



**Elwood Union Free School District  
Report on the Internal Controls of the Payroll Cycle  
June 2021**

- We reviewed nVision permissions report as of November 2, 2020 and analyzed for individual permissions and conflicting job functions. During the course of our interviews, we also reviewed for proper general controls and procedures.
  - a. We reviewed all active user accounts within the Payroll Module of nVision and their related payroll permissions for relevance and consistency with job duties. During our testing, we noted that all user permission in nVision were consistent with employee job titles.

**Observation/Recommendation #1**

- The District has not developed documented guidelines regarding the payroll accounting and reporting, processing, disbursement, and reconciliation functions. Payroll procedures are performed based upon past practice and verbal guidelines provided by Account Clerks and Administrators.

The District should formally document its procedures pertaining to payroll accounting and reporting, processing, disbursement, and reconciliation functions. Procedures should be periodically reviewed to ensure that the responsibilities are adequately performed at the District and comply with federal and state regulations. The narratives attached to this report should serve as supplemental enclosures to the District's documented procedures.

***CAP: The district is developing a formal Payroll Procedure manual which will be completed by December 31, 2021.***

**I. Payroll Accounting and Reporting**

The attached Exhibit A summarizes the accounting and reporting procedures of the Payroll Cycle. Based upon our review within the area of payroll accounting and reporting procedures we have made the following observations and recommendations within the following subcategories:

1. Data Entry
2. Timesheets
3. Overtime

**Data Entry**

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- We have randomly selected a sample of twenty-five (25) out of four hundred and thirteen (413) total active employees for the payroll periods of October 3, 2020 through October 16, 2020 and October 17, 2020 through October 30, 2020, and tested their related payroll information against our audit criteria. During our testing, we noted the following:
  - a. All gross payroll amounts reconciled to the contracted salary schedules and rates.
  - b. All rates of pay reconciled to the entitlement within nVision.
  - c. All additional entitlements were paid in accordance with contract provisions.

Timesheets

- We have randomly selected a sample of twenty-five (25) hourly timesheets paid during the payroll period of October 3, 2020 through October 30, 2020 and tested their related payroll information against our audit criteria. During our testing, we noted the following:
  - a. All hours paid agreed to hours recorded on timesheets and the Earnings Summary Report.
  - b. All timesheets were accurately calculated and approved by the appropriate supervisor.

Overtime:

- We have randomly selected a sample of twenty-five (25) hourly timesheets paid during the payroll period of October 3, 2020 through October 30, 2020 and tested overtime approval, if applicable. During our testing, we noted the following:

Observation/Recommendation #2

- We noted four (4) instances where overtime was approved by the employee's immediate supervisor subsequent to the date the overtime occurred.

We recommend that all overtime be formally pre-approved. We recommend that this pre-approval be formally documented and attached to the coinciding timesheet.

***CAP: The district does have an overtime approval form in place and will ensure it is utilized by all departments when overtime is required.***

**II. Payroll Processing**

The attached Exhibit A summarizes the payroll processing procedures of the Payroll Cycle. Based upon our review within the area of payroll processing procedures we have made the following observations and recommendations:

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- We compared the payroll check register to the District's employee listing to verify that all active employees were paid during the two consecutive payroll periods of October 3, 2020 through October 16, 2020 and October 17, 2020 through October 30, 2020. The purpose of this testing is to ensure that employees are paid in accordance with the bargaining unit agreements.
  - a. We reviewed the District's payroll schedule for the 2020/2021 fiscal year and verified that all pay dates are consistent and scheduled during business hours.
  - b. We noted that all discrepancies in employee pay amounts were due to the following:
    - Additional Earnings
    - Step/Level Changes
    - Employee Deductions
    - Employee Termination
    - Hourly Employees
    - Stipends
    - Overtime

*No recommendation at this time.*

**III. Payroll Disbursements**

The attached Exhibit A summarizes the payroll disbursement procedures of the Payroll Cycle. Based upon our review within the area of payroll disbursement procedures we have made the following observations and recommendations:

- We have randomly selected a sample of twenty-five (25) out of out of four hundred and thirteen (413) total active employees and tested direct deposit enrollment form was in the employee's file.

**Observation/Recommendation #3**

- We noted three (3) instances where an employee selected did not have a direct deposit enrollment form on file.

We recommend that the Payroll Department maintain all employee related documents within each payroll file, including Direct Deposit Forms. Additionally, the Payroll Department should utilize a checklist which itemizes all of the requisite payroll documents and forms. This will assist the Payroll Department in determining the completeness of each employee's payroll records.

***CAP: The district has obtained the necessary direct deposit forms for the three individuals and has begun to use a checklist to ensure all required documents are on file.***

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**IV. Payroll Reconciliation**

The attached Exhibit A summarizes the payroll reconciliation procedures of the Payroll Cycle. Based upon our review within the area of payroll reconciliation procedures we have made the following observations and recommendations:

- The Superintendent reviews and certifies each payroll. The Payroll Department maintains all the certified payroll reports on file.
- The District Treasurer reviews payroll variance reports for each pay period.
- The Payroll Senior Account Clerk and the District Treasurer perform a payroll journal and deduction reconciliation on an annual basis. This control ensures that the book balances agree to the bank balances and any unusual outstanding items are identified and resolved in a timely manner.
- We have randomly selected a sample of twenty-five (25) out of four hundred and thirteen (413) total active employees being paid on the payroll ending October 16, 2020 and tested employees' deductions were accurate.
  - a. We verified that all Federal and State withholding elections were consistent in nVision. This ensures that the proper taxes are being deducted from each employee's paycheck.
  - b. In addition, we have also tested and verified the mathematic accuracy of the Federal and State taxes deducted from the employees' paychecks selected.

*No recommendation at this time.*

**V. Payroll Tax Filing**

The attached Exhibit A summarizes the payroll tax filing procedures of the Payroll Cycle. Based upon our review within the area of payroll tax filing procedures we have made the following observations and recommendations:

- We reviewed the federal and state tax reports submitted by the District for the 3<sup>rd</sup> and 4<sup>th</sup> quarters of 2020 and tested their related tax filing information against our audit criteria. During our testing, we noted the following:
  - a. We verified the District's 3<sup>rd</sup> and 4<sup>th</sup> Quarter 2020 payroll tax returns (Form 941 – *Employer's Quarterly Federal Tax Return* and Form NYS-45 – *Quarterly Combined Withholding, Wage Reporting, and Unemployment Insurance Return*) for mathematical accuracy and completeness of the reconciliation.
  - b. All Form 941 and Form NYS-45 tested were reviewed by the Assistant Superintendent for Business.

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- c.* All Form 941 and Form NYS-45 tested were filed within thirty (30) day of the end of the period.
- d.* All Form 941 and Form NYS-45 maintained the proper supporting documentation.

*No recommendation at this time.*

<b>VI. Risk Rating and Audit Opinion</b>
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**Inherent Risk Rating:**            **High**

**Control Risk Rating:**           **Low**

**Audit Opinion:**                 **Satisfactory**

**Audit Comment:**                The District's control environment pertaining to Payroll is satisfactory. The recommendations noted above are aimed to improve the effectiveness of the Payroll process within the District.