

Buffalo City School District

**Payroll Risk Assessment,
Recommendations and Findings
for 2018 with Responses through July 2020**

Buffalo City School District

Payroll Risk Assessment, Recommendations and Findings for 2018 with Responses through July 2020

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To the Audit Committee of the Board of Education
of the Buffalo City School District

We are pleased to report on the annual risk assessment of the Buffalo City School District (the “District”). The purpose of our engagement is to assist you in the development of a risk assessment of District operations, and provide recommendations to strengthen controls and reduce the identified risks surrounding the payroll process. This report was developed from inquiry, observations and tests of internal control.

The District’s risks are the risks that an action or event will adversely affect its ability to successfully achieve its objectives. The Risk Assessment section of the report analyzes the significant risk findings that were identified during our engagement.

For purposes of this report, internal control is a process affected by the Board of Education (the “Board”), department heads and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting and safeguarding of assets. We have evaluated the District’s current internal controls and have provided our risk assessment and a set of recommendations for strengthening controls and reducing identified risks.

As noted, the purpose of our engagement was to assist you in improving the internal controls and reducing the risks that face your District surrounding the payroll process. However, it is ultimately your responsibility to assess the adequacy of your risk management system. In performing our engagement, we relied on the accuracy and reliability of information provided by District personnel. We have not audited, examined or reviewed the information, and express no assurance thereon.

The accompanying comments and recommendations are intended solely for the information and use of the Audit Committee, Board of Education, department heads and others within the District and should not be used for any other purpose.

We appreciate the opportunity to serve you and thank the individuals in your District for their cooperation. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience. Through our ongoing involvement with you as a client and our knowledge of your processes, we would be pleased to perform any additional studies of these matters, or to assist you in implementing the recommendations.

Tronconi Segarra & Associates LLP

Williamsville, New York
July 22, 2020

Payroll Risk Assessment

Buffalo City School District

Payroll Risk Assessment

Overview

The Buffalo City School District's (the "District") risks are the risks that an action or event will adversely affect the District's ability to successfully achieve its objectives. During our engagement, we became aware of various sources of risk that impact the District. We evaluated these risks by using two distinct assessments of impact and likelihood. A simple rating scale has been developed for this purpose. The rating scale ranges from minor to significant impact, and low to high likelihood, using a 3-point scale.

Impact refers to the extent of the consequences or implications if the risk does occur. To assess impact, we have determined how much of an impact the risk has if it does occur:

- A minor impact suggests that the risk would not have important implications to the District.
- A moderate impact suggests that the risk could have implications for the District's ability to succeed.
- A significant impact suggests that the risk would have important implications to the District.

Likelihood refers to the probability that the risk may occur given the current context of the District. To assess likelihood, we have determined how likely it is that the risk will occur in the future, given what is currently done to manage said risk:

- A low likelihood suggests that the risk is unlikely to occur, given its nature and current risk management practices in place.
- A medium likelihood of occurrence suggests that the risk has a moderate probability of occurrence.
- A high likelihood of occurrence suggests that the risk is likely to occur, despite the current risk management practices in place.

The Risk Management Tolerance Model and the Risk Assessment Matrix that follows summarizes these risks and assesses their impact and likelihood. We have developed the risk assessment around significant financial transaction cycles as a means by which the associated risks can be easily understood and managed. The Internal Control Recommendations section of this report presents recommendations with more detailed information regarding criticality and implementation timeliness. The cycle or area that has been evaluated is Payroll (P).

Buffalo City School District
Payroll Risk Assessment (continued)

Risk Management Tolerance Model

Impact	Significant	Yellow	Red	Red
	Moderate	Green P	Yellow	Red
	Minor	Green	Green	Yellow
		Low	Medium	High

Likelihood

Buffalo City School District
Payroll Risk Assessment (continued)

Risk Assessment Matrix

<u>Cycle</u>	<u>Risk Assessment Based on Procedures Performed</u>	<u>Impact</u>	<u>Likelihood</u>
P	We noted minor overall risk in the payroll cycle.	Moderate	Low

Internal Control Recommendations

Buffalo City School District

Internal Control Recommendations

Overview

Internal control recommendations represent those areas that afford department heads of the District the opportunity to improve financial reporting and internal controls, to better safeguard District assets and/or to more efficiently or accurately record, summarize and report financial transactions and information. They also represent those areas that may improve efficiency of operations and accounting functions, potentially resulting in cost savings.

