

OGDENSBURG CITY SCHOOL DISTRICT  
OGDENSBURG, NEW YORK

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SUBJECT: Board Acceptance of Final Internal Audit Report for 2014-2015

DATE: June 20, 2016

REASON FOR BOARD CONSIDERATION:

The Board of Education must accept the internal audit report as a requirement of the State Education Department.

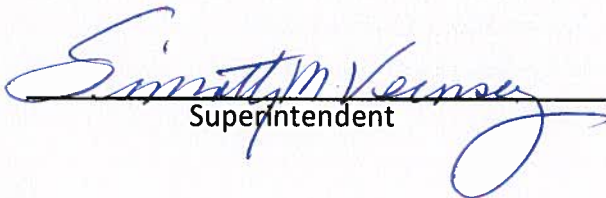
FACTS AND ANALYSIS:

The 2014-2015 Internal Audit has been completed by the firm of Seyfarth & Seyfarth CPAs, P.C. The Internal Audit Committee will answer any questions the Commissioners may have regarding the final 2014-2015 Internal Audit Report.

RECOMMENDED ACTION:

Moved by \_\_\_\_\_ and supported by \_\_\_\_\_  
that, having the approval of the Superintendent of Schools, the Board of Education of the Ogdensburg City School District does hereby accept the 2014-2015 Internal Audit, as prepared by Seyfarth & Seyfarth CPAs, P.C. on this 20<sup>th</sup> day of June, 2016.

APPROVED FOR PRESENTATION TO THE BOARD:

  
Superintendent

TMV/alf  
Attachment



**Enlarged Ogdensburg City School District**  
**Risk Assessment Update**  
**2015**

## **Executive Summary**

We familiarized ourselves with the District's processes and made site visits to the various locations. We interviewed various members of the staff and Management as well as meeting with the Audit Committee. At the Committee's request, we concentrated our efforts on the payroll area. As a result we have the following recommendations which are more fully explained in the appropriate sections of this report.

- Management should ensure that all employees are covered under a contract. We noted 4 employees that were not covered under a formal contract. In addition to regular salary payments, each received payments for longevity and unused vacation time.
- Management should consider providing staff with annual salary notifications.
- The Board of Education should approve all "new" positions prior to their being staffed.
- Management should ensure that the Board of Education has approved either contractually or by resolution all payment types and rates. This includes stipends for which the District is reimbursed by a grant (Federal, State or donor). If rates are discussed in an executive session, they should be formally approved upon returning to regular session.

## **Objectives**

The objectives of this engagement are to complete a risk assessment for Enlarged Ogdensburg City School District for 2015. We used accounting data from July 1, 2014 through December 31, 2015 in the development of the risk assessment. This risk assessment will identify systems with the greatest risk to the District and make recommendations for the testing of the systems based upon a prioritized list of identified risks. It should be read with a working knowledge of the previous risk assessments.

The objective of the internal auditing program is to furnish management and the Board of Education with independent analysis, appraisals, recommendations and pertinent comments concerning the adequacy, effectiveness and efficiency of the systems of internal control, the quality of ongoing operations and internal compliance with rules and regulations.

## **Scope and Methodology**

Our work was performed in accordance with generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

During our work we met with and interviewed various District personnel employed in a variety of areas including the business office, cafeteria, transportation, information technology, grants management and administration. We reviewed various documents such as employment contracts, policy and operations manuals, computer reports, accounting records, personnel and extraclassroom files and grant contracts.

We documented our understanding of the systems through the use of flowcharts, checklists and narratives. We also performed “walk-through” tests to verify that the systems were actually working in the manner described.

After analyzing the results of our work, we have prepared this report to inform the Board of Education and management of our findings and to present our prioritized list of assessed risk. Throughout the report we have made recommendations for improvements of identified weaknesses.

### **Audit Prioritization and Selection**

The objective of the risk assessment process is to identify and prioritize areas posing the greatest risk and liability to the District. In order to obtain a priority listing, a risk approach was used to rank each of the areas.

There are at least three kinds of risk that should be considered in the risk assessment process. These risks are as follows:

#### **Incentives or Pressures**

Incentives or pressures placed on or perceived by management and/or employees often provide them with a reason to intentionally misstate financial information or misappropriate assets. In school districts, this risk may relate to excessive emphasis on meeting the budget, rumors of layoffs or the perception of being overworked and under compensated. Incentives and pressures can also arise from personal problems such as illness, debts or addictions. In our current economic environment, there is significant incentive/pressure to provide the same services using “alternate” means. In other words circumvent the budget by inappropriately coding expenditures to codes with available budget amounts, using students to raise funds for District functions or by soliciting outside donations or grants without proper Board of Education approval and oversight.

#### **Opportunity**

Circumstances existing within an entity can provide the opportunity for misstatement of financial information or misappropriation of assets. Such opportunities can arise from concentration of management in a few individuals, weak Board oversight, poor segregation of duties, or unusual or complex transactions.

#### **Rationalization or Attitude**

The attitudes, character, or ethical values of employees may allow them to rationalize misappropriations or financial statement misstatements. They may rationalize that they

are paid less than others or that the District can afford it. The Board may set a tone by not implementing corrective actions to audit findings, or management may desire to artificially justify specific programs.

From our discussions with District personnel and our other work, as more fully described later in the report, we did not identify any predominant incentives or rationalizations. The budget has passed for the past several years. There are contracts in place for management and the unions. Employees do not seem to be overburdened with work and the pay scale is comparable to other local Districts.

The overall control environment, consisting of the integrity, ethical values and competence of the administrators and key accounting personnel appears to be strong.

District personnel were interested in the risk assessment process, and were helpful and cooperative in explaining their duties and providing requested documents. The Board and management have set an ethical tone for the District. There appears to be adequate Board oversight.

In the course of our work, it would be difficult to identify personal problems of a specific District employee, but we were not made aware of any such situation.

We deemed the following to be key systems for analysis:

- Cash Receipts/Revenues
- Cash Disbursements/Expenditures
- Internal Claims Auditor
- Payroll
- Extraclassroom
- Grants Management
- Management Override
- Financial Reporting
- Technology
- Fixed Assets
- Cafeteria
- Transportation

The following will describe the work we performed on each area, weaknesses and recommendations, and an overall conclusion as to risk.

### **Cash Receipts/Revenues**

Key things to consider in revenue risk assessment are the over reporting of revenue and misappropriation of funds. In school districts, this is not a major issue since a majority of the revenue comes from state aid and property taxes. The revenue from state aid can be readily verified from reports obtained by the State Education Department so it is not

easily misstated. Also, these funds are obtained by periodic large checks and wire transfers, so there is not a significant risk of cash being misappropriated.

School taxes are collected by the tax collector. The revenue from school taxes can be matched to the tax levy so overstatement is unlikely. Further, individual taxpayers serve as a checks and balances for misappropriation of tax collections since the City would notify taxpayers if their payments were not properly credited. We consider the risk of significant misappropriation of school tax collections to be low.

We did not notice any incentives or pressures on staff to over report revenue, nor did we notice any misguided attitudes in this area. Based on our analysis, we have assessed the risk over cash receipts/revenues to be moderate.

Controls over grant funding and cafeteria sales will be discussed and evaluated in later sections.

### **Cash Disbursements/Expenditures (Appendix 1 & 2)**

We updated our understanding on these processes. This update included discussing the purchasing process with various members of management, the internal claims auditor and reviewing the internal claims auditor's reports. We also used the following data analysis techniques to assist in reviewing this area:

- We reviewed the audit trail for internal control inconsistencies. None were noted.
- We reviewed the audit trail and determined that the Purchasing Agent was the only staff member approving POs in the system.
- We reviewed payment transaction data to determine whether payments were properly supported by POs.

