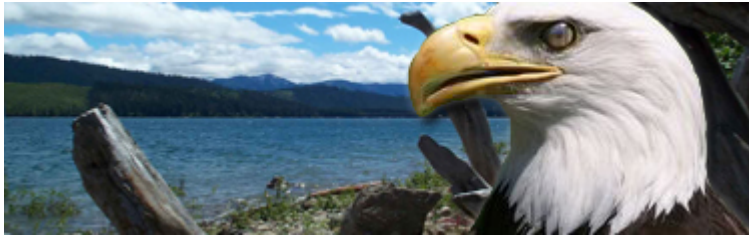


# Evans-Brant Central School District



## Agreed Upon Procedures System Test of Payroll New Hires and Terminations



Test of Transactions for the Period  
July 1, 2019 through May 31, 2021

**BAHGAT & LAURITO-BAHGAT, CPAs, P.C.**

*Providing The Tools For Financial Success!*



## INTERNAL AUDIT

Phase II: System Test – Payroll New Hires and  
Terminations

Agreed Upon Procedures





## INTERNAL AUDIT

### Phase II: System Test of Payroll New Hires and Terminations

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*This report provides management with information about the condition of risks and internal controls at a specific point in time. Future changes in environmental factors and actions by personnel will impact these risks and internal controls in ways that this report cannot anticipate.*

# Independent Accountants' Report on Applying Agreed-upon Procedures



## **BAHGAT & LAURITO-BAHGAT, CPAs, P.C.**

To the Audit Committee of  
Evans-Brant Central School District:

We have performed the procedures contained in the enclosure to this letter, which were agreed to by the audit committee and management of the Evans-Brant Central School District, solely to assist you with performing certain internal audit procedures of the Evans-Brant Central School District for the period July 1, 2019 through May 31, 2021. We conducted our work in accordance with the U. S. generally accepted government auditing standards, which incorporate financial audit and attestation standards established by the American Institute of Certified Public Accountants. These standards also provide guidance when performing and reporting the results of agreed-upon procedures.

You are responsible for the adequacy of these procedures to meet your objectives and we make no representation in that respect. The procedures we agreed to perform consist of various tests of the payroll new hires and terminations. The enclosure contains the agreed-upon procedures and our results.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. 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.

This report is intended solely for the information and use of the management of the District, the Board of Education and the Audit Committee of the Evans-Brant Central School District and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

**Bahgat & Laurito-Bahgat,  
Certified Public Accountants, P.C.  
Fredonia, New York**

**June 22, 2021**

## Procedure # 1

A sample of 25 various employees hired between July 1, 2019 and May 31, 2021 were chosen for inspection. We inspected the personnel files of the employees hired. We tested each of the employees for the following:

- The proper amount was paid as per the salary agreement, appropriate contract, and/or as approved in the Board minutes.
- The required employment forms were completed including Forms I-9, W-4 and IT-2104
- Fingerprinting results were on file, where appropriate
- Teacher and administration certifications and other proofs of qualifications were on file, where appropriate
- Deduction requests and garnishment notices were on file, and the deduction amount matched the corresponding request
- Direct deposit requests were on file, and the direct deposit amount matched the corresponding request
- Salary notices were on file, where appropriate
- Vacation and leave time accruals were accurate, where applicable
- IRS Form 1095 and IRS Form W-2 reporting were completed and accurate
- Computer Accessible Use Agreements were signed and on file
- Computer access rights to various programs were proper

## Summary of Results

We tested 25 various employees hired between July 1, 2019 and May 31, 2021 for the internal control attributes listed above. A detailed listing of the exceptions related to the individual attributes tested appear on the following page. An exception indicates that the internal control attribute established was not followed on the transaction that was tested.

# Detailed Observations and Results of Testing

## Procedure #1 (Continued)

Internal Control Attribute Tested	Number of Exceptions	Finding
The proper amount was paid as per the salary agreement, appropriate contract, and/or as approved in the Board minutes.	None	
The required employment forms were completed including Forms I-9, W-4 and IT-2104	2	(a), (b)
Fingerprinting results were on file, where appropriate	None	(b)
Teacher and administration certifications and other proofs of qualifications were on file, where appropriate	None	(b)
Deduction requests and garnishment notices were on file, and the deduction amount matched the corresponding request	3	(c)
Direct deposit requests were on file, and the direct deposit amount matched the corresponding request	None	
Salary notices were on file, where appropriate	None	
Vacation and leave time accruals were accurate, where applicable	None	
IRS Form 1095 and IRS Form W-2 reporting were completed and accurate	2	(d)
Computer Accessible Use Agreement signed and on file	None	(b)
Computer access rights to various programs were proper	None	

## Findings and Recommendations

### Findings

- a) We found two employees whose I-9 was not completed properly, the form requires that a responsible school employee signs the I-9, indicating they examined proof of citizenship.
- b) During fieldwork, we found instances where documentation was not filed in personnel files. There was one employee without any fingerprinting documentation, two employees without teacher or professional certifications, one employee's IT-2104 on file did not match their withholdings, and two employees without a signed computer accessible use agreement. Upon further inquiry, the documentation was provided to us, after it was located or properly completed by the district.

