

February 18, 2020

Board of Education
City School District of Albany
1 Academy Park

We have completed the testing of the selected transaction cycle of the City School District of Albany and are enclosing the attached report. The purpose of this engagement was to assist you in implementing the regulations imposed by the 2005 School Financial Oversight and Accountability legislation which requires annual testing and evaluation of one or more significant transaction areas.

The attached report discloses the detailed procedures performed, the results of those procedures, and any resulting recommendations. The area of overtime pay was selected by the District for testing.

The purpose of our engagement was to assist the Board and management in achieving its responsibility to monitor financial reporting risk. It is ultimately the Board's responsibility to determine a response to our findings. However, our report does include suggestions of ways to respond to any findings.

The attached report is intended solely for the information and use of the Board of Education and management of the City School District of Albany and should not be used for any other purpose.

We appreciate the opportunity to perform the Internal Audit Function for the District and look forward to continuing to serve the District. We should be viewed as a resource for the Board; please feel free to contact us at any time.

Sincerely,



Heather R. Lewis, CPA
Director

City School District of Albany
Schedule of Findings
2018/2019 and 2019/2020 Selected Testing Areas

Overtime Pay

Detailed Testing

Procedure: Obtained the payroll earnings summary listing by account for overtime general ledger codes for the period September 1, 2019 through January 17, 2020. From this detail we selected 120 transactions to test the following:

- a) For each transaction selected, view the signed authorization to work overtime (note: this authorization form has only been implemented in the operations and maintenance department).

Results:

- 21 out of the 23 transactions selected in the operations and maintenance department did not have signed authorization forms indicating approval before overtime hours were worked.
- 1 out of the 23 transactions selected in the operations and maintenance department had filled out an authorization form, however, the form was denied but the overtime hours were worked and paid.

- b) For each transaction selected, view any other form of pre-authorization for overtime hours (Board minutes, etc.).

Results:

- 19 out of 120 transactions selected had additional overtime hours approved in the Board minutes.

- c) For each transaction selected, view a timesheet that has been filled out and signed by the employee and by the supervisor.

Results:

- 2 out of the 120 time sheets were not provided for testing as they could not be found.
- 17 out of 118 timesheets provided were not signed by the supervisor.
- 1 out of the 118 transactions provided did not have a time sheet available, it was noted that when the spreadsheet was compiled by the department to send to payroll, the hours for one employee were entered on the wrong line and consequently paid to a different employee.

- d) For each transaction selected, verify the pay rate to the contract or Board minutes.

Results:

- All pay rates tested agreed to a contract or the approved Board minutes.

Analytical Testing

Analytical Procedures: obtained Overtime Payroll Reports from nVision for the period of 9/1/18 - 1/20/19 and 9/1/19 - 1/17/20, each report had the same number of payroll periods (10). The reports were looked at comparatively and as stand-alone reports to see if there was any unusual or unexpected results. Our test work indicated the following:

	<u>9/1/18 – 1/18/19</u>		<u>9/1/19 – 1/17/20</u>		<u>Variance</u>	
	Amount	Hours	Amount	Hours	Amount	Hours
Clerical	\$ 64,440	1,529	\$ 43,516	1,101	\$ (20,924)	(428)
Operations and Maintenance*	195,245	5,303	97,087	2,570	(98,158)	(2,733)
Security	293,498	7,846	310,472	7,913	16,974	67
Other	<u>11,565</u>	<u>239</u>	<u>8,568</u>	<u>173</u>	<u>(2,997)</u>	<u>(66)</u>
Total	\$ 564,748	14,917	\$ 459,643	11,757	\$ (105,105)	(3,160)

* Operations and Maintenance Department implemented a new approval process for overtime work during the 9/1/19 – 1/17/20 period.

- Overall, the 9/1/19-1/17/20 period saw a decrease in overtime hours and overtime pay, a decrease of approximately 3,160 hours and \$105,105.
- The largest decreases coming from the operations and maintenance department of approximately 2,733 hours and \$98,158.
- From 9/1/18 - 1/20/19 there were 7 total employees who made over \$10,000 in overtime pay, 4 of which were hall monitors and 3 of which were in the operations and maintenance department.
- From 9/1/19 - 1/17/20 there were 6 total employees who made over \$10,000 in overtime pay, 6 of which were hall monitors.

General Procedures: obtained an understanding of the overall overtime payroll process along with results above noting the following recommendations:

- Establish an overtime approval procedure for all departments and follow the procedure. If the District decide to implement that overtime should be authorized beforehand, there should be a written procedure identifying which type of overtime needs an approval form and which can be approved by the Board ahead of time.
- Department Heads who submit overtime hours should have a written attestation that the hours submitted agree to supervisor approved timesheets (as timesheets are not kept in the payroll department).
- Departments Heads who submit overtime hours should receive an overtime report for their department to compare the report to their overtime hours sheet and they should send confirmation that the two reports agree.
- If the recommendations above were implemented it would reduce the risk that the hours for one employee could be entered on the wrong employee line and reduce the risk of paying the incorrect employee.