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Date: February 17, 2023

To: Audit Committee
Putnam Valley Central School District

From: Nugent & Haeussler, P.C.

Re: Internal Audit Services – Payroll and Personnel
Reference #2023-1

In accordance with our proposal and the Annual Risk Based Internal Audit Plan, we have conducted our internal audit services with respect to the Payroll and Personnel of the Putnam Valley Central School District.

CONCLUSION

The grading standards are Satisfactory, Acceptable, and Unsatisfactory.

The controls over Payroll and Personnel are rated *Satisfactory*.

District management is to submit a response to the Audit Committee with copies to interested management and the auditor by April 30, 2023.

OBJECTIVE/SCOPE

The purpose of the internal audit services is to assist the Audit Committee in making a determination with respect to:

- To ensure that policies and procedures provide for the safeguard of district resources
- To ensure that policies and procedures provide for timely and accurate accounting of payroll and related transactions
- To ensure that regular and overtime pay is properly documented, approved and certified
- To ensure that adequate payroll documentation is maintained in accordance with Department of Labor, Civil Service and other contractual provisions

- To ensure that district payroll and personnel policies are maintained, disseminated and adhered to
- To ensure that payroll processing duties are properly segregated

The internal audit covered sampled transactions from June 30, 2022 through January 13, 2023. The internal audit services were conducted on January 17th & 18th.

PROCEDURES & FINDINGS

Payroll Policies

During our review of the district's payroll and personnel policies, it was noted that several of the policies have not been reviewed or updated for many years.

We recommend that all of the district's payroll and personnel policies are reviewed on an annual basis and updated where necessary.

Payroll Budget Code Review

During our review of payroll budget codes, it was noted that the District does not make budget transfers to cover shortfalls until year-end.

We recommend that the payroll budget codes are reviewed for shortfalls and necessary budget transfers are made periodically throughout the fiscal year.

Payroll Certification

During our review of certified payrolls we found two instances where an employee certified the payroll that had not been designated by the Board as having the authority to do so.

We recommend an alternate employee, independent of the payroll process, be approved by the Board of Education to certify payrolls in the event that the primary payroll certifier is unavailable.

Other

In addition to the items listed above in the Procedures & Findings area of this letter we performed other procedures with respect to Payroll and Personnel and have no further recommendations.

We reviewed the process and related documentation for the preparation and filing of the quarterly payroll reports and the related withholding tax deposits made during the quarter.

We made inquiries of district employees involved in the processes for payroll and personnel to get an understanding of the controls in those areas.

We reviewed the personnel files for active employees and new hires to ensure all of the required information was available for review. We also verified there were checklists included in the personnel files.

We reviewed the listing of employees that left the district during the 2022/2023 school year to ensure all individuals eligible for COBRA benefits were offered these benefits and that the employees were identified as inactive in the payroll system.

We reviewed the information on a random sample of salary agreements to the employee contracts to ensure the information followed the contract.

We reviewed the employee deduction report for 403B and catch-up contributions to ensure all district employees are within the legal limit of annual contributions and proper documentation was retained.

We also reviewed the information provided to the New York State Local Retirement System for monthly wages and contribution amounts for the month of December 2022 were accurate and consistent with the information in the accounting systems.

We also reviewed employees that retired during the school year to ensure they were marked as inactive on the system and that they have been offered the retiree health incentive based on the individual's contract.

We also reviewed the software permissions of the employees of the business office to ensure that only employees with the logical need to the payroll and personnel system had access to those areas.

We reviewed the process for transferring the funds related to employee withholdings and reviewed a sample of those transaction to ensure there was dual control over the funds transfers.

We reviewed employee withholding allowance certificates to ensure that they were properly completed and carried out.

We reviewed a selected payroll from the 2022-2023 school year for hourly employees and employees using a claim form and reviewed a sample to the signed claim form.

We also reviewed any overtime paid to ensure it was properly approved and documented.

We reviewed a sample selection of stipends paid to district employees to ensure the amounts were properly approved.

We reviewed the listing of compensated absences at June 30, 2022 to ensure that the amount the district was reporting was consistent with the provisions in the employee contracts and accurate with the information in the payroll system for attendance.

We also reviewed the process for approving and tracking paid time off and selected a sample to test to the approvals.

We reviewed a listing of employees receiving direct deposit to the forms kept at the district to ensure the information in the system was accurate.

We also reviewed the district's sick bank and the processes followed for donating to and using time from the sick bank.

This report is intended solely for the information and use of the Audit Committee, the Board of Education and management of the Putnam Valley Central School District and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully Submitted,



NUGENT & HAEUSSLER, P.C.

cc: Jill Figarella