



# **Plainview-Old Bethpage Central School District**

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## **Review of Online Paycheck Process**

**November 2014**



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The Board of Education  
Plainview-Old Bethpage Central School District  
Plainview, New York 11803

Board of Education:

We have been retained to function as the internal auditor for the Plainview Old-Bethpage Central School District (hereinafter, "the District"). Our responsibility is to assess the internal control system in place for the accounting function within the District, and to make recommendations to improve upon certain control weaknesses or deficiencies. In doing so, we hope to provide assurance to the District's Board, management, and residents, that the fiscal operations of the District are being handled appropriately and effectively.

### **BACKGROUND**

We performed a review of internal controls of payroll and personnel and issued a report of our recommendations to the Board in November 2009. Since then, the District has implemented the recommendations noted in that report. During our updated risk assessment for the 2013-2014 school year, we were informed that the District had implemented the WinCap Web module "Employee Self-Service", which allows paycheck stubs to be viewed electronically. The District has implemented this feature for all employees (except substitute and hourly/part-time employees) who elected to have their pay check directly deposited to their bank and wished to review their pay stub online. As a result, the District no longer prints and mails paycheck stubs for these employees, significantly reducing the cost associated with printing checks. Since this implementation involved a change in the payroll process, we reviewed the internal controls over the online paycheck process within the payroll operations.

### **SCOPE and TESTING**

To test the internal controls surrounding online paycheck processing, we first interviewed payroll staff to gain an understanding of the processes in place to pay an employee who elected to have their paycheck stub online. We then selected a sample of 45 employees from the October 3, 2014 payroll and performed procedures to determine that:

- The employee signed in and out for the pay period selected or completed a timesheet;
- A direct deposit enrollment form was maintained in payroll for the enrolled employees;
- Employees paid by the hour were paid for the correct number of hours worked at the appropriate rate of pay; and
- A contract was pre-approved by the Board of Education for certain individuals for which no time sheets were maintained.

In addition, we selected 40 employees from the October 3, 2014 payroll to verify that any checks that were mailed were for valid employees of the District that should be receiving a paycheck for the period tested.

## I. PAYCHECK DISTRIBUTION TEST:

### A. TIMESHEET RECORDS:

For each employee selected in our sample, we ensured that the employee signed in and out (i.e., those who are teachers) for the pay period selected. For hourly paid employees, we reviewed the hours listed on the timesheet to ensure they corresponded to the pay period total hours worked and their contracted time. We also reviewed the timesheets to ensure they were signed off by either a supervisor or principal from the building of origin. We noted the following:

**Issue I.A.1:** One employee did not sign in or out for two out of a ten day pay period reviewed. We were informed that this was a newly hired teacher in the District, and the District immediately sent out a reminder to inform the teacher of District policy. We confirmed the employee had indeed worked that day. Additionally, we noted two teachers who did not sign out for one of the ten days within the tested pay period. We also noted a few instances where the timesheet records only displayed the time in/time out but did not document total hours worked per day.

**Risk:** Without proper support to show employees attendance during a particular pay period or total hours worked per day on a timesheet, the District could be erroneously paying employees for time they were not entitled to.

**Priority:** Moderate

**Recommendation:** The District should ensure that all building attendance records (sign in/sign out sheets) are fully completed by employees before it is signed off by appropriate District management and payment to any employee is made. Employees that are not properly completing attendance or timesheet records should be notified in a timely fashion requesting resolution of their omissions on such reports, and ensure proper supervisory approval of changes. Follow-up support should be documented to ensure the accountability of the employees' time. All employees' time sheets should properly show the time in and out on a daily basis as well as the total hours worked per day.

**Management's Response:** We agree with this recommendation and will review at the next Leadership Team meeting the procedures for timesheets. This will ensure that the approving administrators check for completed timesheets by respective employees.