We reviewed the results of the analysis (See Appendix 1 & 2) with management who identified several payments that should be included in the PO process.

After considering the policies, controls and our findings, we have deemed the risk surrounding cash disbursements/expenditures to be moderate. While we did note some segregation of duties and access issues, providing opportunity, there are mitigating controls in place that would minimize the potential for misappropriation.

### **Internal Claims Auditor (ICA)**

We interviewed the internal claims auditor, documented our understanding of the procedures followed, reviewed some approved documents, and reviewed the Board's Policy Manual as part of our assessment of the internal claims auditor. We noted that the

ICA has received formal training. She also provided us with copies of her reports to the Board of Education which we reviewed.

The internal claims auditor performs one of the most crucial aspects of monitoring a school district's financial accounting system. As such, the internal claims auditor should be familiar with legal requirements associated with school district purchases (i.e. bidding rules), and Board policies. During our interview with the internal claims auditor, it was indicated that she reviews claims to verify conformity with Board travel policies and legal or contractual requirements, such as price quotes or bidding. She does not review investments made to determine if they conform to Board policy.

Based on our review of the internal claims auditor area, we have assigned a risk assessment of moderate to this area.

### **Payroll (Appendix 3)**

#### *General*

We updated our understanding of these processes. While the BOCES personnel responsible for payroll has changed, the basic process remains the same.

We have deemed the risk surrounding payroll to be high. While there are the same deficiencies noted in the cash disbursement area, in the payroll area the mitigating controls are not in place. The segregation of duties issues coupled with weak monitoring, computer access, and other control issues leads to increased risk.

As a part of our work in this area, the Audit Committee requested that we perform a more extensive review of the payroll area.

### **Extraclassroom**

This area was reviewed in depth in the 2013 report. As part of our procedures for 2015 we met with the High School Principal and the Extraclassroom Central Treasurer.

We noted that the High School Principal was appointed to be the faculty auditor. Generally, the principal cannot be the faculty auditor, since they are considered to be the head advisor; there is an inherent conflict of interests. It is important to conduct the audit on an ongoing basis throughout the year to help correct inappropriate activities and ensure that the students are learning the essentials of running a club. We recommend that the faculty auditor include a review of fundraising activities as a part of their procedures.

We consider the extraclassroom activities to be a high risk area because it involves cash, student funds and the previously discussed conditions. Please refer to our 2013, 2012 and 2009 reports for additional comments.



## **Grants Management**

We updated our understanding in this area. We did not note any significant changes, except as described below from the 2011 update. Since grant management and compliance are becoming increasingly important issues, it is vital that both coordinators and members of the business office stay up-to-date with the requirements related to the grants.

We assess the risk over grant management to be moderate. The Shared Business Manager is responsible for the financial component of grants management. Personnel appear to have a good understanding of individual grant requirements, and they are performing some monitoring procedures.

## **Management Override**

One of the presumptions in risk assessment is the presence of management override. We considered management override to be the ability of administrators to circumvent intended policies and procedures, and also administrators' ability to circumvent laws and regulations for which there is no direct District policy or procedure.

Another example of management override is fraudulent financial reporting. This includes the intentional misstatement of information, either through the commission of acts or the omission of facts through such means as manipulation, falsification or alteration of accounting records, intentional misapplication of accounting principles, or omission of significant information.

There were no significant changes noted in this area.

We have determined that there is a high risk associated with management override. The risk is higher at the building level than for financial statement reporting. It is possible for the District budget to be circumvented by teachers and administrators by requiring student funding. It is also possible for teachers and administrators to otherwise circumvent policies and procedures. In our judgment, the effect of these overrides to the District is of high risk in relation to the other areas studied.

## **Financial Reporting**

In general we feel that the Board of Education is being provided accurate and timely information regarding cash balances and transactions. We rate the risk assessment surrounding financial reporting to be moderate.

## **Technology (Appendix 1)**

Access control is an extremely important component of internal controls. Improper computer access privileges can negate effective internal controls and physical segregation of duties. Furthermore, it may make sensitive information accessible to individuals to whom it should not be available. It is important that management review all computer access privileges on a periodic basis. They should keep the employees' duties and the desired internal control structure in mind as they perform the review. They should make sure that privileges do not circumvent physical segregation of duties and that viewing privileges are granted only to employees that really need the information.

The District should also consider looking into the access issues, password policies, training and other IT issues that were discussed in previous risk assessments.

Because of its far-reaching effect on every facet of the District's operations, we would rate the risk over technology to be moderate.

### **Fixed Asset Inventory**

We did not review this area for 2015.

### **Food Service**

No significant changes were noted in this area. Please refer to our 2012 report for additional information and a description of the testing done for that report. We have deemed the risk over the cafeteria to be moderate. The manager is knowledgeable about these regulations. The relative magnitude of any probable misappropriation in this area is low in relation to the financial statements as a whole.

### **Transportation and Buildings & Grounds**

We met with the Transportation/Buildings & Grounds supervisor and from our meeting gained an understanding of the way payroll, ordering, inventory management, and asset acquisition is being done.

The District outsources its transportation program. This significantly reduces the risk in this area.

Adequate systems appear to be in place and operating effectively. There is not a large inventory of parts on hand to be misappropriated for personal use. Our risk assessment for the transportation area is low.

### **Risk Assessment Summary**

Based on the above analyses, we have ranked the systems as high risk (H), moderate risk (M) or low risk (L):

	2011	2012	2013	2014	2015
Cash Receipts/Revenues	M	M	M	M	M
Cash Disbursements/Expenditures	H	H	M	M	M
Internal Claims Auditor	M	M	M	M	M
Payroll	H	H	H	H	H
Extraclassroom	H	H	H	H	H
Grants Management	M	M	M	M	M
Management Override	H	H	H	H	H
Financial Reporting	M	M	M	M	M
Technology	M	M	M	M	M
Fixed Assets	L	L	L	L	L
Cafeteria	M	M	M	M	M
Transportation	L	L	L	L	L

Based on the audit committee and management's request payroll was the focus of this year's testing.

It is also important for the Board and management to keep in mind the District's strengths that help to mitigate some of the issues discussed previously. Management and members of the business office are interested and want to improve internal controls and operating systems. Building principals are involved in the budgeting and purchasing process and are starting to use WinCap to monitor their budgets and related expenditures.

The Board of Education is ultimately responsible for the safeguarding of District assets. The Board meets this responsibility by establishing a structure of internal controls designed to prevent or detect errors and irregularities. It is the Board's duty to make certain that established controls are appropriately designed and operating effectively.

Based upon our findings and risk assessment, the Board must decide how and when to implement our recommendations, and which areas it chooses to target for further testing. We are available to help the Board establish timelines for corrective action, and to make recommendations on specific testing procedures to be performed during the next phase in the internal audit process.



## Appendix 1 Information Technology Procedures

We performed the following procedures:

- We reviewed the activity reports for indications of usages that are inconsistent with internal controls. No significant issues were noted.
- We reviewed the activity reports for indications that purchase orders were being approved by someone other than the purchasing agent. It appears that the purchasing agent is the only one approving POs in the system.

