

CHATHAM CENTRAL SCHOOL DISTRICT

INTERNAL AUDIT

PAYROLL REVIEW

APRIL 6, 2018



To the President and the Other Members of the
Board of Education and the Audit Committee of the
Chatham Central School District
Chatham, New York

As requested by the Audit Committee, a review of the payroll process was conducted. The objectives of the review were to determine that employees were paid correctly based on their contracts, the employee's personnel files were up to date with completed copies of tax forms, the amount being withheld for health insurance is appropriate based on the employees coverage election and eligibility, overtime being paid was accurate based on the timesheets and contract rate.

To meet the objective, we performed the following:

- Selected a random sample of 40 employees from the pay period of December 22, 2017, and tested for the following:
 - Gross pay recalculated to the signed salary agreement or Board-authorized wage rate.
 - Forms I-9 were on file and were properly completed.
 - Forms W-4 and IT-2104 were on file and were properly completed.
 - Forms electing health insurance coverage are present and amounts being withheld per paycheck agree to the employee's election.
- We selected 4 of the 17 individuals that had been paid overtime to date in fiscal year 2018. For each employee selected, we randomly selected 4 pay periods in which overtime was paid and obtained their timesheet and contract. We tested to ensure that the amount paid was appropriate and that the timesheet was approved by their supervisor.
- Conducted an interview with payroll personnel to determine any areas of concern within the payroll process.

Conclusions

From the employees selected, we noted the following:

- No exceptions with the recalculation of gross pay.
- No exceptions were found in relation to Forms I-9.
- No exceptions were found in relation to Forms W-4.
- Two exceptions were noted in relation to Forms IT-2104. One personnel file had an incomplete copy of the form and another personnel file was missing a Form IT-2104 entirely.
- No exceptions were found in relation to health insurance withholdings.

From the overtime tested, we noted the following:

- All hours paid agreed to timesheets.
- All timesheets were approved.
- One instance where the employee was paid at 2 times their rate instead of the approved 1.5 times their rate.

From the interview, we noted the following:

- Files are kept in locked file cabinets but the file cabinets are not fireproof.
- Currently the only individual cross trained to do payroll is the Treasurer that signs checks.
- Payroll procedures are documented so that another employee could follow to perform payroll in the payroll clerk's absence.

RECOMMENDATIONS

Forms IT-2104

All new employees should be required to fill out all appropriate tax documents at the time of hire. If an employee file is lacking all appropriate documentation the payroll clerk should contact the employee and have them complete the appropriate documentation to bring their personnel file up to date.

Overtime

The payroll clerk should ensure all overtime paid is at the appropriate rate.

File Cabinets

Payroll documents, such as employee personnel files, should be kept in a locked, fireproof file cabinet.

Personnel

An individual other than the Treasurer should be cross trained to be able to perform payroll in the absence of the payroll clerk or the alternate check signer should sign all checks in the event that the Treasurer needed to process payroll.

This report is intended for the information and use of the Chatham Central School District.

WEST & COMPANY CPAs PC

Gloversville, New York
April 6, 2018