### Summary Recommendation:

We recommend the District follow the procedures in place to ensure all employees' personnel files are complete with required documentation, including Form I-9 certifications, Forms W-4 and IT-2104, teacher and professional certifications, and fingerprinting. We further recommend that rehired employees complete new employment forms.

### District Response:

The District agrees with the audit findings. Human Resources staff will be trained to review personnel files to insure all appropriate documents are maintained in each employee's personnel file, and that rehired employees complete new employment forms at the time of rehire to insure that all information including tax withholding, addresses, etc. always remains current.

## Findings and Recommendations (Continued)



- c) We found three instances of new hires who had submitted their NYSTRS paperwork to the District, but had not been enrolled in NYSTRS or set up in Wincap to begin withholdings. The current Human Resources employee did not have proper access to enroll new hires in the retirement system at the time of our testing. As of the date of fieldwork, these employees were not enrolled, and did not have withholding for NYSTRS, and had already been employed more than one month in the District.

### **Summary Recommendation:**

We recommend upon employment, all employees are given proper accesses to applicable programs, or alternate controls are put in place to ensure new hires are set up timely with the retirement system.

### **District Response:**

The District will insure that both Human Resources clerks have access to enter new employees in the NYSTRS and NYSLRS. A change in personnel in the District office and a lack of access to the retirement systems caused the lag in getting the new employees enrolled.


- d) We found the following two issues with Forms 1095:
1. One new hire who received a health insurance buyout did not receive a 1095 for 2020.
  2. All 1095's list the plan start month as 01(January), however, the 1095's indicate a plan rate change in September which would indicate the plan start month is 09.

### **Summary Recommendation:**

We recommend proper review of Form 1095 by District staff to eliminate errors prior to filing. All full time employees, regardless of coverage election, must receive a Form 1095.

### **District Response:**

The District will review this finding with its health insurance provider to confirm the proper plan start date, and review annual forms 1095 issued to insure that all employees receive the required form.





## Procedure # 2

A sample of 25 various employees terminated from the District between July 1, 2019 and May 31, 2021 were chosen for inspection. We tested each of the employees for the following:

- The proper amount was paid as per the salary agreement or appropriate contract, and/or as approved in the Board minutes, upon termination.
- The required employment forms were completed including Forms I-9, W-4 and IT-2104
- Fingerprinting results were on file, where appropriate
- Teacher and administration certifications and other proofs of qualifications were on file, where appropriate
- Deduction requests and garnishment notices were on file, and the deduction amount matched the corresponding request
- Direct deposit requests were on file, and the direct deposit amount matched the corresponding request
- Salary notices were on file, where appropriate
- Computer Accessible Use Agreements were signed and on file
- Computer access rights were proper and terminated as of last date of employment, including district email
- COBRA letters were issued, and recalculation of premium if COBRA was accepted
- Vacation and leave time accruals were accurate
- IRS Form 1095 and IRS Form W-2 reporting were completed and accurate

## Summary of Results

We tested 25 various employees terminated from the District between July 1, 2019 and May 31, 2021 for the internal control attributes listed above. A detailed listing of the exceptions related to the individual attributes tested appear on the following page. An exception indicates that the internal control attribute established was not followed on the transaction that was tested.

## Detailed Observations and Results of Testing

### Procedure #2 (Continued)

Internal Control Attribute Tested	Number of Exceptions	Finding
The proper amount was paid as per the salary agreement or appropriate contract, and/or as approved in the Board minutes, including termination pay.	2	(a)
The required employment forms were completed including Forms I-9, W-4 and IT-2104	1	(b)
Fingerprinting results were on file, where appropriate	None	
Teacher and administration certifications and other proofs of qualifications were on file, where appropriate	None	
Deduction requests and garnishment notices were on file, and the deduction amount matched the corresponding request	1	(c)
Direct deposit requests were on file, and the direct deposit amount matched the corresponding request	None	
Salary notices were on file, where appropriate	None	
Computer Accessible Use Agreement signed and on file	2	(d)

## Procedure #2 (Continued)

Internal Control Attribute Tested	Number of Exceptions	Finding
Computer access rights were proper and terminated as of last date of employment, including district email	6	(e)
COBRA letters were issued, and recalculation of premium if COBRA was accepted	1	(f)
Vacation and leave time accruals were accurate	None	
IRS Form 1095 and IRS Form W-2 reporting were completed and accurate	3	(g)

## Findings and Recommendations



### Findings

- a)1. One employee was paid at the teacher's rate that she was substituting for. She was paid out of account F-TL2A20-2110-460: Travel Expenses.

