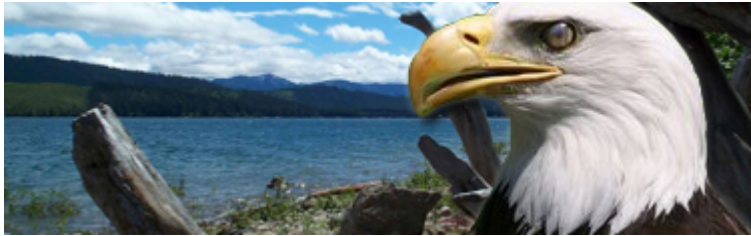


# Evans-Brant Central School District



## Agreed Upon Procedures System Test of Health Insurance Employee Deductions and Retiree Payments

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Test of Transactions for Payroll Period # 25  
Paychecks dated May 25, 2018

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

*Providing The Tools For Financial Success!*



**INTERNAL AUDIT**

**Phase II: System Test – Health Insurance  
Employee Deductions and Retiree Payments**

**Agreed Upon Procedures**





## INTERNAL AUDIT

### Phase II: System Test of Health Insurance

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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 payroll period #25, paychecks dated May 25, 2018. 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 health insurance employee deductions and retiree payments. 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**

**November 29, 2018**

## Procedure # 1

A sample of 100 personnel paid in the last full pay of May 2018 (payroll period #25, paychecks dated May 25, 2018) were chosen for inspection. We used a random number generator to choose the 100 checks for inspection. We tested each the 100 checks for the following internal control attributes:

- A completed application or opt-out form is kept on file.
- The health insurance deduction amount was calculated correctly based on the applicable employment contract and health insurance rates in effect at May 2018.
- The proper amount was paid to an employee in the event of an opt-out request as per the salary agreement, appropriate contract, and/or as approved in the Board minutes.

## Summary of Results

We tested 100 randomly chosen employees that were paid in the last full pay of May 2018 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. It appears that the exception noted is isolated and procedures in place are being followed. Please see page 10 for our recommendation regarding the exception noted during our test period.

# Detailed Observations and Results of Testing

## Procedure #1 (Continued)

Internal Control Attribute Tested	Number of exceptions
Health insurance application or opt-out form on file	None
Health insurance deduction amount calculated correctly based on applicable employment contract and health insurance rates in effect at May 2018	None
The proper amount was paid to an employee in the event of an opt-out	1*

\* An opt-out was paid to an employee enrolled in the health insurance, but should have been paid to that employee's spouse. The proper amount was paid. The information to process the opt-out payment was sent correctly by the District to the CBO, however, the CBO prepared the opt-out payment incorrectly. The error was resolved immediately once brought to the District's attention.

## Procedure # 2

A sample of 25 retirees were chosen for inspection. We used a random number generator to choose the 25 retirees for inspection. We tested the 25 retirees chosen for the following internal control attributes:

- A completed application is on file.
- The proper payment amount was calculated based on the employment contract in effect at the time of retirement, and the health insurance cost based on the applicable health insurance plan.

## Summary of Results

We tested 25 randomly selected retirees 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. It appears that the procedures in place are being followed.

# Detailed Observations and Results of Testing

## Procedure #2 (Continued)

Internal Control Attribute Tested	Number of exceptions
Completed application on file	None
Proper payment amount was calculated based on the employment contract in effect at retirement, and the health insurance cost based on the applicable health insurance plan	None



## Procedure # 3

All 25 employees hired between July 1, 2017 and May 31, 2018 who were paid in the last full pay of May 2018 (payroll period #25, paychecks dated May 25, 2018) were chosen for inspection. We tested the new hires for the following internal control attributes:

- A completed application or opt-out form is kept on file.
- The health insurance deduction amount was calculated correctly based on applicable employment contract and health insurance rates in effect at May 2018.
- The proper amount was paid to an employee in the event of an opt-out request as per the salary agreement, appropriate contract, and/or as approved in the Board minutes.

## Summary of Results

We tested all 25 employees hired between July 1, 2017 and May 31, 2018 who were paid in the last full pay of May 2018 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. It appears that the procedures in place are being followed.

## Procedure #3 (Continued)

Internal Control Attribute Tested	Number of exceptions
Health insurance application or opt-out form on file	None
Health insurance deduction amount calculated correctly based on applicable employment contract and health insurance rates in effect at May 2018	None
The proper amount was paid to an employee in the event of an opt-out	None

## Employee Opt-Out

An opt-out was paid to an employee enrolled in the health insurance, but should have been paid to that employee's spouse. The proper amount was paid. The information to process the opt-out payment was sent correctly by the District to the CBO, however, the CBO issued the opt-out payment incorrectly. The error was resolved immediately once brought to the District's attention. *In order to discover errors within the process of issuing opt-out payments, we recommend the District consider implementing a procedure to review the name and amount of the opt-out payments after they are prepared by the CBO.*

## District Response

The District will print a payroll report after payroll for insurance buy-out payments are processed, and double check the names and amounts paid to District records to insure that the proper employees have been paid.

# Acknowledgments

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

James E. Przepasniak, Superintendent of Schools

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

Kathleen Headley, Human Resources, Personnel, and Health  
Insurance

As well as all Business Office Staff



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

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