Purchasing Level Approvals					
	SUBSYSTEM	ACTIVITY	APPROVAL_LEVEL	USER_ID	NO_OF_RECE
1	Purchasing	added as Pending Bid Order and approved to level 8	8	KGEARY	11
2	Purchasing	added as Pending Order and approved to level 5	5	DDOWLING	484
3	Purchasing	added as Pending Order and approved to level 5	5	JSEYMOUR	106
4	Purchasing	added as Pending Order and approved to level 5	5	MBROWN	22
5	Purchasing	added as Pending Order and approved to level 8	8	DHOUSE	53
6	Purchasing	added as Pending Order and approved to level 8	8	KGEARY	149
7	Purchasing	added as Pending Order and approved to level 8	8	KKENDALL	3
8	Purchasing	added as Pending Order and approved to level 9	9	TDEMERS	1
9	Purchasing	adjusted request and saved at level 8	8	DDOWLING	51
10	Purchasing	adjusted request and saved at level 9	9	DDOWLING	44
11	Purchasing	approved request to level 5	5	DDOWLING	106
12	Purchasing	approved request to level 5	5	JSEYMOUR	12
13	Purchasing	approved request to level 5	5	MBROWN	9
14	Purchasing	approved request to level 8	8	DHOUSE	18
15	Purchasing	approved request to level 8	8	KGEARY	8
16	Purchasing	approved request to level 8	8	MLARCH	50
17	Purchasing	approved request to level 9	9	JSTEVENSON	109
18	Purchasing	approved request to level 9	9	TDEMERS	29
19	Purchasing	issued purchase order	Yes	JSWANSON	1231

- We looked for activity on unusual times. (Before 6:30 am or after 6:00 pm) We reviewed the activities and did not have any significant concerns. We did not note any activity prior to 6:30 am.

After Hours (6:00 PM) Activities			
	USER	DATE	NO_OF_RECE
1	User: BZAHLE	9/2/2014	2
2	User: BZAHLE	5/15/2015	119
3	User: BZAHLE	9/3/2015	4
4	User: DDOWLING	3/3/2015	19
5	User: DDOWLING	3/5/2015	35
6	User: DDOWLING	3/6/2015	4
7	User: DDOWLING	4/9/2015	26
8	User: DDOWLING	6/3/2015	4
9	User: DDOWLING	6/4/2015	3
10	User: DDOWLING	6/9/2015	64
11	User: DDOWLING	6/10/2015	2
12	User: DDOWLING	6/18/2015	60
13	User: DDOWLING	7/15/2015	49
14	User: DDOWLING	8/13/2015	5
15	User: DDOWLING	8/14/2015	10
16	User: DDOWLING	8/26/2015	1
17	User: DDOWLING	9/25/2015	40
18	User: DDOWLING	10/9/2015	41
19	User: DDOWLING	10/16/2015	72
20	User: DDOWLING	12/11/2015	7
21	User: JANDERSON	5/11/2015	294
22	User: JSWANSON	11/20/2014	3
23	User: JSWANSON	12/21/2014	19
24	User: JSWANSON	5/6/2015	13
25	User: JSWANSON	5/11/2015	8

## **Appendix 1**

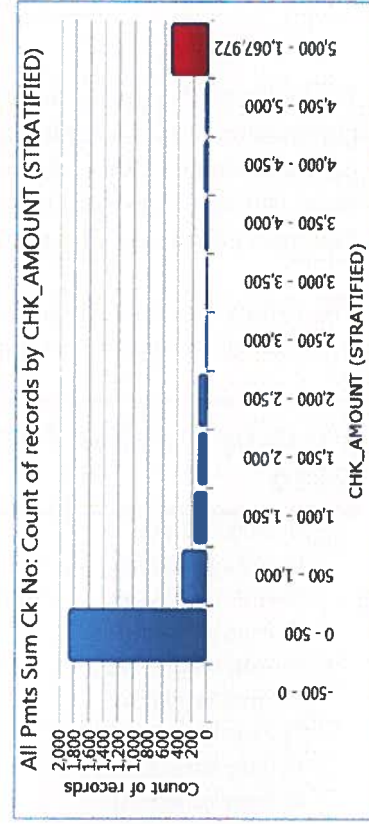
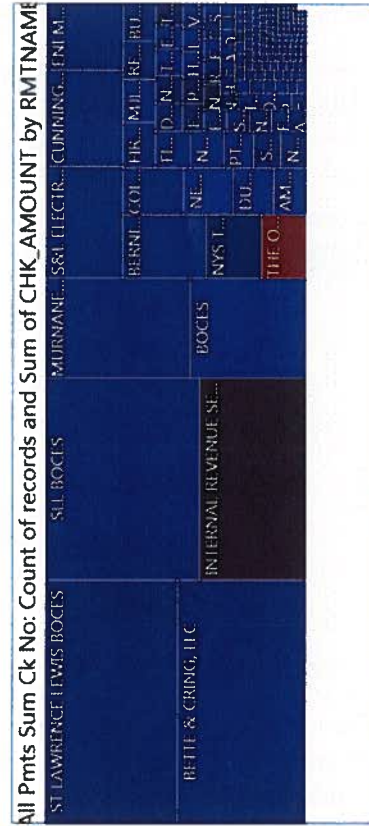
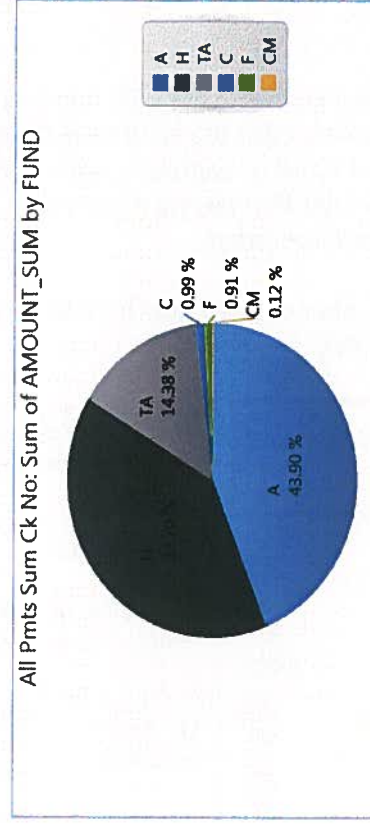
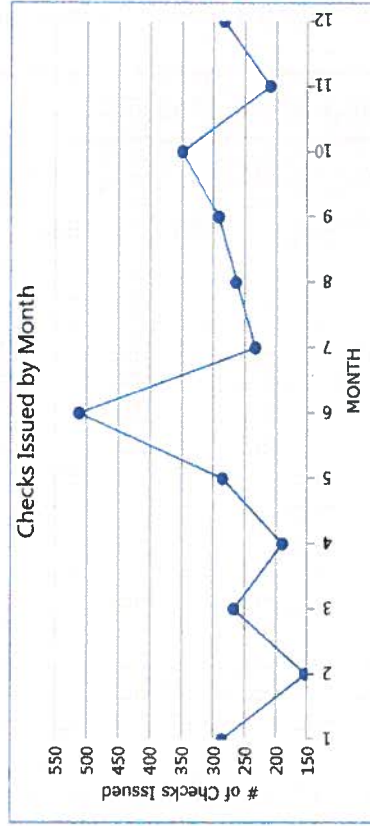
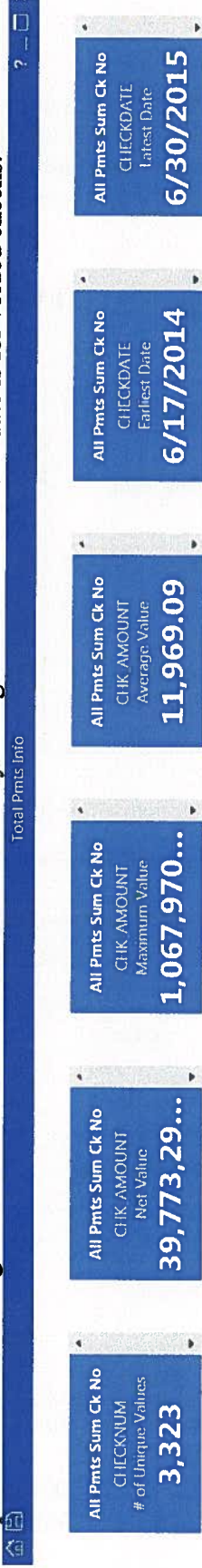
### **Information Technology Procedures**

- WinCap does not provide activity reports for users' activities in the system module, so we were not able to review changes in user permissions.