#### Summary Recommendation:

We recommend only .1 codes are used for payroll purposes.

#### District Response:

The District will share this finding with it's payroll processor (Erie 2 BOCES Central Business Office) and remind their staff that when performing review of the District's biweekly payroll, their staff should check to make sure that payroll is not being charged to any non-payroll budgetary account(s). The District will also remind administrators who oversee grants that all payroll must be coded to payroll budget codes.

2. More than one procedure is being followed for the final payment of longevity pay. Two employees retired at the end of September, and were paid longevity in December, which is when the Teamster's contract states longevity is paid. Three employees were paid longevity upon retirement.

#### Summary Recommendation:

We recommend a single payout procedure is followed for the final payment of longevity pay and health insurance buyouts upon retirement, resignation or termination. This will ensure the payment is not forgotten or paid twice.

#### District Response:

The District will follow the procedure of issuing the final payment of longevity pay and health insurance buy-outs at the time of retirement in order to avoid any confusion.



## Findings and Recommendations (Continued)



b) One employee did not have an I-9 on file.

**Summary Recommendation:**

We recommend the District follow the procedures in place to ensure all employees' personnel files are complete with required documentation, including Form I-9 certifications, Forms W-4 and IT-2104, teacher and professional certifications, and fingerprinting. We further recommend that rehired employees complete new employment forms.

**District Response:**

The District will follow procedures to insure that all required documents are maintained in employee personnel files, and that new forms are completed for former employees who are rehired by the District.


c) The Teamsters contract states that those hired prior to July 1, 2018 will contribute 5% of the premium cost for coverage for the 2020-21 school year. Those hired after July 1, 2018 will contribute 6%. Upon recalculation, we determined that the District is withholding 5% and 6% of not only medical insurance, but also Guardian vision and dental insurance and Legal Shield . The contract does not mention a District contribution for Guardian insurance or Legal Shield, therefore it appears the District is paying 95% and 94% for a benefit that was not contractually agreed upon.

**Summary Recommendation:**

We recommend the District consider revising the contract during the next negotiation to include Guardian insurance and Legal Shield. If the District did not intend to provide a 95% and 94% contribution for Guardian insurance and Legal Shield, we recommend removing them from the calculation effective immediately, so the employee pays 100% of these premiums.

**District Response:**

The insurance coverages noted are all included in the District's health insurance plan offerings to its Teamster members. The coverages are carried because of a switch in



## Findings and Recommendations (Continued)

insurance plans under a previous contract, where those insurance coverages were included within the Teamsters health insurance plan. The District will consider changing the wording in future collective bargaining agreements to include the additional insurance plans/riders.

- d) We found two employees who had no current signed computer accessible use agreement on file.
- e) We found that six terminated employees still had active access to S2 Netbox ID. The IT department has since deactivated these accesses.

### **Summary Recommendation:**

While we found the Technology Department has procedures in place for terminated employees, we recommend they review these procedures to ensure terminated employees do not have accesses to any program. Additionally, we recommend they are provided a summary listing of terminations on a quarterly basis, that they can use to recheck the status of those terminated employees.

### **District Response:**

The District's IT Department staff will follow the recommended procedures to insure that terminated employees do not have access to District computer programs.

- f) We found one employee who was not issued a COBRA letter, as no letter is on file. We believe this is an isolated error made by an employee who is no longer with the District, and the proper procedures are being followed.

## Findings and Recommendations (Continued)

g) We found three 2020 Form W-2's that were prepared incorrectly.

1. Upon retirement, some employees are eligible to receive a District contribution to a 403(b). We found that the District is processing this payment through payroll and reporting the contribution in box 12 of form W-2. The IRS instructions indicate it is not permitted to include the following in box 12:
  - a) Nonelective employer contributions made on behalf of an employee.
  - b) Employer matching contributions

Therefore, the District should not be reporting the District contribution on Form W-2.

2. We found two W-2's that only had box 12 code DD filled in. Neither employee still had health insurance in 2020, and neither employee received any wages, therefore, no W-2 should have been issued.

### **Summary Recommendation:**

We recommend proper review of Form W-2 by District staff to eliminate errors prior to filing. We further recommend the District change how it is reporting District 403(b) contributions for retirees.

### **District Response:**

*A final copy of the report will be sent to the Erie 2 BOCES Central Business Office to make them aware of the form W-2's that were prepared incorrectly.*

# Acknowledgments

We would like to thank all District employees for their cooperation, particularly the following people who assisted greatly in this system test:

Charles Galluzzo, Superintendent of Schools

Daniel W. Pacos, Assistant Superintendent of Schools for  
Administration & Finance

Emily Ludwig, AESOP, Substitute Calling, and Personnel

As well as all Business Office Staff



**BAHGAT & LAURITO-BAHGAT, CPAs, P.C.**

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