We have provided a criticality rating and an implementation timeline for each internal control recommendation. Criticality ratings considered included urgent, important and routine. The implementation timelines considered were short-term and long-term, reflecting the effort and time required to implement the applicable recommendation while factoring in the criticality assigned thereto.

As a result of our procedures performed, there were eight (8) total recommendations. The number of recommendations in each internal control area is as follows:

<u>Internal Control Area</u>	<u>Number of Recommendations</u>	<u>Criticality</u>			<u>Timeline</u>	
		<u>Routine</u>	<u>Important</u>	<u>Urgent</u>	<u>Short-Term</u>	<u>Long-Term</u>
Payroll	8	6	2	0	7	1
Total Recommendations	8	6	2	0	7	1

Timeline – Each of the detail findings includes a timeline reference of either “short-term” or “long-term.” Short-term refers to a finding that we believe can be corrected within one year. Long-term refers to a finding that may require changes to organization, systems and/or procedures that may require over one year to effectuate change.

Buffalo City School District
Internal Control Recommendations (continued)

Payroll (P)

RECOMMENDATION 1

Criticality: Routine
Timeline: Short-Term

Finding: The Buffalo City School District does not maintain complete formal written procedures related to the payroll process. There are several files with procedures written down; however, these files are not all inclusive and not in a centralized location or document.

Background: It is good business practice to maintain formal written procedures regarding payroll. This would assist in any staff transitions and training of new staff involved with the payroll process. Furthermore, this would assist in documentation of the policy and monitoring of the policy.

Rationale:

Impact: *Minor* – Limited formal or written payroll procedures has a minor impact, since payroll is run weekly without any significant known discrepancies.

Likelihood: *Low* – The likelihood that the District would be unaware of the payroll process is low.

Recommendation: The District should consider enhancing their current procedures such that they maintain complete, centralized written payroll procedures to be updated on a periodic basis. This will help the process to be completed in the same manner each pay period, even if the duties need to be performed by a different employee.

Management Response: The District agrees that there is a need to enhance the current payroll procedures and recognizes the benefit to having a complete, centralized written payroll procedure manual that is updated on a periodic basis. Management is in the process of fully documenting and enhancing the Payroll Department procedures.

Responsible Individual: Hilary Berzon, Chief Payroll Auditor

Timeline: December 2020

Buffalo City School District
Internal Control Recommendations (continued)

RECOMMENDATION 2

Criticality: Routine
Timeline: Short-Term

Finding: Based on discussions with the Chief Payroll Auditor, advices are still delivered to all employees. It would be more time and cost efficient to email the advices to each employee.

Background: Every payroll period, the Buffalo City School District delivers advices to all buildings for employees to retrieve. Due to the large volume of employees, this can be a time-consuming and costly process, especially with the frequency by which it is done. By emailing advices to employees, this can be a cost-saving measure.

Rationale:

Impact: Minor – The method used by the District works effectively. However, an electronic delivery of payroll advices may be a more efficient method.

Likelihood: Low – The advices are delivered every pay period. Therefore, the costs to administer payroll could be reduced every pay period.

Recommendation: The District should consider emailing the advices to all employees. A large portion of employees already use direct deposit. This may be an effective time and cost-saving measure.

Management Response: The District recognizes the potential for both time and cost savings involved in moving to emailing advices to our employees. After upgrading to a newer version of Munis in November 2019 and due to the COVID-19 closure, we have converted to electronic delivery of advices.

Responsible Individual: Julie Carbone, Financial Controller

Timeline: Completed, March 2020

Buffalo City School District
Internal Control Recommendations (continued)

RECOMMENDATION 3

Criticality: Important
Timeline: Short-Term

Finding: The Director of Plant Services does not consistently approve overtime hours worked by the custodian staff in a timely manner.

Background: Custodial overtime sheets are prepared and sent in from engineers. Furthermore, engineers manually enter their own overtime into EmpCenter. The Director of Plant Services and other employees review overtime input into EmpCenter. The Custodial Engineer fills out an employee overtime sheet for all overtime worked by custodians for each two-week pay period.