## Appendix 2 Payment and Purchasing Procedures

The following chart gives an overview of the District's payments. Note that the number of checks issued by month is consistent with the previous chart showing user activities. Both show the most activity during June. The June 2014 date is for voided checks.



## Appendix 2 Payment and Purchasing Procedures

We performed an analysis designed to review the effectiveness of the District's use of purchase orders. The analysis indicates that the District is fairly effective in its use of purchase orders. We noted several types of payments where purchase orders had not been used and discussed them with the Purchasing Agent, who indicated that he would look into expanding the use of purchase orders.

The following chart shows the number of payments by fund and the number of payments by fund that were not related to a PO.

<b>Pmts by Fund vs Pmts w/o POs 2015</b>	
<div> <div></div> <div>Pmts by Fund=A</div> </div> <div> <div></div> <div>Pmts by Fund=C</div> </div> <div> <div></div> <div>Pmts by Fund=F</div> </div> <div> <div></div> <div>Pmts by Fund=H</div> </div> <div> <div></div> <div>Pmts Main Funds</div> </div> <div> <div></div> <div>Pmts No POs=A</div> </div> <div> <div></div> <div>Pmts No POs=C</div> </div> <div> <div></div> <div>Pmts No POs=F</div> </div> <div> <div></div> <div>Pmts No POs=H</div> </div>	<div>1,975</div> <div>219</div> <div>48</div> <div>205</div> <div>2,447</div> <div>58</div> <div>50</div> <div>25</div> <div>42</div>

**Examples of types of payments not associated with POs.**

A - insurance, audit, tuition, legal, ERS, consulting

C - nothing significant or indicative of issues – scholarships CM fund

F – SLLBOCES, cafeteria, hotel

H - Architects, testing contractors, insurance,

The following is an analysis of the time differential between when a check is written and the related PO was issued.

### Days between Check Date and PO Date 2015

Totalled on: <b>CHK_AMOUNT</b>						
Stratum #	>= L Limit	< U Limit	# Records	(%) # Records	CHK_AMOUNT	(%) CHK_AMOUNT
1	0	5	<u>11</u>	0.76	14,910.30	0.05
2	5	15	<u>50</u>	3.44	180,717.60	0.61
3	15	30	<u>128</u>	8.82	1,311,754.11	4.41
4	30	60	<u>232</u>	15.98	1,696,460.76	5.71
5	60	90	<u>171</u>	11.78	2,030,210.76	6.83
6	90	120	<u>112</u>	7.71	1,214,300.35	4.09
		Lower limit exceptions:	0	0.00	0.00	0.00
		Upper limit exceptions:	<u>710</u>	48.90	23,272,581.32	78.30
		Totals:	1,414	97.38	29,720,935.20	100.00

Generally, there should not be many payments with a very short time between the issuance of a PO and the payment. A very short interval for large numbers of transactions could be indicative of a deficient purchasing system where approvals are rushed, there is a log jam in the process or staff are not properly planning their purchases.



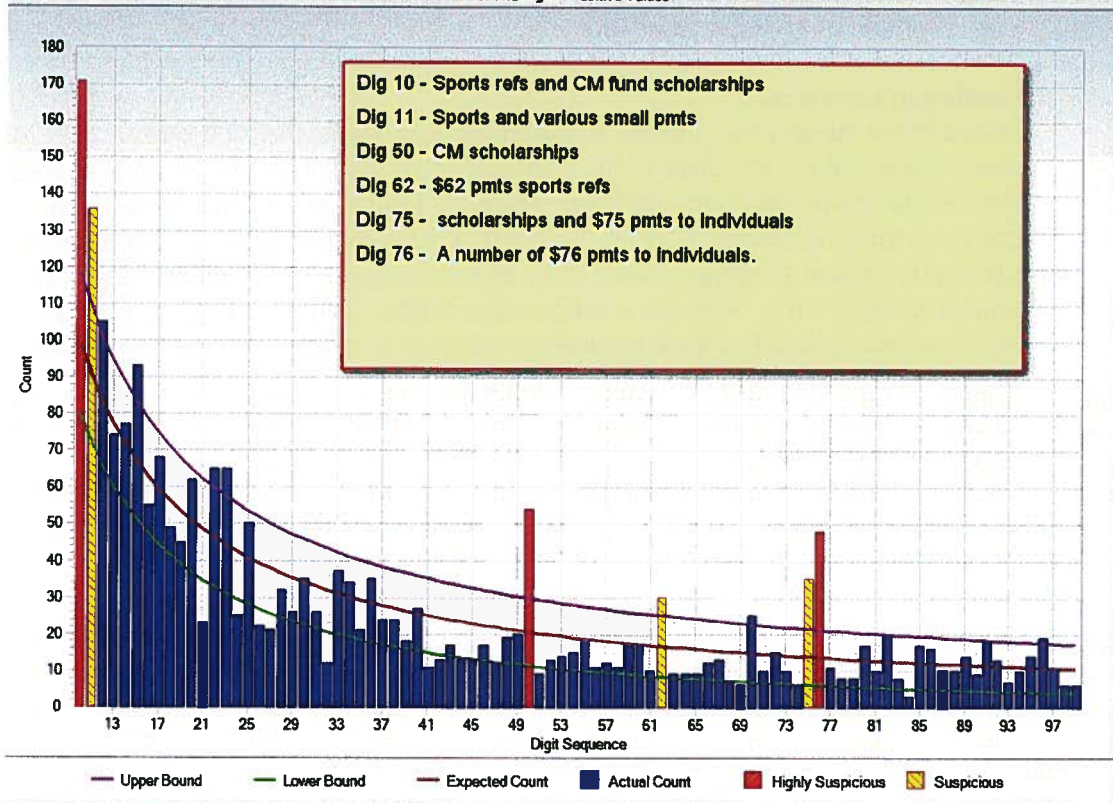
## Appendix 2 Payment and Purchasing Procedures

We also performed a Benford's Analysis on the payments data. According to Benford's Law, digits have a specific probability of appearing in a data set. Anomalies(spikes) are indicators that a specific digit class should be reviewed. This test is useful for helping to determine if amounts are being manipulated to avoid an internal control or policy that is based on a preset value. For example, if an organization's policy required a second signature for payments of \$5,000 or more, a spike at the 49 digit mark could be an indication that the policy is being circumvented. The Benford Analysis did not indicate that there were any of those issues.

### Pmts Main Funds Benford's Law 1st 2 Digits 2015

Mean Absolute Deviation: 0.00380  
Conclusion: Non-conformity

CHK\_AMOUNT  
First Two Digits - Positive Values



## Appendix 3 Payroll Procedures

### **Procedures Performed**

- Read contracts
- Over view of data files
- Compared employee salaries to contracts
  - Teachers – electronically compared to steps for 2014 and 2015 to ensure that they were on an existing step and went up one step from the prior yr.
  - Administrators to contracts
    - Compared vacation, sick, and/or health insurance buyouts to the contract, no exceptions noted.
  - CSEA to Contracts and new employees to minimum
  - CSEA increase to \$0 contractual increase for 2015
  - CSEA longevity payments appear to be in accordance with the contract.
- Compared January 2016 health insurance bill to employee file to see if there were non employees on the health insurance billing. None were noted.
- Reviewed payment types for unusual and high risk payments and reviewed a sample of selected payments

### ***Reading of Contracts***

I noted that 4 employees, director of buildings & grounds, the food service director, a senior typist and the secretary to the superintendent were not covered under a contract, nor were their salaries approved by the Board of Education. All payments to an employee must be approved by the BOE either through a contract or resolution. In addition to normal salary payments these employees were also paid for longevity and unused vacation time. Without a valid contract there is a question as to whether the employee was entitled to these payments. Management indicated that they had modeled these payments based on the CSEA agreement.

