



**PUTNAM VALLEY CENTRAL SCHOOL DISTRICT
HUMAN RESOURCES & PAYROLL INTERNAL AUDIT**

Internal Audit Report

May 13, 2022



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Ms. Barbara Parmly
President, Board of Education
Putnam Valley Central School District
171 Oscawana Lake Road
Putnam Valley, NY 10579

Dear Ms. Parmly:

We have recently completed our internal audit of internal controls over the Human Resources & Payroll processes of the Putnam Valley Central School District ("the District"). These functions were recommended for audit in our internal audit Risk Assessment Update FY 2021/2022 Report dated December 7, 2021.

This internal audit report includes background information, the audit scope and objectives, summary of audit findings, and our observations and recommendations. The audit procedures performed included various tests, reviews, and evaluations in accordance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by the Institute of Internal Auditors.

This report includes observations identified during our audit, with recommendations to improve internal controls and enhance operational effectiveness. We met with the Audit Committee on May 19, 2022, and discussed the report and received their acceptance and approval.

We appreciate the fine level of cooperation provided to us by the District's staff during our audit and look forward to working with them in the future.

Very truly yours,

A handwritten signature in blue ink that reads "Accume Partners".

Accume Partners



Date: May 13, 2022

To: Ms. Barbara Parmly, Board President

From: Sharon Eason, Manager
William Croft, Director
Pedro Diaz de Leon, Executive Director

cc: Audit Committee
Ms. Jill Figarella School District Treasurer
Dr. Jeremy Luft, Superintendent

Subject: Human Resources & Payroll Internal Audit

Background

We have applied certain financial, compliance and operational audit procedures to the Human Resources & Payroll functional areas of the Putnam Valley Central School District (the "District") as of June 30, 2021. As a result of our most recent Risk Assessment Report, Internal Audit recommended this area for an in-depth review to determine ways to improve procedures and establish increased accountability and stronger internal controls.

Audit Scope

Our responsibility was to assess the adequacy and effectiveness of internal controls over Human Resources & Payroll operations in the District. We reviewed the period from July 1, 2020, through June 30, 2021. A detailed description of audit work performed is presented in the "Summary of Audit Procedures Performed" section of this report. These audit procedures performed are in accordance with *The International Standards for the Professional Practice of Internal Auditing* promulgated by the Institute of Internal Auditors.

Executive Summary

As a result of the work performed, observations were made that resulted in recommendations designed to improve internal controls and enhance operating policies and procedures:

1. The District should continue their processes and controls for human resources.
2. The District has established adequate controls over its payroll and payroll related functions with the exception of overtime approval in the Transportation/Custodial Department. We recommend the District continue to reinforce staff awareness and compliance with established protocol.



Based on the results of the procedures performed, the internal control structure is rated as “*Satisfactory*.” The internal audit rating structure is defined below:

<i>Satisfactory</i>	Indicates an acceptable system of internal control and satisfactory compliance with applicable policies, procedures and regulatory requirements. Findings indicate modest weaknesses that require management's attention.
<i>Needs Improvement</i>	Indicates weaknesses in the system of internal control and/or compliance with related policies, procedures and regulatory requirements. These findings require management's prompt resolution to prevent further deterioration and possible losses.
<i>Unsatisfactory</i>	Indicates significant weaknesses in the system of internal control and/or compliance with related policies, procedures and regulatory requirements. Management's immediate attention to these findings is required to prevent potential loss to the institution.

We would like to thank the management and staff of the District for the assistance and courtesy extended to us during the course of our audit.

A handwritten signature in cursive script that reads 'Accume Partners'.

Accume Partners

Summary of Audit Procedures Performed

- Procedure 1- Reviewed the District's Board Policies and Department level Human Resources and Payroll policies and procedures.
- Procedure 2- Reviewed that the District is in compliance with established policies and regulatory requirements.
- Procedure 3 - Reviewed and tested a sample of 15 new hires in FY20/21.
- Procedure 4- Reviewed and tested a sample of 23 terminations in FY20/21.
- Procedure 5- Reviewed and tested a sample of 15 employees awarded stipends to ensure there were adequate controls over the stipend process.
- Procedure 6- Reviewed and tested a sample of 15 teachers awarded tenure to ensure adequate controls over the teacher evaluation process.
- Procedure 7 - Selected 23 employees from four bi-weekly pay periods to test to ensure adequate controls over the payroll payment process.
- Procedure 8- Reviewed payroll processes to determine that payroll certification is adequate and payroll bank reconciliations are completed timely.
- Procedure 9- Reviewed 2 most recent Federal and State Quarterly Payroll Tax forms to ensure that the quarterly payroll taxes reconcile to the taxes paid per payroll records.

**Recommendations to Enhance the System Of
Internal Controls and Improve Operating Procedures**

AREA: HUMAN RESOURCES

Observation

Internal Audit reviewed the internal controls over obtaining, verifying, and processing of personnel information at the District. Specifically, we reviewed the procedures for processing New Hires, Terminations, Tenure, and changes in Employee Status and Pay related to contracts, stipends, and lane changes. To do so, we reviewed existing policies and procedures, as well as the use of standard transaction forms. Also, we randomly selected district employees (15 New Hires, 23 Terminations, and 15 Tenures and 15 Stipends) to test. We obtained their personnel files, personnel transaction forms, board meeting minutes, contracts, and other related information to ensure the hire, compensation, and termination of District employees were in compliance with Human Resources procedures, Board Policies and applicable laws and regulations.

