

**Rockville Centre Union Free School District**  
**Independent Accountant's Report On**  
**Applying Agreed-Upon Procedures**  
June 20, 2016

VINCENT D. CULLEN, CPA  
(1950 - 2013)

**CULLEN & DANOWSKI, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

JAMES E. DANOWSKI, CPA  
PETER F. RODRIGUEZ, CPA  
JILL S. SANDERS, CPA  
DONALD J. HOFFMANN, CPA  
CHRISTOPHER V. REINO, CPA  
ALAN YU, CPA

**INDEPENDENT ACCOUNTANT'S REPORT ON  
APPLYING AGREED-UPON PROCEDURES**

Board of Education and the Audit Committee  
Rockville Centre Union Free School District  
Rockville Centre, New York

We have performed the procedures described in the following pages, which were agreed to by the Rockville Centre Union Free School District (District), solely to determine the effectiveness related to the payroll function in complying with policies and procedures of the District during the period September 1, 2014 through November 30, 2015.

The District's management is responsible for administering this area.

This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the District. Consequently, we make no representation regarding the sufficiency of the procedures either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are described in the following pages.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the District's payroll function. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We would like to express our appreciation for the cooperation and assistance that we received from the District's administration and other employees during our engagement.

This report is intended solely for the information and use of the District and is not intended to be and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purpose.

*Cullen & Danowski, LLP*  
June 20, 2016

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT**  
**Report on Applying Agreed-Upon Procedures**  
For the Period Ended November 30, 2015

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**Introduction:**

This report has five sections consisting of:

- Background information
- Summary of the engagement
- Procedures performed during our detailed testwork
- Findings as a result of our review
- Recommendations to further strengthen internal controls or improve operational efficiency.

Some of the recommendations may require a reassignment of personnel duties within the District and/or a monetary investment. However, any enhancement of controls should be done after a careful cost-benefit analysis.

**Corrective Action Plan:**

Commissioner of Education Regulation §170.12(e)(4) requires that a corrective action plan, approved by the Board of Education, must be filed within 90 days of issuance with the New York State Education Department.

The District should send the Corrective Action Plan (CAP) along with the respective Internal Audit Report via mail or email to the addresses listed below. The report needs to accompany the CAP to allow the Office of Audit Services (OAS) to reconcile the District's CAP to the report to ensure all items have been addressed (i.e., CAP is not missing any recommendations).

***Submission Information – Mail and Email***

New York State Education Department (NYSED)  
Office of Audit Services (OAS)  
89 Washington Avenue  
Room 524 EB  
Albany, NY 12234  
[Fsanda133@mail.nysed.gov](mailto:Fsanda133@mail.nysed.gov)

***Contact***

Office of Audit Services  
(518) 473-4516

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT**  
**Report on Applying Agreed-Upon Procedures (Continued)**  
For the Period Ended November 30, 2015

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**PAYROLL**

**Background**

Good business practice requires that the District establish proper segregation of duties and adequate controls over the payroll function. These controls should ensure the completeness and accuracy of payroll related transactions (e.g., salaries, claims forms, stipends, separation payouts, etc.), changes to salaries, user account revisions, and the retention of proper documentation supporting the activities, to name a few.

As in all school districts, payroll is the largest expenditure at the District. The 2015-16 budget for the District's salary related expenditures including contractual, hourly, longevity and stipend costs totals \$60,901,298. The Business Office has 2 full-time employees working in the Payroll Department who handle all of the District's payroll processing. The District utilizes the Finance Manager (FM) financial system to process payroll. This is a powerful, sophisticated product that has been tailored to meet the requirements of New York State school districts. The payroll module is fully integrated into the financial reporting module, which is very efficient and significantly reduces the likelihood of processing errors.

We performed a review of the District's payroll processing that included meetings and test work, as per the engagement letter dated September 28, 2015, to determine the effectiveness of the payroll function. During the fieldwork, we gained an understanding of the past practices, current initiatives and any planned changes related to payroll. As we performed our procedures, one of the objectives was to identify opportunities to strengthen internal controls, improve operational efficiencies, ensure proper oversight and verify supporting documentation related to payroll processing activities.

