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Date: June 9, 2022

To: Audit Committee
Carmel Central School District

From: Nugent & Haeussler, P.C.

Re: Internal Audit Services – Payroll and Personnel
Reference #2022-1

In accordance with our proposal and the Annual Risk Based Internal Audit Plan, we have conducted our internal audit services with respect to the Payroll and Personnel of the Carmel Central School District.

CONCLUSION

The grading standards are Satisfactory, Acceptable, and Unsatisfactory.

The controls over Payroll and Personnel are rated *Satisfactory*.

District management is to submit a response to the Audit Committee with copies to interested management and the auditor by August 31, 2022.

OBJECTIVE/SCOPE

The purpose of the internal audit services is to assist the Audit Committee in making a determination with respect to:

- To ensure that policies and procedures provide for the safeguard of District resources
- To ensure that policies and procedures provide for timely and accurate accounting of payroll and related transactions
- To ensure that regular and overtime pay is properly documented, approved and certified
- To ensure that adequate payroll documentation is maintained in accordance with Department of Labor, Civil Service and other contractual provisions

- To ensure that District payroll and personnel policies are maintained, disseminated and adhered to
- To ensure that payroll processing duties are properly segregated

The internal audit covered sampled transactions from July 1, 2021 through May 31, 2022. The internal audit services were conducted on May 23rd and 31st 2022.

PROCEDURES & FINDINGS

Payroll Policies

During our review of the District's payroll and personnel policies, it was noted that several of the policies have not been reviewed or updated for many years.

We recommend that all of the District's payroll and personnel policies are reviewed on an annual basis and updated where necessary.

Payroll Budget Code Review

During our review of the payroll budget codes, it was noted that there were payroll budget codes that were overspent.

We recommend that payroll budget codes are reviewed for overspent payroll budget codes and necessary budget transfer are made prior to payment.

Payroll Bank Reconciliation

During our review of the payroll bank reconciliation, we found there to be stale outstanding checks listed on the bank reconciliation.

We recommend that the stale outstanding checks listed on the payroll bank reconciliations are researched and proper action be taken for each.

Health Insurance Buyout

During our review of the District's health insurance buyout listing, it was noted that some employees did not have health insurance opt-out forms available for our review and there was no proof of insurance information available for others.

We recommend that required documentation for District employees is reviewed and any missing information is followed up on.

Retiree Health Insurance Census

During our review of the District's census letters for retirees, it was noted that some employees did not return their retiree health insurance census letter, with no follow up performed.

We recommend that an individual is assigned the responsibility of contacting and following up with retirees that failed to provide the District with necessary paperwork.

Employee Personnel Files

During our review of the District's employee personnel files, it was noted that checklists were not being kept for all required documentation for all personnel files.

We recommend that all required documentation for District employees is reviewed on a regular basis and a checklist be put into each file to ensure all of the required documentation is available.

Sick Bank

During our review of the District employees' usage of the sick bank we found that there is no formal form used for the approval of the usage of the sick bank.

We recommend that all usage of the sick bank go through a formal review and approval process and that there is a universal form used at the District.

Other

In addition to the items listed above in the Procedures & Findings area of this letter we performed other procedures with respect to Payroll and Personnel and have no further recommendations.

We reviewed the process for the certification of payroll and reviewed a sample of payrolls to ensure a Board appointed individual was certifying the payroll.

We reviewed the process and related documentation for the preparation and filing of the quarterly payroll reports.

We made inquiries of District employees involved in the processes for payroll and personnel to get an understanding of the controls in those areas.

We reviewed the listing of employees that left the district during the 2021/2022 school year to ensure all individuals eligible for COBRA benefits were offered these benefits and that the employees were inactive in the payroll system.

We reviewed the information on a random sample of salary agreements to the employee contracts to ensure the information followed the contract.

We reviewed the employee deduction report for 403B and catch-up contributions to ensure all district employees are within the legal limit and proper documentation was retained.

We reviewed a listing of employees receiving direct deposit to the forms kept at the district to ensure the information in the system was accurate.

We also reviewed employees that retired during the school year to ensure they were marked as inactive on the system and that they have been offered the retiree health incentive based on the individual's contract.

We also reviewed the software permissions of the employees of the business office to ensure that only employees with the logical need to the payroll and personnel system had access to those areas.

We also reviewed the process for tracking attendance for district employees.

We reviewed employee withholding allowance certificates to ensure that they were properly completed and carried out.

We reviewed the May 31, 2022 payroll for hourly employees and employees using a claim form and reviewed a sample to the time sheet summaries and claim forms for the selected.

We also reviewed any overtime paid to ensure it was properly approved and documented.

We reviewed a sample selection of stipends paid to District employees to ensure the amounts were properly approved.

This report is intended solely for the information and use of the Audit Committee, the Board of Education and management of the Carmel Central School District and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully Submitted,

A handwritten signature in blue ink that reads "Nugent & Haeussler, P.C.".

NUGENT & HAEUSSLER, P.C.

cc: John Fink