Internal Audit noted that the Human Resources function utilizes a Hire Checklist to process new hires. In addition, Human Resources staff input the employee's position and salary rate into the Human Resources Module of the Finance Manager System. Subsequently, Payroll staff verifies the inputs, as they are copied on all approved personnel transactions. These procedures are examples of Best Practices.

School District Risk and/or Opportunity:

School districts should adequately maintain their personnel records, including files, checklists, documents, and other information. Adequate documentation ensures that all the necessary information and approvals are obtained to properly process districts' employees. The districts should require and accept only official transcripts to verify educational credits and degrees. In addition to checklists, an independent review of processing districts' employees in the Business Management System protects against data entry errors. Proper internal controls dictate that key processes have a preparer and an independent reviewer. In general, an independent review is a detective control that adds to the overall strength of the control environment. Management's supervisory role over processing of information into the Finance Manager System as well as final review of checklist items helps to ensure the integrity of the data held within the system, and helps to ensure that all documents were obtained, and all steps have been completed, such as Board approval, for properly processing an employee.

Recommendation:

1. The District has established adequate controls over its human resources process and should continue to reinforce staff awareness and compliance with established protocol.

No Management's Response Required

AREA: PAYROLL

Observation

Internal Audit reviewed the procedures for processing, verifying, and certifying the District payroll. Specifically, we reviewed the procedures for processing bi-weekly payroll, reconciling and certifying payroll, and payment of quarterly federal and state payroll taxes. We also reviewed the process for overtime hours approval in departments to which this applies. To do so, we reviewed existing policies, as well as the use of standard transaction forms. Also, we randomly selected 23 employees from four bi-weekly pay periods to test; tested the reconciliation and certification of four payroll periods; and selected two quarter's payroll tax forms to test. Similarly, we randomly selected 15 stipends to test. We found some exceptions in the process as they relate to overtime approval in the Department of Transportation.

Internal Audit noted that the Board approved Payroll Certifier, sign/certify the Payroll Register and the District Treasurer reviews all payroll changes and from the previous period's payroll along with supporting documentations, prior to posting final payroll. We observed that timesheets (where required) were not consistently signed by both Employee and Supervisor in advance of submission to the Business Office for payroll processing.

The district policy for transportation and custodial workers is that approval for overtime work should be submitted for approval prior to overtime and signed by both the department supervisor and employee. We evidenced that this process was not adhered to consistently.

These procedures are examples of Best Practices.

School District Risk and/or Opportunity:

In addition to checklists, an independent review of processing districts' employees in a Business Management System such as Finance Manager (nVision) and AESOP, protects against data entry errors. Proper internal controls dictate that key processes have a preparer and an independent reviewer. In general, an independent review is a detective control that adds to the overall strength of the control environment. Management's supervisory role over processing of information into the Finance Manager System as well as final review of payroll reports helps to ensure the integrity of the data held within the system, and helps to ensure that all documents were obtained, and all steps have been completed, such as Board approval, for properly processing an employee's pay. The districts should ensure that all employees evidence their work on critical reports, either as the preparer or as the independent reviewer. Such actions will not only help to prevent errors but will also serve to ensure that the transaction was valid, was entered correctly, and appropriately approved.

Recommendation:

1. All 12-month employees should be given access to AESOP including those in the Transportation department. This will allow for consistency in an already established district procedure regarding attendance.
2. In order to assist in the reconciliation of attendance, the transportation supervisor should provide a report in the beginning of the school year and an updated report whenever the driver/ monitor schedule changes throughout the year.
3. It was observed that there were changes made to timesheets. The supervisor should ensure that the daily sign-in sheets are recorded timely. If there are corrections to the manual sign in sheets, those corrections should remain legible and should be noted and initialed by the employee. Going forward the District should establish a time sheet sign in procedure for any employees who do not have access to AESOP.
4. In all other areas of payroll and related functions we recommend that the District continue to reinforce staff awareness and compliance with established procedures.

Management Response:**#1**

Any 12 month employees who do not have access to AESOP will be trained and given access on how to use it.

#2

The Transportation supervisor provides a report with drivers and monitors scheduled hours of work at the beginning of the school year. This will provide more ease to the payroll clerk and aid in reconciling the daily scheduled hours vs. time worked outside of the normal workday. There can be frequent changes where monitor and driver hours can fluctuate throughout the year depending on student need. Many schedule changes during sport seasons are made to accommodate after school schedules. Drivers and Monitors are the only employees of the District who do not use AESOP for attendance reconciliation purposes because of the complexity involved in their schedules from day to day. It would not be feasible for these employees to use AESOP. Therefore, the supervisor will be required to provide an official update when there are any changes in the daily work schedule.

#3

Written timesheet procedures will be established to guide employees on how timesheets should be properly filled out and how time should be recorded.

#4

Payroll policies and procedures are available on our website. The District will continue to comply with established District procedures.