**Summary:**

We note that the oversight and review of transactions is appropriate; the adequacy of internal controls designed to mitigate the inherent risk within the payroll process are adequate; and the Payroll Department understands the need to have proper controls in place. We also found that the employees we interviewed demonstrate a positive attitude towards improving procedures and are knowledgeable about the requirements related to their responsibilities.

We found a few opportunities to improve operations as a result of our engagement. These items are described further in the findings and recommendations sections below. We recommend that the District implement these recommendations to further strengthen internal controls and/or improve operational efficiencies.

**Procedures:**

- Review Board of Education (Board) policies and District procedures related to the payroll functions.
- Interview Business Office personnel regarding policies, procedures and systems in effect and document the payroll procedures.
- Review the current payroll cycle process and identify the strengths, weaknesses and key control attributes for testing.
- Perform a payroll reconciliation from 1 cycle to the next during this fiscal year. On a test basis, review supporting documentation for all activities in 1 of the payrolls.
- Review all collective bargaining agreements and a sample of individual employment agreements to understand the terms and conditions.

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT**  
**Report on Applying Agreed-Upon Procedures (Continued)**  
For the Period Ended November 30, 2015

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- Review payroll related activity for the period under review as follows:
  - For contractual payments – select a sample of 50 payments to ensure amount paid agrees to employee records and contract (if applicable) and compare all amounts withheld for taxes, benefits, etc. to supporting documentation.
  - For non-salary payments (i.e., hourly, stipend, overtime) – select a sample of 50 payments to ensure proper approval and amount.
  - For separation payments – select a sample of 5 payments to ensure final amounts are correct (i.e., retirement incentives; accumulated unused time), proper documentation is on file (i.e., retirement or resignation letter from employee, Board resolution) and compliance with specifications in the respective contract.
  - For disbursements to third parties as a result of withholdings (i.e., union dues, taxes, etc.) – select all third party payments from the 2 payroll cycles selected for the reconciliation test work and ensure all monthly payments are captured.
  - For changes to the payroll module data – select a payroll change report for 2 payrolls to ensure all edits are appropriate as well as properly approved and supported (i.e., Board approval).
  - For substitute teacher payments – review and document the procedures and select these payments from 1 pay cycle during the period to ensure accuracy and completeness as well as reconcile these payments to the permanent teachers' absences and ensure the absences are recorded. Based on the results, determine if a reconciliation process needs to become a regular procedure.

**Results:**

Review of Board policies and District procedures and interviews with personnel related to payroll found:

- The Payroll Department has written, formal procedures related to key processes performed by the clerks, which are maintained in the Business Office.
- The Payroll Department performs a thorough review of the salary changes related to the annual rollover process. This includes using FM system-generated payroll reports (contract and rate reports; change reports; etc.), double checking the salary tables and confirming the salary amounts for the various employee "types".

Review of the payroll cycle noted:

- The Payroll Department performs a complete review during each payroll cycle that includes the use of FM system-generated change reports, verifying all contractual salary changes and maintaining appropriate supporting documentation.
- Throughout our review of the payroll cycle there were no exceptions or errors noted. There is adequate segregation of duties and all payments tested were supported by collective bargaining agreements and appropriate authorization and approvals.

Performing a payroll reconciliation from one cycle to the next found:

- The District was able to provide the documentation to support the changes recorded in the FM system-generated Payroll Comparison Report, which lists all earnings variances from one cycle to the next. This included the supporting records for all employees with changes to their contract payroll code amount, the selected employees with changes to other payroll codes and explanations for variances to certain payroll codes in total.