Rationale:

Impact: Moderate – Custodian overtime is paid by the Buffalo City School District. It is important to ensure custodian overtime hours are worked in accordance with BOE-approved and school-related events.

Likelihood: Medium – While engineer overtime time is reviewed and compared to fund number relevant events, the custodian hours should consistently be reviewed as well. Board of Education-approved events are located on the district calendar and should align with custodian overtime worked. If the review and approval of overtime is not timely or appropriately done, errors could occur within the payroll process.

Recommendation: We recommend that custodian overtime is reviewed consistently every pay period to ensure that hours worked are for valid purposes. Furthermore, custodial overtime worked for non-Board of Education-approved events should be investigated since the reasoning may not be evident or verifiable on the timesheet.

Management Response: The District agrees with the need to change the procedure involving Engineer and Custodial Overtime. The Chief Payroll Auditor coordinated with the Director of School Plant Operations to implement recording payroll for custodial overtime in EmpCenter. Recording the overtime in EmpCenter would allow for the Director of School Plant Operations to review from his office in EmpCenter rather than coming to City Hall to review. Additional pay codes would need to be assigned to the different rates.

Responsible Individual: Barry Kirker, Director of School Plant Operations

Timeline: Completed, September 2019

Buffalo City School District
Internal Control Recommendations (continued)

RECOMMENDATION 4

Criticality: Routine
Timeline: Short-Term

Finding: We performed testing on new hires and found that nine out of the ten employee selections made were paid before the Board approved of their hiring.

Background: We obtained a new hires listing from the Chief Payroll Auditor. We performed several attributes testing to ensure proper controls were followed. We inspected employee personnel records to verify that they received a District Letter approving their hire, a W-4, NYS & Local Retirement System Registration form, direct deposit form and extended pay for summer checks (if applicable). We also verified that the employee was both fingerprinted and registered with New York State.

Rationale:

Impact: Minor – We did not observe any instances of a Board disapproval. Obtaining Board approval before the employee begins working and receiving payment would help alleviate any potential issues.

Likelihood: Low – The likelihood of an issue occurring is low. Any potential issues with a prospective employee should be vetted during the District’s hiring process. The individuals responsible for hiring have guidelines and rules communicated to them for the hiring process.

Recommendation: The District should consider aligning the hiring process with the Board of Education meetings so new hires can be approved before the employee’s start date and first pay date. We did not observe an instance where an individual hired did not receive Board approval; however, if the Board meeting occurred prior to the new hire’s start date, any potential issues would be further mitigated.

Management Response: Where practicable, the District does align hiring with Board of Education (“BOE”) meetings. In many cases, however, adhering to this procedure would hamper the District’s ability to meet government mandates and provide effective instruction. Since there is no District or State policy preventing the first date of pay from preceding the date of the BOE meeting at which the effective date of hire is approved, the District does not plan to change this procedure. Instructional positions are placed as “acting,” assuming that it is the designation prior to Board approval.

Responsible Individual: Richard Thompson, Director Personnel/Wage/Salary Administration

Timeline: No procedural changes anticipated at this time.

Buffalo City School District
Internal Control Recommendations (continued)

RECOMMENDATION 5

Criticality: Routine
Timeline: Short-Term

Finding: Employees can sign in as present at work by telephone, in addition to swipe and computer login access. The ability to sign in as present at work by telephone creates an opportunity for an employee to not be present in their respective building and login for work that day.

Background: When a salaried worker reports to work, they are able to sign in electronically in one of three ways. They can swipe in by their ID cards on an electronic reader, login on the EmpCenter link located on the District's website, which can only be done from a computer housed on the District's internal network, or they can call in from a phone. Employees are able to call from other phones outside the District; however, it is flagged by the system. Substitutes do not have swipe cards, and teachers for adult education that work in off-site locations sometimes do not have access to login to EmpCenter. The District has a list of acceptable phone numbers that teachers off-site can use.

Rationale:

Impact: Minor – Salaried employees are paid a set amount biweekly, except for extra activities. An employee does not receive any additional pay in which they were not entitled too. However, vacation and sick time could be misreported.

Likelihood: Low – The likelihood that an employee could login by telephone and nobody notice that they were not working that day is low. For example, students would notice if their teacher was not in class and administration colleagues would also be aware of an employee's absence for the day.