### B. DIRECT DEPOSIT ENROLLMENT:

As part of our test, we verified whether employee compensation was received through the means of direct deposit or a physical check. If an employee utilized the direct deposit option, we examined the direct deposit authorization form and traced the information to the direct deposit listing provided by the District, verifying the funds were deposited to the proper bank account. If an employee was paid by physical check, we verified that the employee was not set up with a direct deposit account and not listed on the direct deposit listing provided by the District. We noted the following:

**Issue I.B.1:** During our testing, the District could not locate the direct deposit authorization form for 12 of the 31 employees who enrolled in Direct Deposit. It should be noted some of these employees' may have been hired over 10 years ago and the District was unaware where the records may be. The retention period for such documents is 3 years after the deduction is no longer in effect or the last deposit is made under the authorization. This retention period ensures the availability of authorizing forms to respond to inquiries concerning their validity. Upon notification, the District issued a memorandum to these personnel, requested them to fill out the District's direct deposit form. As of the date of this report, the District received all completed direct deposit forms.

**Risk:** The District is not in full compliance with record retention requirements for direct deposits.

**Priority:** Low

**Recommendation:** We recommend that the District obtain new direct deposit authorization form for those employees noted.

**Management's Response:** We agree with this recommendation and have already worked to get updated direct deposit authorization forms from the employees noted. We have put a process in place to ensure that all future direct deposit forms adhere to the record retention requirement.

**Auditor's Comment Re: Documented Procedures**

The District had prepared documented procedures that describe the specific payroll processes in response to our prior review of the payroll operations. As some of the processes have changed, we recommend that the procedures be reviewed and revised to include the online paycheck process.

**II. MAILED CHECK TEST:**

**A. VERIFICATION OF LISTINGS:**

The District permits certain employee's checks be mailed directly from the Payroll Department. The payroll staff sets the paycheck building code to "99" in WinCap to indicate those employees whose checks will be mailed. These are generally employees who are hourly substitutes, part time employees, coaches, and bus attendants. Some District employees whose job responsibilities cause them to be in multiple buildings are able to have their checks mailed as well.

We selected 40 employees from a listing of 159 who were scheduled to have their checks mailed for the October 3, 2014 payroll to verify that each was a valid employee of the District and that there was a reasonable explanation for the check to be mailed. We confirmed that the number of checks that were "coded" on the payroll transaction report as mailed checks, agreed in number to the actual checks that were scheduled to be mailed. Additionally, we

verified that employees who received mailed checks had accurate time sheets submitted with building assignments. The following was noted:

**Issue II.A.1:** We noted two employees had their checks mailed although the employees were salaried teachers assigned to one building. We were informed that these employees had been out on a leave of absence and the code was not changed upon their return. We also noted two salaried 181 day aides who had their checks mailed.

**Risk:** Since the paycheck sign-in sheet for employees who have their check mailed is not reviewed by an administrator, there is an increased risk that unauthorized payments can occur (e.g., if the employee was on leave) and not readily detected. Additionally, the District may be needlessly mailing checks.

**Priority:** Low

**Recommendation:** We recommend that the Payroll department review the paycheck distribution codes for all employees on a periodic basis to ensure that the code is correct and when feasible, recommend Direct Deposit enrollment for such personnel.

**Management's Response:** We agree with this recommendation and have confirmed with the Human Resources Department that when an employee returns from leave that the Payroll Office is notified so we can update the check location.

Please note, the two aides that were identified in the test are recent hires and we updated their pay location status.

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**Issue II.A.2:** We noted one employee, a teacher who used to work in multiple locations, was not assigned to a building list during the pay period we reviewed.

**Risk:** The District could be paying for a salaried employee without verifying attendance records.

**Priority:** Moderate

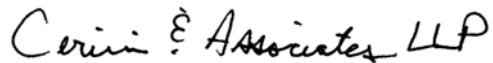
**Recommendation:** We recommend that the Payroll department periodically check the code "99" employees to see whether building assignments can be designated.

**Management's Response:** We agree with this recommendation and the Payroll Department will review with the Human Resources Department on a quarterly basis the code "99" employees to ensure everyone's location is current.

We understand the fiduciary duty of the Board of Education, as well as the role of the internal auditor in ensuring that the proper control systems are in place and functioning consistently with the Board's policies and procedures.

Should you have any questions regarding anything included in our report, please do not hesitate to contact us at (631) 582-1600.

Sincerely,

A handwritten signature in cursive script that reads "Cerini & Associates LLP".

Cerini & Associates, LLP  
Internal Auditors