### ***Payroll Overview of Data Set***

The chart on the following page gives an overview of the payroll data for the 2015 school year. Note that the months are calendar months and not the school's fiscal months.

2015 Gross Pay Info

**Paychecks 2015 Summary**

GROSS	
# of Records	11,111

**Paychecks 2015 Summary**

GROSS	16,728.806.08
Net Value	

**Paychecks 2015 Summary**

	GROSS Maximum Value
	<b>32,966.68</b>

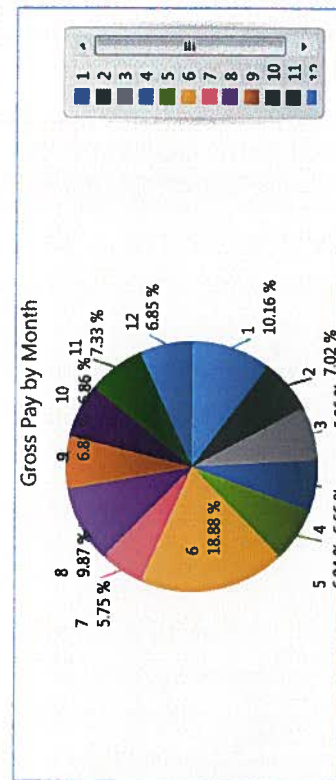
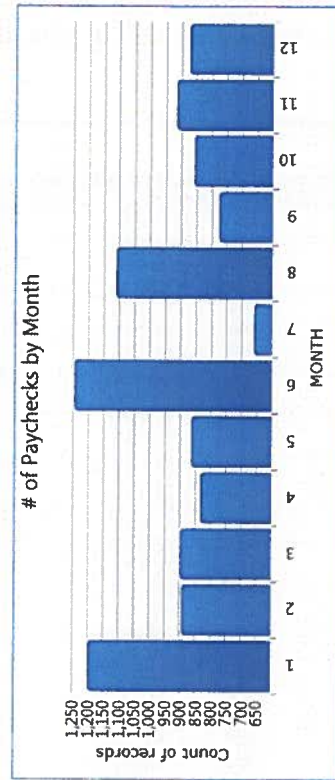
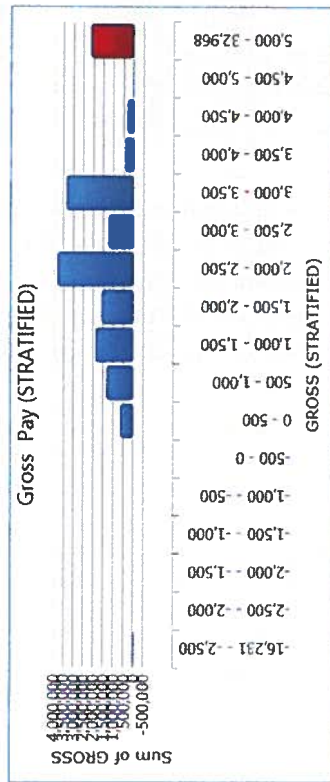
**Paychecks 2015 Summary**

	GROSS Average Value
	<b>1,505.61</b>

Paychecks 2015 Summary

DATE	Earliest Date
7/3/2014	

Paychecks 2015 Summary  
DATE  
Latest Date  
6/30/2015





## Appendix 4 Adjusting Entry Procedures

Most schools use codes in the payroll system to identify various types of payroll payments to employees. The following table is a summary of payroll payments by code. The table provides a good overview of the types of payroll payments the District is making to its employees.

2015 Payroll Earnings Over \$1000							
	E_TYPE	NO_OF_RECS	PCT_ITEMS	AMOUNT	AMOUNT_PCT	MAX	AVERAGE
1	Contract	6806	32.74	13,131,025.50	78.49	15,190.40	1,929.33
2	Deferred Big Pay	2120	10.20	1,867,923.57	11.17	3,028.50	881.10
3	Stipend	3728	17.93	1,109,004.25	6.63	4,849.00	297.48
4	Instructional Longevity	681	3.28	128,715.00	0.77	1,000.00	189.01
5	CSEA Longevity	1896	9.12	90,766.84	0.54	480.85	47.87
6	RETIREMENT INCENTIVE	9	0.04	48,000.00	0.29	9,000.00	5,333.33
7	MATH SUMMER CAMP	47	0.23	42,500.00	0.25	1,000.00	904.26
8	Administrator Longevity	243	1.17	34,500.00	0.21	230.77	141.98
9	Separation Pay	1	0.00	33,179.40	0.20	33,179.40	33,179.40
10	Masters Degree	3577	17.21	31,846.00	0.19	80.00	8.90
11	Health Insurance BuyOut	36	0.17	28,800.00	0.17	800.00	800.00
12	Unused Vacation Time (Buyout)	17	0.08	25,280.40	0.15	3,537.75	1,487.08
13	Unused Sick Time	2	0.01	22,770.00	0.14	19,250.00	11,385.00
14	ELA SUMMER CAMP	47	0.23	18,700.00	0.11	1,000.00	397.87
15	Night Time Differential 3 -12PM	406	1.95	13,586.67	0.08	103.50	33.46
16	Research and Development	65	0.31	12,350.00	0.07	600.00	190.00
17	Health Insurance BuyOut-NonInstructional	8	0.04	12,000.00	0.07	2,000.00	1,500.00
18	Supervisor- TRS ONLY	79	0.38	10,849.36	0.06	524.38	137.33
19	SUB SERVICE STIPEND	27	0.13	8,670.00	0.05	333.46	321.11
20	Department Head	242	1.16	7,973.00	0.05	182.20	32.95
21	Confidential Longevity	81	0.39	7,000.00	0.04	153.85	86.42
22	Confidential Longevity-Jim McCarthy	28	0.13	5,000.00	0.03	192.31	178.57
23	Long Term Sub Adjustment	15	0.07	4,496.50	0.03	1,104.00	299.77
24	Superintendent Longevity	27	0.13	4,000.00	0.02	153.85	148.15
25	HOMELESS STAC COORDINATOR	2	0.01	4,000.00	0.02	2,000.00	2,000.00
26	Teach Asst Filling in for the Teacher	72	0.35	3,892.50	0.02	250.00	54.06
27	Administrator B+60 Graduate Hours	189	0.91	3,600.00	0.02	23.08	19.05
28	ABA CLASSROOM	44	0.21	3,000.00	0.02	288.51	68.18
29	MAINTENANCE STIPEND	54	0.26	2,400.00	0.01	46.15	44.44
30	Midnight Time Differential 12am -8am	69	0.33	2,320.40	0.01	64.00	33.63
31	Keyboard Specialist Out of Title Pay	7	0.03	2,251.26	0.01	1,099.10	321.61
32	In School Suspension - Extra Pay	7	0.03	2,012.50	0.01	925.00	287.50
33	Timer- TRS ONLY	11	0.05	1,746.75	0.01	758.83	158.80
34	Chaperone	16	0.08	1,191.36	0.01	384.00	74.46
35	Confidential Longevity-Brian Mitchell	28	0.13	1,000.00	0.01	38.46	35.71

The following table is a review of payments by position code which identifies larger payments. For the purpose of this analysis, large is defined as the maximum payment is greater than \$3,000 and more than the mean plus the standard deviation times 1.5. There were several payments that did not have codes listed in the payroll data base. The District might consider expanding its codes to help describe unusual payments.

