

**Center for Instruction, Technology & Innovation**

**Internal Audit Report - Payroll and Human Resources  
July 1, 2020 – June 30, 2021**

April 12, 2021

Audit Committee Members  
Center for Instruction, Technology & Innovation  
179 County Route 64  
Mexico, NY 13114

Dear Audit Committee Members:

Bonadio & Co., LLP was engaged by the Center for Instruction, Technology & Innovation (CiTi BOCES) to fulfill the requirements of the Internal Audit Function in accordance with the provisions of the 2005 Public School District Accountability Act. We have been contracted by the CiTi BOCES to evaluate the policies and procedures in place regarding the internal controls over the payroll and human resources function as well as conduct transactional testing and recalculations of certain types of payroll transactions.

The results of our testing, which are included in this report, have been communicated to the CiTi BOCES Administration, whose responses have been included in this document.

This report is intended solely for the information and use of CiTi BOCES Administration, the Audit Committee, and others within CiTi BOCES and is not intended to be and should not be used by anyone other than those specified parties.

We would like to acknowledge the cooperation extended to us during our examination by the employees of CiTi BOCES.

If you have any questions concerning this report, please feel free to contact us at any time.

Very truly yours,

BONADIO & CO., LLP



by:  
Keeley Ann Hines, CPA  
Principal

432 North Franklin Street, #60  
Syracuse, New York 13204  
p (315) 476-4004  
f (315) 254-2384

[www.bonadio.com](http://www.bonadio.com)

## **SECTION I: EXECUTIVE SUMMARY**

### **Purpose and Scope**

The purpose of this engagement was to perform procedures to obtain an understanding of the design and effectiveness of the internal control environment surrounding the Payroll and Human Resources function as it relates to the applicable policies and procedures of the Center for Instruction, Technology & Innovation (CiTi BOCES).

For further information related to the scope of testing, see Section II. Testing Process.

In performing our engagement, we relied on the accuracy and reliability of information and responses provided by District personnel. We have not audited, examined or reviewed the information or responses, and express no assurance on it. Had we performed additional procedures, other may have come to our attention that would have been reported to you in our Observations and Recommendations section of this report.

### **Responses from Administration**

The Districts Administration's responses to our observations identified in our report are described as part of a corrective action plan assembled by Administration under separate cover. We did not audit the District responses and, accordingly, we express no opinion on them.

### **COVID-19 Disclosure**

B&Co. observations and recommendations within this report do not consider any rules, regulations, legislative requirements, or best practices issued by the Centers for Disease Control and Prevention (CDC), the Federal Emergency Management Agency (FEMA) the New York State Department of Health, New York State Department of Labor, or the New York State Education Department. Before implementing any corrective action, Administration should consider any compliance requirements that may be applicable as it relates to federal and state guidelines over FMLA, and other aspects of the payroll and human resources function.

### **Confidentiality**

This report is confidential and should be distributed only to those with a need to know and who are authorized to the information; the District Board of Education, the District Superintendent, or the Assistant Superintendent for Administration. Bonadio & Co., LLP (B&Co.), the Internal Auditors, must approve the release of this report to anyone outside the District.

**SECTION II: TESTING PROCESS**

We considered and evaluated the following controls:

- |  |   |
|--|---|
| 1. General   | <ul style="list-style-type: none"><li>• B&amp;Co. interviewed key personnel including Jennifer Raymond, Payroll, Bettie Jo Cronk, Personnel Assistant – Human Resources, Mark LaFountain, Assistant Superintendent for Personnel, Mary Soble, Human Resources – Typist, Kelly Wood, Treasurer, and Gisele Benigno, Coordinator of Business Management.</li></ul>  |
| 2. Understanding of the Design of the Internal Control Environment           | <ul style="list-style-type: none"><li>• We reviewed existing documented policies and procedures over the payroll and human resources function as it directly relates to new hires, hourly employees, terminated employees, teacher salaries (credits, longevity, etc.) and general controls.</li><li>• We observed key personnel performing job duties.</li></ul> |
| 3. Assessing the Operating Effectiveness of the Internal Control Environment | <ul style="list-style-type: none"><li>• We assessed the effectiveness of the design of existing policies and procedures through performance of walkthroughs, transactional testing, recalculations, and review of evidence for the existence of key controls.</li></ul>   |

