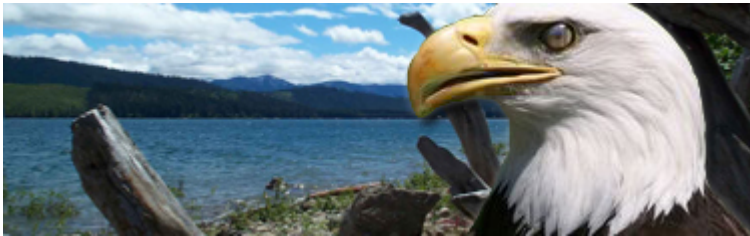


Evans-Brant Central School District



Agreed Upon Procedures System Test of Payroll



Test of Transactions for the Payroll Period
December 3 – December 16, 2016,
Paycheck dated December 23, 2016

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

Providing The Tools For Financial Success!



INTERNAL AUDIT

Phase II: System Test - Payroll

Agreed Upon Procedures



INTERNAL AUDIT Phase II: System Test of Payroll

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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 as of December 23, 2016. 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 Payroll. The enclosure contains the agreed-upon procedures and our results.

All procedures were performed as of December 23, 2016, unless otherwise noted. The procedures and findings are described on pages 4-9:

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.**

April 22, 2017

Procedure # 1

A sample of 10 randomly selected substitute personnel paid on December 23, 2016 were chosen for inspection. We inspected the personnel files of the substitutes, as well as those employees they had substituted for during the payroll period of December 3 – December 16, 2016. A total of 59 employees were tested. We tested each employee for the following internal control attributes:

- The proper amount was paid as per the salary agreement, appropriate contract and/or as approved in the Board minutes
- Hours paid agree to the timeclock, where appropriate
- The required employment forms were completed including Forms I-9, W-4 and IT-2104
- Teacher and administration certifications were on file, where appropriate
- Deduction requests 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
- Recent performance evaluation was timely completed and on file
- Salary notice on file, where appropriate
- Fingerprinting results were on file, where appropriate
- Deferred compensation amounts were within applicable legal limitations

Summary of Results

- We tested 59 randomly and subjectively chosen employees that were paid on December 23, 2016 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 exceptions noted are isolated and procedures in place are being followed. Please see pages 8-9 for our recommendations regarding the exceptions that we noted during our test period.

Detailed Observations and Issues

Procedure #1 (Continued)

Internal Control Attribute Tested

Number of exceptions

Rate of pay agrees with appropriate salary notice, contract and/or Board minutes	1 (a)
Hours paid agree to time card report, when applicable	None
TRS/ERS/Deferred compensation election on file	1 (b)
Deferred compensation within limits	None
Signed salary verification and anticipated assignment on file (c)	None
Teacher/Administrator certification included in personnel files	None
Direct deposit request on file	1 (d)
Completed initial Form I-9 included in personnel files	None
Completed initial Form W-4 included in personnel files	None
Completed initial Form IT-2104 included in personnel files	None
Union dues authorization card on file and deduction in accordance with agreement	1 (e)
Fingerprinting clearance for employment on file	None
Health insurance/Flexible Spending account salary reduction agreement on file	None
Health insurance deduction or buyout calculated correctly and agrees to health insurance bill	None
Dental deduction agrees to contract	None
Salary reduction agreement on file for Flex deductions and Section 529 College Savings Plan	1 (f)



Procedure #1 (Continued)

Internal Control Attribute Tested (Continued)

Number of exceptions

Recent performance evaluation on file	3 ^(g)
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(a) While payroll calculation agrees to salary notice, no salary amount noted in the Administrator's contract or Board minutes to verify the amount is correct.

(b) One TSA agreement/notification was missing from the file.

(c) The District sends each employee a notice in June which verifies the current school years' salary and provides the employee with their tentative assignment for the following school year.

(d) One direct deposit agreement was missing from the file, employee has completed a new agreement consistent with the direct deposit amount.

(e) An employee had an incorrect amount withheld for union dues due to a mid-year increase in pay. The District has corrected the amount of the withholding.

(f) An employee with a signed salary reduction agreement dated in 2008 for Section 529 withholding, had an amount withheld that did not match the agreement.

(g) Performance evaluations were not completed prior to Principal's resignation. The District was already aware they were waiting for the evaluations, but they had not been completed as of fieldwork date. None of these employees were teachers.

Procedure # 2

We compared the selected 10 substitutes' time card reports by employee to the related payroll check register for the period payroll period of December 3 – December 16, 2016. We then compared the substitutes' time card report to the employee's time card report and/or attendance report that they had substituted for to verify the substitutes' payroll was entered correctly. We also compared the employee's time card and/or attendance report to the report printed from Aesop. Aesop is the software tracking system used by the District to track time off. This system is used by all employees other than the Transportation department. The Transportation employees call the secretary to report absences and request substitutes.

Summary of Results

We did not find any exceptions related to the substitutes' payroll amounts during the period tested.

Summary Recommendations and Management Responses

The following are recommendations that will enhance the existing internal control system of the District's payroll processes:

Shift differential

During our fieldwork we noted that an employee whose normal schedule was to work one of the late shifts, and that was typically paid shift differential for hours worked, was also paid shift differential for benefit time (sick days). We read the employment agreement between the Evans-Brant Central School District and the Teamsters Local #264 and it does not appear to address this situation. The contract does appear to address this situation as related to vacation pay. We recommend the District consider clarifying whether or not sick or personal time should be paid at the employees base rate or if the sick or personal time should be paid at the base rate plus shift differential, during it's next contract negotiations.

Management Response:

The District's established practice has been to pay the appropriate shift differential for benefit time used if the employee's regularly scheduled work hours occur during the contractual shift differential effective time period. The District will seek to incorporate an appropriate contract provision in its next negotiated collective bargaining agreement, during contract negotiations.

Summary Recommendations and Management Responses

Administrators' salaries

The Board of Education approves initial administrators' salary upon hire. We recommend the District include a copy of the approved Board minutes in the administrators' personnel files. We also recommend a schedule of initial salary, annual percentage and any stipend increases, and annual total salary be created and included in the files with a copy of the page(s) from the contract as documentation for the calculations. This will ensure the documentation is easily accessible should any questions arise regarding rate of pay, and also ensure salaries are calculated accurately.

Management Response:

The District will look to create a schedule as recommended above, for each administrative and/or supervisory employee to assist in the verification of their annual salary calculation(s).

Salary Notices

We recommend that the District consider including the annual election for number of pays on the salary notices. This will provide a concise source to ensure the District and employees records are in agreement.

Management Response:

The District will investigate whether or not this recommendation is possible in its software program that is utilized for HR & payroll, and generates the salary notices.

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

As well as all Business Office Staff



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

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