## Appendix 4 Adjusting Entry Procedures

2015 Payroll Summarized by Position Code w Statistics								
	POSCODE	POSTITLE	NO_RECS	AMOUNT	MAX	MIN	AVERAGE	STD_DEV
1	TCHE	TEACHER ELEMENTARY (02)	5526	5,875,556.18	15,190.40	-15,190.40	1,063.26	1,723.71
2	TCHS	Teacher Secondary (02)	4298	5,016,712.67	33,179.40	-12,698.00	1,167.22	1,865.87
3	TAST	TEACHING ASSISTANTS (02)	2444	1,501,213.80	19,250.00	-1,060.69	614.24	896.12
4	LABR	LABORERS	1428	655,114.89	1,879.80	-302.91	458.44	536.23
5	ELEP	ELEMENTARY PRINCIPAL	273	266,807.05	3,404.00	3.85	977.32	1,394.61
6	BMH	BUILDING MAINT. HELPERS	383	230,009.70	4,300.00	-2,000.00	600.55	862.37
7	COCH	COACH, MODIFIED GIRLS TRACK	271	211,846.00	2,943.50	-180.00	781.72	559.54
8	KEYS	KEYBOARD SPECIALISTS	402	206,767.14	1,525.80	-65.40	512.94	513.62
9	BMM	BUILDING MAINTENANCE MECHANICS	263	282,896.79	2,340.87	-138.46	716.95	669.21
10	SNUR	SCHOOL NURSE (02)	148	190,625.18	9,320.16	29.06	1,339.77	1,063.03
11	TSUB	SUBSTITUTE TEACHER	764	182,568.03	1,104.00	-300.00	238.96	197.11
12	PTFS	PARTTIME FOOD SERVICE HELPERS	816	176,283.09	705.00	11.25	216.03	111.86
13	TASP	SUBSTITUTE TEACHER ASSISTANT	564	165,031.03	620.00	-310.00	292.61	210.31
14	SUPR	SUPERINTENDENT	54	141,285.00	5,280.19	76.82	2,616.39	2,539.86
15	MVO	MOTOR VEHICLE OPERATOR	205	130,463.89	1,769.64	-642.53	636.41	615.50
16	COOK	COOKS (02)	178	125,318.36	5,451.17	12.50	712.04	774.40
17	SRHP	SENIOR HIGH PRINCIPAL	108	108,784.45	3,829.50	3.85	998.02	1,588.75
18	DOSP	DIRECTOR OF SPECIAL EDUCATION	110	108,366.56	3,744.42	3.85	966.97	1,544.72
19	CLRK	CLERKS	177	103,200.80	2,000.00	22.12	583.06	494.15
20	BMMN	BUILDING MAINTENANCE MEN	181	102,183.53	3,000.00	4.00	534.99	643.31
21	DCIA	DIR OF CURR. INSTRUCT. ASSESSMENT	218	102,126.45	2,043.45	3.84	468.48	761.27
22	SECP	SECONDARY PRINCIPAL 7/8 GRADES	108	87,407.40	3,114.04	7.69	801.90	1,296.16
23	SAPR	SECONDARY ASSISTANT PRINCIPAL	138	79,052.75	2,045.41	3.85	581.27	768.93
24	DOF3	DIRECTOR OF FACILITIES III	56	77,634.45	3,337.75	62.50	1,316.18	1,234.72
25	B8GM	LABORER--ON CALL (02)	284	73,834.11	877.50	1.50	260.05	239.32
26	PTFS	FULL TIME FOOD SERVICE HELPERS (02)	76	58,092.73	4,500.00	25.00	764.38	736.27
27	COPR	COMPUTER OPERATOR	55	56,483.00	2,082.00	60.94	1,028.96	919.93
28	SSUP	SECRETARY TO SUPERINTENDENT	83	51,728.84	1,897.80	76.82	623.24	660.74
29	SLM	SCHOOL LUNCH MANAGER	60	49,117.50	1,779.50	11.53	818.63	846.92
30	STYP	SENIOR TYPIST	140	49,050.88	2,000.00	26.84	350.36	335.94
31	SUMM	SUMMER TEACHER	84	48,835.00	1,000.00	65.00	581.37	313.69
32	ADVR	ADVISORS, Middle Level Art Club	59	46,927.00	4,849.00	128.50	795.37	796.73
33	TCH	TEACHER	42	44,634.00	2,116.00	9.52	1,062.71	1,063.96
34	AFTA	AFTER SCHOOL TEACHER ASSISTANTS	324	44,240.56	333.50	-92.00	136.54	75.23
35	TUTR	TUTORS (02)	60	40,982.58	1,829.42	21.79	683.04	528.14
36	PTCK	PARTTIME CLERK	82	28,414.81	675.00	2.20	328.61	160.44
37	STAS	SUMMER TEACHER ASSISTANTS	101	27,512.16	361.00	36.66	272.40	131.02
38	B8GL	PARTTIME - LABORER (02)	80	18,403.96	796.53	5.25	230.05	241.97
39	AFSC	AFTER SCHOOL SITE COORDINATOR	45	15,747.75	1,000.00	93.50	349.05	143.66
40	SSNR	SUBSTITUTE SCHOOL NURSE-ON CALL (02)	28	15,727.50	1,350.00	-135.00	542.33	366.83
41	HBO	HEALTH INSURANCE BUYOUT-RETIRES	18	14,400.00	800.00	800.00	800.00	0.00
42	ADED	ADULT EDUCATION (02)	61	7,333.76	540.00	-56.25	90.54	80.80
43	SNDY	SUBSTITUTE SCHOOL NURSE-DAILY	20	5,226.50	540.00	135.00	261.33	126.81
44	CL10	CLERKS 10 MONTH (02)	5	4,163.35	832.67	832.67	832.67	0.00
45	TAXC	TAX COLLECTOR	1	2,706.00	2,706.00	2,706.00	2,706.00	0.00
46	RECR	LIFEGUARD	61	2,485.84	144.38	8.00	40.75	30.33
47	PKEY	PART TIME KEYBOARD SPECIALISTS	6	2,440.00	605.00	165.00	406.67	147.33
48	DCLK	SCHOOL DISTRICT CLERK	12	2,000.00	166.74	166.66	166.67	0.02
49	ICA	INTERNAL CLAIMS AUDITOR	3	1,861.50	790.50	471.75	620.50	160.43
50	CMON	CAFETERIA MONITOR	20	1,560.00	120.00	40.00	78.00	22.38
51	DMON	DETENTION MONITOR	31	1,020.00	160.00	20.00	32.90	28.54
52	SSTR	SUMMER SUBSTITUTE TEACHER	4	900.00	525.00	75.00	225.00	203.10
53	ASPR	ASSISTANT SUPERINTENDENT CURR/INS/SPED	1	624.67	624.67	624.67	624.67	0.00
54	AENI	ADULT EDUCATION-NON INSTRUCTIONAL	3	270.00	90.00	45.00	54.00	20.12
55	PTCL	PARTTIME CLERICAL-ON CALL	1	186.00	186.00	186.00	186.00	0.00
56	AED2	ADULT EDUCATION NON-INSTRUCTIONAL	2	24.00	12.00	12.00	12.00	0.00
57		Replacement of prior FY Ctr#252283	6	0.00	0.00	0.00	0.00	0.00

Note: The # of records is not the # of employees, but the number of payroll entries for each poscode. For example, 1 employee may have several entries in any given pay week, these might include contract pay, longevity, extracurricular, etc.