4. Procedures and Testing
- Selected a random sample of 15 new employees that commenced employment on or after July 1, 2020 through February 4th, 2021, and performed testing procedures to ensure the employee had appropriate documentation in their employee file, their demographic and salary information were entered into WINCAP, they were approved by the Board of Education for hire, and their beginning pay rate was approved by management. We also performed a recalculation of their salary/compensation for the first pay period and agreed it to the payroll register.
  - Selected a random sample of 15 hourly employees paid on the first pay date of fiscal year 2021 (check date of July 17, 2020). For these 15 employees we performed procedures to ensure each employee's timesheet(s) was calculated accurately, approved by a supervisor, and agreed to the payroll register for the corresponding pay period. Each employee's hourly pay rate was also agreed to his or her union contract and/or personnel file (salary agreement signed by employee). We also performed a recalculation of their salary/compensation for the pay period and agreed it to the payroll register.
  - Selected a random sample of 5 terminated employees during the period of July 1, 2020 – February 4, 2021, and performed testing procedures to ensure the terminated employees date of termination was documented. We also performed a recalculation of the employees' final pay.
  - Obtained employee record information from WINCAP and performed an analysis to identify instances of duplicate employee numbers of current employees.
  - Performed an analysis to identify any duplicate direct deposit account(s) in which direct deposits for payroll were made.
  - Obtained payroll register detail for the period of July 1, 2020 through February 4th, 2021 and performed an analysis to identify instances of pay dates that differ from those listed on the fiscal year 2021 pay date calendar.
  - Identified instances of retro or special payroll runs performed during the period July 1, 2020 through February 4, 2021. From those payrolls, we randomly selected 2 individuals and performed a recalculation of their compensation on that pay date based upon employment agreement, contract, bargaining unit agreement etc.
  - Using a payroll ledger detail for the period July 1, 2019 through June 30, 2020, we will determine the top 5 compensated employees during the fiscal year ending June 30, 2020. We recalculated their annual compensation based upon employment agreement, contract, and/or bargaining unit agreement.

**SECTION III: OBSERVATIONS AND RECOMMENDATIONS**

**1. Hourly Employees**

**Observation**

We noted that in 1 out of 15 hourly employees tested for the July 17, 2020 pay date, it was found that they were only paid for 39 hours, when per review of their timesheet they worked 47 hours. This occurred due to the employee having a maximum of 6.5 hours per day in the settings of WINCAP, which was not correct. This resulted in the employee being underpaid by \$137.11 for the pay period.

**Recommendation**

We recommend the BOCES perform a recalculation of this particular employee's pay for the July 17, 2020 pay period and make the employee whole for the hours not initially paid to them. Additionally, we recommend a review of all hourly employees be performed to ensure their pay status is set correctly within WINCAP and they are able to receive their full pay amount based on hours worked. Lastly, we recommend that all timesheets be compared to the final payroll register to ensure employees are being paid for actual hours worked.

**Response**

*When establishing the migrant staff summer work schedule, the migrant tutors were defined as working a maximum 6.5-hour day, similar to our other summer schools. As such, timesheet schedules were established in WinCapWeb to max these staff out at 6.5 hours. After the first payroll was processed, the Migrant Education Director contacted us to indicate that employees were exceeding that time. Although we immediately opened the schedules moving forward, we failed to follow up on the time already paid.*

*A correction pay was issued on 2/26/2021 for 8 hours of underpayment for the employee identified in the audit observation. Also, verification was performed for all staff that could have been similarly affected and found four other employees with an additional 10.5 hours of underpayment, ranging from .75 hours to 5.5 hours each. Those were corrected on the 3/26/2021 payroll.*

*As a result of this finding, we have implemented the use of an "excessive hours" report showing hours worked/claimed more than the expected schedule. Effective April 2021, prior to processing each payroll, this report will be reviewed by the payroll clerk and the Coordinator of Business Administration to confirm and/or address instances of underpayment.*

## **2. General Observations**

### **Observation**

As a result of our testing, management reviewed the retro pay calculation and identified that 4 employees were overpaid as part of the November 6, 2020 retro pay. A pay increase of 2.75% less 10 cents was approved with the 2021 contract extension for supportive employees and Teaching Assistants. It was found that 4 employees did not have the 10 cents subtracted from their calculated increase. This was the result of these 4 employees being new in the current year and the initial calculations and formulas not being set up properly.

### **Recommendation**

Prior to payment, retro pay calculations should go through a review and approval process to ensure the components of the calculation are accurate for all employees. We recommend that management continue to take steps to recover the overpayments from these 4 employees.

