounts payable process. The process would involve uploading an electronic file of authorized printed checks to the District's bank. The District's bank would then use this to match the checks authorized by the District to those presented for payment. Any checks presented for payment that do not match the submitted listing will be rejected with notification send to the District. During our interviews we noted that the Treasurer is currently inquiring about the possibility of implementing this.

Conclusion

Overall, we noted strong controls regarding Payroll. However, we do feel that the controls can be improved by implementing the recommendations we have made.

Making additions and modifications to the existing controls as we have recommended will be sufficient to avoid inaccuracies in the future.

We encourage the Board of Education and Administrators of the Chappaqua Central School District to contact us at any time for our guidance on how to implement these recommendations, as well as any other controls they wish to put in place.



Chappaqua Central School District

John L. Chow
Assistant Superintendent for Business

Christine Ackerman Ph.D.
Superintendent of Schools

To: Dr. Ackerman and the Board of Education

From: John Chow & Cathy Lynch.

Re: Response to the Intensive Internal Audit Review of Payroll

This is the District's response to the above-mentioned intensive reviewed conducted by the Internal Auditor, Tobin & Company. On May 26, the District's Audit Committee met with the auditor and reviewed this report in detail. The Committee is making a recommendation to the Board of Education to accept this report.

The Auditor made the conclusion that overall, they noted strong controls regarding the Payroll function. However, they feel that controls can be improved by implementing the recommendations they have made.

Management reviewed all the observations and recommendations cited in the report. And accepts all the recommendations and will implement them either immediately or during the next school year, except for the following two recommendations.

Time Sheets Recommendation #4 (page 6):

Recommendation: If feasible, the District should consider transitioning all employees to Timepiece. This could result in a more efficient means of tracking employee time as well as help reduce the potential errors associated with manual data entry and help control overtime.

District Response: Currently only the custodial staff are on the Timepiece. This is a complex issue and it may not be feasible to accept this recommendation. District is not rejecting the recommendation outright but will need more administrative review. The legality, morale and costs are all issues that the District needs to take into consideration before a decision can be made.

Payroll Cut-off Recommendation #2 (page 9):

Recommendation: Prior to processing an employee's final payout for accrued vacation and sick days, an independent Department, such as Human Resources, should review and approve the total number of days and rates being paid for accuracy.

Chappaqua Central School District

District Response: Currently there are three staff members prepare, review and sign off on these calculations – Accountant, Payroll Clerk and the Assistant Superintendent for Business. At the payout time, the Treasurer will review it once more because funds are wired. We feel this is sufficiently adequate for this process and therefore will keep the current procedures.

The district is committed to implementing best practices and these recommendations will help us reach that objective.