## Appendix 4 Adjusting Entry Procedures

### Adjustment Codes Selected for Document Inspection

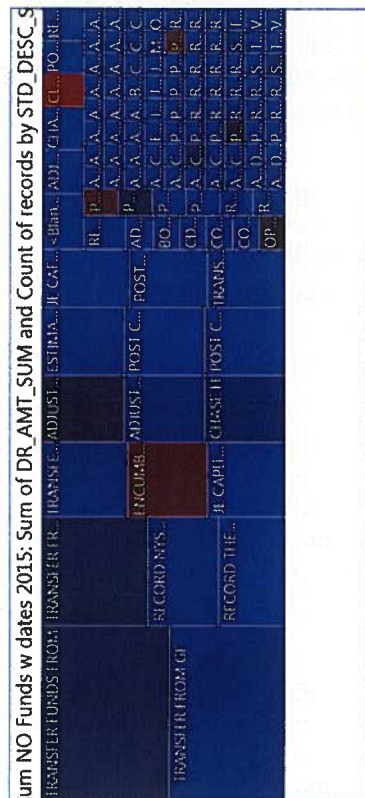
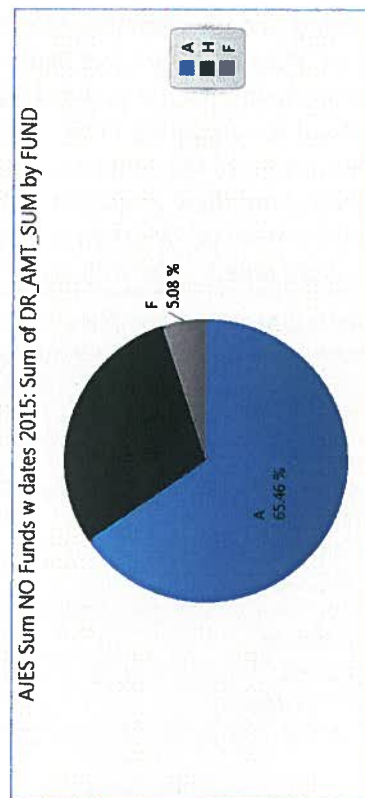
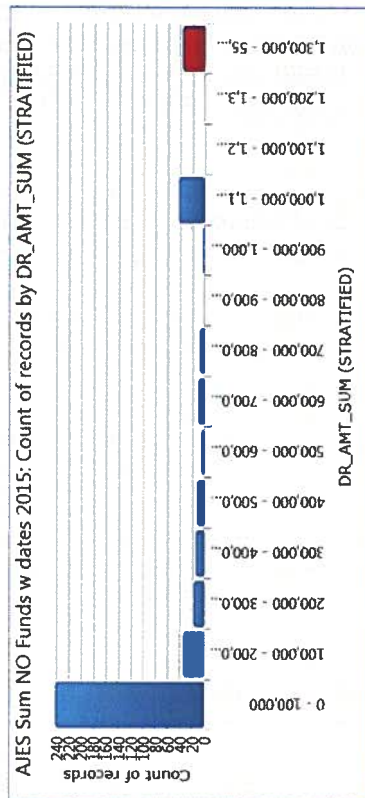
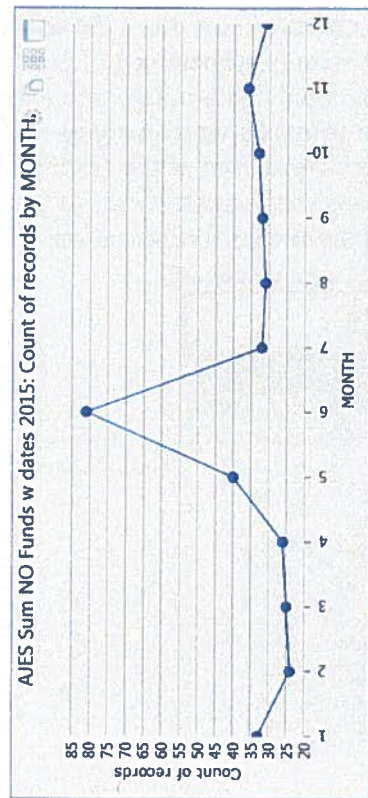
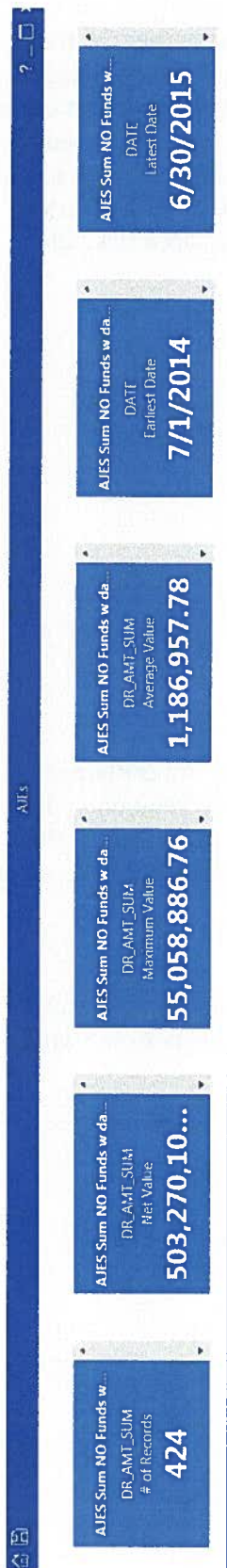
	ADJCODE	ADJUSTMENT	TEST_DOC_INSP	NO_OF_RECS	AMOUNT_SUM
1	HIBO	Health Insurance BuyOut	✓	36	28,800.00
2	HOME	HOMELESS STAC COORDINATOR	✓	2	4,000.00
3	ISS	In School Suspension - Extra Pay	✓	9	2,237.50
4	KEY	Keyboard Specialist Out of Title Pay	✓	8	2,463.50
5	MATH	MATH SUMMER CAMP	✓	47	42,500.00
6	MGS		✓	31	3,100.00
7	NDIF	Night Time Differential 3 -12PM	✓	420	13,865.30
8	R&D	Research and Development	✓	65	12,350.00
9	SEPR	Separation Pay	✓	1	33,179.40
10	SUBS	SUB SERVICE STIPEND	✓	27	8,670.00
11	TAXT	Teach Asst Filling in for the Teacher	✓	74	3,942.50
12	USCK	Unused Sick Time	✓	2	22,770.00
13	UVAC	Unused Vacation Time (Buyout)	✓	20	26,540.92