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT**  
**Report on Applying Agreed-Upon Procedures (Continued)**  
For the Period Ended November 30, 2015

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Review of the selected 50 contractual payments to employees totaling \$187,572 found:

- Under *Article IV – School Calendar, Section C – Additional Work* of the Administrators' Association contract, the language states that "bargaining unit members approved by the Superintendent to work additional days beyond the work year established by contract shall be compensated at the per diem rates per extra day worked..." We found that there are procedures to approve and document the payments related to these additional days and the amounts paid were accurate related to the sample we reviewed. Although the administrators are paid for the additional days worked, we noted that the District's practice varies with regards to charging or not charging the administrator a vacation day for these days. In the event that such a day worked was an assigned work day, generally a week day during the summer, the administrator is charged a vacation day. When such a day worked was an unassigned day (e.g., Saturday, recess day, etc.), the administrator is not charged a vacation day. In addition to being inconsistent, language in the Administrators' Association contract doesn't support this practice.
- The District's practice related to the additional days worked by the administrators is to charge the administrator a vacation day when such a day worked was an assigned work day and not charge a vacation day when such a day worked was an unassigned day (e.g., Saturday, recess day, etc.). However, we found that this practice is not supported by language in the Administrators' Association contract.

Review of the selected 50 non-salary payments to employees totaling \$72,001 noted:

- The payout for additional compensated days as per the contract with the non-aligned employee was not supported by records listing these days. The contract language under *Article 1 – General Provisions, Section C* states that "The Assistant Superintendent may work up to five (5) additional days during the school year and be compensated on or about June 30<sup>th</sup> of each school year at his then current per diem rate of pay." We understand that the District's practice is to process these payments at year end for 5 days for each assistant superintendent regardless of working the additional days. This is treated more like vacation day buybacks as the District reduces the number of vacation days for each assistant superintendent accordingly. However, there is no requirement for the employee to work 5 additional days as per the contract language.
- The practice for recording the additional compensated days paid to the assistant superintendents is to reduce the number of vacation days of the respective administrator's year-end balance when this data is carried forward to the next year in the FM system. For example, 10 vacation days at June 30, 2014, are reduced by 5 additional compensation days and the starting balance for vacation days is revised to 5 vacation days in the FM system at July 1, 2015. The practice results in the lack of an audit trail related to these vacation days because these adjustments are effectively done outside of the FM system. The posting of the vacation days related to the additional compensated days should be entered directly in the FM system by using the vacation/worked for compensation (VC) code. Further review of the administrators' vacation days starting balances at July 1, 2015 found that the amounts were correct.
- The payroll timesheet for authorized services and the Chaperoning Approval Form contained signatures authorizing the payment. However, there is no place on the form for the written name of the person authorizing the payment and in several circumstances it was not possible to know who signed the form to authorize the payment.

**ROCKVILLE CENTRE UNION FREE SCHOOL DISTRICT**  
**Report on Applying Agreed-Upon Procedures (Continued)**  
For the Period Ended November 30, 2015

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Review of the selected 5 separation payments totaling \$105,086 found:

- There was one administrator who received a separation check that included a payout for unused vacation days. However, the Administrators' Association contract under *Article XII – Terminal Pay Allowance* has no provision for payment of unused vacation days at separation and excludes any language allowing for the carry forward of unused vacation days. We understand that the District's practice is to include these unused vacation days as part of the administrators' separation payment.

Review of the selected third party disbursements noted:

- The third-party payments related to withholdings were processed correctly and timely.

Review of the payroll changes from one period to another found:

- There were no exceptions related to the selected payroll changes that we reviewed, as we found that these revisions were appropriate, supported and properly approved (i.e., Board resolution).

Review of the 20 substitute teacher payments totaling \$8,165 noted:

- The payments to the substitute teachers were appropriately supported and the permanent teachers' absences were properly recorded.

**Recommendations:**

We recommend that the District consider implementing the following items to further improve internal controls and enhance operational efficiencies related to payroll:

1. Consider including language within *Article IV – School Calendar, Section C – Additional Work* of the Administrators' Association contract to address the practice related to charging the administrator a vacation day when an additional day worked was an assigned work day and not charging a vacation day when such a day worked was an unassigned day (e.g., Saturday, recess day, etc.) The other option is to consider changing the practice to not charge a vacation day related to these additional days when the day worked is in excess of the administrator's required number of days they must work for the year.
2. Address the difference between the assistant superintendents' contract language under *Article 1 – General Provisions, Section C* and the District's practice related to the additional days worked. The District should consider revising the contract language to be aligned with the current practice or change the practice to follow the language in the contract.
3. Revise the process for recording the additional compensated days paid to the assistant superintendents by posting the vacation days in FM to create an appropriate audit trail of these activities. We also recommend that the District use the VC code to post these vacation days charged to the administrators.
4. Revise the standard payroll related forms (e.g., authorized services, chaperoning, etc.) to include a section for the approvers to include their printed name underneath the authorized signature during the approval process for authorized services and Chaperone Approval Forms.
5. Update the Administrators' Association contract to include language related to the handling of unused vacation days. There should be clear and concise language under *Article XII – Terminal Pay Allowance* stating the conditions if these days would be included as part of the administrator's separation payout and if unused vacation days can be carried forward or not.

# Rockville Centre UFSD

## CORRECTIVE ACTION PLAN

Rockville Centre Union Free School District  
Intramural Correspondence

To: William H. Johnson, Ed.D., Superintendent of Schools  
Board of Education Rockville Centre UFSD  
From: Robert Bartels  
Subject: Corrective Action Plan and Response to Report on Applying Agreed-  
Upon Procedures (Payroll) Dated June 20, 2016  
Date: March 6, 2017

The Response to Report on Applying Agreed-Upon Procedures submitted by Cullen & Danowski, LLP contained a number of comments and recommendations to improve internal controls and enhance operational efficiencies related to payroll. This report has been thoroughly reviewed and responses and corrective actions identified as necessary. Each of those responses and corrective actions is listed in detail below following the audit findings as they were presented in the report. Numbers have been assigned to each of the findings to assist in future discussions and reports on the status of these findings and corrective actions. It should be noted that the auditors did not identify any material weaknesses. It should also be noted that while all of the audit recommendations would add additional controls, there will always be additional controls to be recommended. Each recommendation has been reviewed and responded to as deemed appropriate by the business office.

### Recommendations:

1. Consider including language within *Article IV – School Calendar, Section C – Additional Work* of the Administrators' Association contract to address the practice related to charging the administrator a vacation day when an additional day worked was an assigned work day and not charging a vacation day when such a day worked was an unassigned day (e.g., Saturday, recess day, etc.) The other option is to consider changing the practice to not charge a vacation day related to these additional days when the day worked is in excess of the administrator's required number of days they must work for the year.

District Response – Administrators' Association contract will be negotiated in the current school year. This issue will be included in the negotiation process.

Implementation Date – 2017-2018 school year

Person Responsible for Implementation – Assistant Superintendent for Business



## Rockville Centre UFSD

2. Address the difference between the assistant superintendents' contract language under *Article 1 – General Provisions, Section C* and the District's practice related to the additional days worked. The District should consider revising the contract language to be aligned with the current practice or change the practice to follow the language in the contract.

District Response – The District will consider revising the contract language in the Assistant Superintendents' contracts under *Article 1 – General Provisions, Section C* to align the language of the contract with the current practice.

Implementation Date – 2017-2018 school year

Person Responsible for Implementation – Assistant Superintendent for Business

3. Revise the process for recording the additional compensated days paid to the assistant superintendents by posting the vacation days in FM to create an appropriate audit trail of these activities. We also recommend that the District use the VC code to post these vacation days charged to the administrators.

District Response – Agreed

Implementation Date – Implemented 6/30/2016

Person Responsible for Implementation – Personnel Assistant

4. Revise the standard payroll related forms (e.g., authorized services, chaperoning, etc.) to include a section for the approvers to include their printed name underneath the authorized signature during the approval process for authorized services and Chaperone Approval Forms.

District Response – Agreed

Implementation Date – Implemented 6/30/2016

Person Responsible for Implementation – Assistant Superintendent for Business

5. Update the Administrators' Association contract to include language related to the handling of unused vacation days. There should be clear and concise language under *Article XII – Terminal Pay Allowance* stating the conditions if these days would be included as part of the administrator's separation payout and if unused vacation days can be carried forward or not.

District Response – Administrators' Association contract will be negotiated in the current school year. This issue will be included in the negotiation process.

Implementation Date – 2017-2018 school year

Person Responsible for Implementation – Assistant Superintendent for Business