### **Response**

*Since this error only impacted the starting rates in the new contract, the retro calculations were accurate for all employees except new hires. To mitigate this error in future retro payments, HR will share a printed copy of the starting salary schedules with the Business Office for proofing before they are printed and used for salary calculations. In turn, the Business Office will share all retro calculations with HR for verification prior to processing payments.*

*Regarding recovery of overpayment, salary corrections were made in the system, which automatically facilitated recapture of the overpayment by spreading the correction over the remaining pays for the impacted employees. Furthermore, should any of these employees leave prior to the end of the year, the system would still capture the correction in the calculation of final entitlement and pay.*

### **Observation**

On a quarterly basis, the Payroll Clerk is responsible for preparing and submitting Quarterly 941 forms to New York State. Currently, there is not an internal control in place to ensure these forms are submitted timely within established due dates.

### **Recommendation**

We recommend the BOCES develop a formal process to ensure quarterly 941s are always reviewed and submitted on a timely basis to New York State.

### **Response**

*Although the Treasurer receives the 941 reports and would signal their absence, the reports are also signed quarterly by the Assistant Superintendent for Administrative Services before they are given to the Treasurer. Moving forward, copies will also be given to the Coordinator of Business Administration who will have a calendar reminder set up to look for it. As a final measure of control, these reports are mailed certified/return receipt to guard against any mishaps with the U.S. Mail.*

**Observation**

The Payroll Clerk is responsible for submitting Teacher Retirement System reporting information to the State on a monthly basis. It was noted that there is not a review and approval process of the TRS monthly reporting prior to it being submitted by the Payroll Clerk.

**Recommendation**

We recommend that monthly TRS reporting be reviewed and approved by a second individual prior to submission.

**Response**

*Effective March 2021, the Payroll Clerk has begun sharing a printout of the TRS report monthly with the Coordinator of Business Administration, who will sign-off prior to its submission.*

**Observation**

Per review of the BOCES Family Medical Leave Act (FMLA) policy, there is not a clear policy in place for when the employer must send an FMLA notice to employees on sick leave, and how using FMLA will affect an employee's longevity, seniority, or probationary period. Additionally, per discussion with BOCES personnel, it does not appear there is a consistent process in place for tracking leave days used by all employees.

**Recommendation**

To ensure compliance with FMLA, we recommend the District adopt a policy that employees must be provided an FMLA notice within five business days of the employee requesting leave. Additionally, we recommend the BOCES adopt a policy that specifies how FMLA leave used by employees will affect an employees' longevity, seniority, or probationary period, while considering any federal or state compliance requirements.

Lastly, we recommend the BOCES develop procedures to be applied consistently across all employees for tracking leave days used, to ensure compliance with all adopted FMLA policies.

**Response**

*New procedures regarding FMLA notifications have been instituted this year, including notification to employees within 48 hours, regardless of whether they have formally requested an FMLA leave (i.e.: once a leave has been identified as FMLA eligible, notification is automatically sent to the employee).*

*Regarding the impact of FMLA leave to employees, the Assistant Superintendent for Human Resources and Coordinator of Business Administration will seek guidance from legal counsel and will create a chart outlining instances of when to alter seniority, longevity, and probationary periods.*

*On the tracking side, a financial system review has begun and identified the need to create new leave categories to make tracking more efficient. This work is in progress and being overseen by the Coordinator of Business Administration. All leaves will then be recorded on the leave tab in the financial system and the information used to verify each leave request for status and/or eligibility. It is anticipated all procedures listed in this response will be fully implemented before the end of this fiscal year.*

**Observation**

Currently, the BOCES does not have a consistent procedure in place for determining and disseminating equipment needs to new hires.

**Recommendation**

We recommend the District design a standardized list of equipment needed for each job position. Once an employee is hired in that position, the appropriate equipment assigned to that position should be identified, located (or purchased as necessary), to ensure timely distribution to mitigate down-time for new hires.

**Response**

*Our goal is to have new employees report for their first day and have everything they need to do their work already at their disposition. To that end, CiTi has purchased and is in the process of developing and implementing onboarding software that will, among other things, facilitate these efforts by referencing predefined equipment/software lists for specific employment profiles. The software will allow supervisors and HR to track the progress of sourcing the equipment & materials. It is estimated that full implementation of this system will occur by fall 2021.*