### Payments selected for Document Inspection

	AMOUNT	POSTITLE	ADJCODE	ADJUSTMENT	HOURS/DAYS	RATE	CHECKNUM	RATE_X_HOURS/DAYS	SUPPORT	COMMENTS
1	1,024.00	BUILDING MAINTENANCE MEN	UVAC	Unused Vacation Time (Buyout)	8.00	128.00	252783	1,024.00	✓	Approved J. McCarthy. Noted on EE listing that he had been with the District over 25 yrs and was entitled to 25 days per yr as indicated on the request form.
2	11.25	LABORERS	NDIF	Night Time Differential 3 -12PM	15.00	0.75	253530	11.25	✓	B Mitchell
3	2,000.00	SENIOR TYPIST	HOME	HOMELESS STAC COORDINATOR	0.50	4,000.00	0048077	2,000.00	✗	Payroll sheet says for 7/1/12 - 6/30/13. Pd on 8/15/14. Don't see amt in contract.
4	212.24	TEACHING ASSISTANTS	KEY	Keyboard Specialist Out of Title Pay	14.00	15.16	0052586	212.24	✓	Approved by Principal & Supt. days are correct.
5	33,179.40	Teacher Secondary	SEPR	Separation Pay	1.00	33,179.40	251721	33,179.40	✓	Agrees to settlement agreement.
6	800.00	HEALTH INSURANCE BUYOUT-RETIRES	HIBO	Health Insurance BuyOut	1.00	800.00	252530	800.00	✓	Amt agrees to contract
7	100.00	SUBSTITUTE TEACHER	ISS	In School Suspension - Extra Pay	4.00	25.00	253088	100.00	✗	rate not listed in contract or BOE minutes
8	225.00	SUBSTITUTE TEACHER	ISS	In School Suspension - Extra Pay	9.00	25.00	253284	225.00	✗	rate not listed
9	300.00	TEACHER ELEMENTARY	R&D	Research and Development	3.00	100.00	0048002	300.00	✓	Approved by Supt.
10	3,520.00	TEACHING ASSISTANTS (02)	USCK	Unused Sick Time	32.00	110.00	0047494	3,520.00	✓	ok
11	25.00	TEACHING ASSISTANTS	TAXT	Teach Asst Filling in for the Teacher	1.00	25.00	0052827	25.00	✓	Email from Cindy O'Grady HS Principal, error on sub sheet.
12	1,000.00	TEACHER ELEMENTARY	MATH	MATH SUMMER CAMP	1.00	1,000.00	251001	1,000.00	✓	Attendance approved by BOCES
13	21.00	PARTTIME-LABORER	NDIF	Night Time Differential 3 -12PM	28.00	0.75	252233	21.00	✓	Approved J McCarthy. TS shows reg pay as well as diff.
14	901.40	BUILDING MAINT. HELPERS	UVAC	Unused Vacation Time (Buyout)	5.00	180.28	252045	901.40	✓	Approved. Has been with the dist long enough so that 5 days would meet the 50% requirement.
15	100.00	TEACHER ELEMENTARY	MGS		1.00	100.00	0053147	100.00	✓	sub log
16	125.00	TEACHING ASSISTANTS	TAXT	Teach Asst Filling in for the Teacher	5.00	25.00	0053790	125.00	✗	rate not listed
17	800.00	HEALTH INSURANCE BUYOUT-RETIRES	HIBO	Health Insurance BuyOut	1.00	800.00	252534	800.00	✓	Amt agrees to contract
18	200.00	TEACHER ELEMENTARY	R&D	Research and Development	2.00	100.00	251182	200.00	✓	Approved by Supt
19	200.00	TEACHER ELEMENTARY	MATH	MATH SUMMER CAMP	2.00	100.00	0048454	200.00	✓	attendance verified by BOCES
20	333.46	CLERKS	SUBS	SUB SERVICE STIPEND	0.00	0.00	0048357	333.46	✓	BOE approved w stipend amt.
21	333.46	CLERKS	SUBS	SUB SERVICE STIPEND	0.00	0.00	0049865	333.46	✓	Approved by BOE w named stipend amount
22	1,000.00	TEACHER ELEMENTARY	MATH	MATH SUMMER CAMP	1.00	1,000.00	0047598	1,000.00	✓	Attendance approved by BOCES
23	50.00	TEACHER ELEMENTARY	R&D	Research and Development	0.50	100.00	0048550	50.00	✓	svs approved by principal. Rate is 50% of R&D rate. Contract does not mention this type of service or prorating the R&D Rate.
24	18.75	LABORER-ON CALL	NDIF	Night Time Differential 3 -12PM	25.00	0.75	253547	18.75	✓	signed by Brian Mitchell

Based on our review of the transactions we did not note any issue involving the processing of the payroll, all of the forms were approved by management and we saw evidence that the payroll clerk requested additional support and confirmation when she felt backup documentation would be appropriate. However, some of the rates/pay types did not appear to have been formally approved and documented by the Board of Education.

## Appendix 4





## Appendix 4 Adjusting Entry Procedures

We noted that the Business Manager makes almost all of the adjusting entries for the District. (See Sum by User and Subsystem in Appendix 1) This would be appropriate, since too many people making entries could result in uncorrected errors. As a part of our review of the adjusting entries, we performed a word analysis which analyzes the entries and summarizes the occurrence of each word used in the description field. We reviewed the words and their frequencies then selected certain words to trace back to the entries they were used in. We then reviewed the entries for indications of increased risk, and none were noted. The following words were selected.

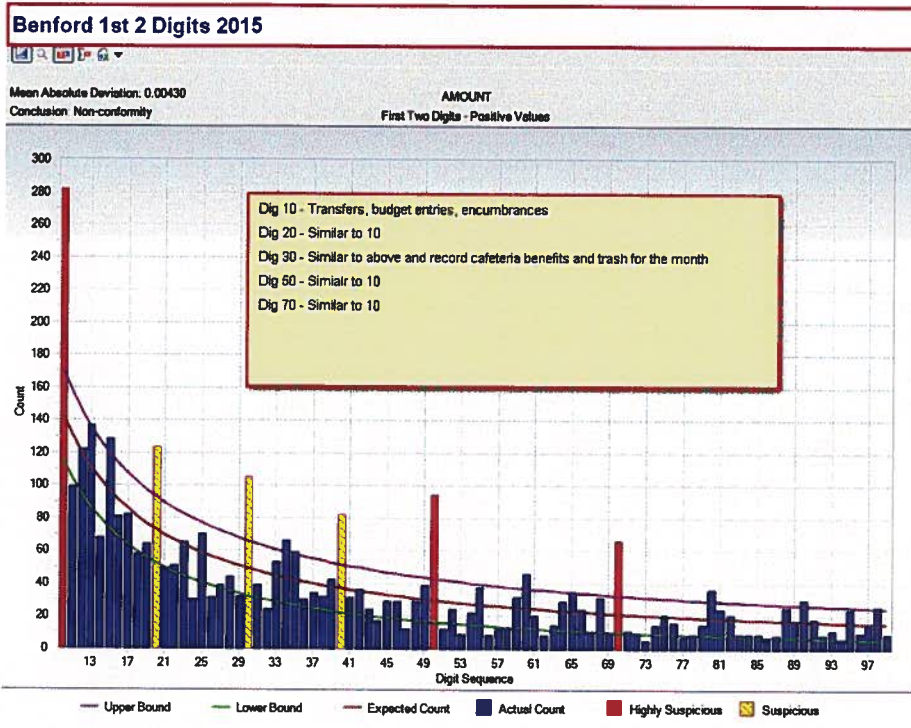
<b>Words Selected for Review 2015</b>				
	WORD_LIST	ORD_COUNT_IN	ORIGINAL_WORDTEST	
1	COLLECTABLE	1	collectable	✓
2	COLLECTED	1	collected	✓
3	ERROR	1	error	✓
4	MISTY	1	misty	✓
5	REDUCE	1	reduce	✓
6	PENALTY	2	penalty	✓
7	RECODED	2	recoded	✓
8	ADJ	4	adj	✓
9	CHARGED	6	charged	✓
10	RECODE	8	recode	✓
11	ADJUSTMENTS	46	adjustments	✓
12	ADJUST	53	adjust	✓

We also performed a Benford's Law analysis on the adjusting entries. As explained previously, this analysis is designed to detect "invented" or manipulated amounts. In many instances nonconformity is not indicative of manipulation, but is normal for that type of entity or transaction. The test frequently highlights unusual transactions or items of interest. We did not note any indications of manipulation.

The 1<sup>st</sup> 2 Digits test looks at the number of occurrences of the first two digits in each amount line of the adjusting entries. We drilled into the "suspicious" bars to see what they were comprised of.



## Appendix 4 Adjusting Entry Procedures





### **Corrective Action Plan**

**The District is also undergoing an audit in the payroll scope with the NYS Comptroller's office and in addition to their findings will create an employment agreement or contract with the four employees mentioned on page 16. In addition on page 20 all new employees will be formally approved by the Board Of Education.**