Recommendation: TSA recommends that the District implement an exception-basis policy for individuals with telephone login access. TSA recommends that the sub-population of substitute teachers and adult education teachers be allowed telephone login access due to their lack of access of other login options. Whereas, the remainder of the employee population should swipe-in or sign in by computer login access.

Management Response: The District will encourage primary use of swipe-card and computer clock in and request the phone system is used for emergency situations for those who have the ability to swipe or web-clock in. The phone system in place will remain in place for those who do not have access to the other options of clocking in.

The District is also having a custom report written by EmpCenter to identify individuals who are phoning in from a non-district phone number to be able to counsel those not following proper procedures.

Responsible Individual: Hilary Berzon, Chief Payroll Auditor

Timeline: December 2020

Buffalo City School District
Internal Control Recommendations (continued)

RECOMMENDATION 6

Criticality: Routine
Timeline: Short-Term

Finding: Buffalo Public Schools does not maintain complete formal written procedures related to the employee off-boarding process. There are some written procedures; however, these files are not all inclusive and are not maintained in a centralized location or document.

Background: All active employees have an active directory (AD) account. This account allows the employee to login to a computer, as well as access core business and instructional applications such as Munis, Microsoft Outlook, network file shares and Infinite Campus. In order for an employee to effectively have all access rights revoked, their active directory account must be disabled. Formal written procedures related to the process to revoke this access do not currently exist.

Rationale:

Impact: Moderate – Limited formal or written off-boarding procedures has a moderate impact since the off-boarding process is completed as necessary, however, with issues. See Recommendation Seven (7).

Likelihood: Low – The likelihood that the district would be unaware of the off-boarding process is low.

Recommendation: The District should consider enhancing their current procedures such that they maintain complete, centralized written off-boarding procedures to be maintained and updated on a periodic basis by the Human Resources and Information Technology Departments. This will help the process to be completed in the same manner, on a timely basis.

Management Response: Written procedures regarding revocation of access rights for separating employees are being developed as part of a comprehensive set of off-boarding procedures. Disabling the active directory account is expected to be part of a Munis workflow that sends notification to the IT Department upon the posting of the Human Resources' data indicating the employee separation date. Confirmation of completed access revocation will be captured, again, in Munis, if possible. Multiple departments including Human Resources, IT, Finance, Plant Services and the Office of School Leadership are collaborating to standardize and memorialize a full exit workflow that delineates stakeholders, responsibilities and sequencing. In many cases, this involves updating and introducing procedures to ensure that off-boarding is efficient and all-inclusive.

Responsible Individuals: Jamie Warren, Associate Superintendent of Human Resources, and, Director of Instructional Technology

Timeline: December 2020

Buffalo City School District

Internal Control Recommendations (continued)

RECOMMENDATION 7

Criticality: Important
Timeline: Short-Term

Finding: We performed detail testing on terminated employees during the 2017-2018 school year. From the ten employee selections, two employees' active directory accounts were not disabled timely based on their termination from Munis. Furthermore, these two employees were disabled as a result of our audit procedures, as opposed to the Board meeting minutes or communication from Human Resources. Additionally, eight out of ten employees were effectively terminated; however, they were not timely removed from Munis.

Background: The IT Department currently primarily relies on monthly School Board meeting minutes for communications on the majority of the employees who have been, or are to be, terminated. In some instances, Human Resources will communicate an employee's termination to the IT Department. Once the IT Department is aware of the termination, it must be confirmed in the District's Munis system before the employee's active directory account is disabled. There are often time delays in this process, causing delayed terminations both in the Munis system and the active directory.

Rationale:

Impact: Moderate – The potential impact for a terminated disgruntled employee to access their email and core business and instructional applications is moderate. This employee would have access to sensitive information and change capabilities which is a risk in the hands of an individual who is no longer employed by the District.

Likelihood: Low – The likelihood that an employee would log into their email or core business and instructional applications and cause issues to the District is low. However, necessary steps to disable this from happening should be taken.

Recommendation: TSA recommends that a formal, central off-boarding process be documented and implemented to reduce or eliminate any lag time between the effective termination date and the employee's removal from Munis.

Management Response: Written procedures regarding revocation of access rights for separating employees are being developed as part of a comprehensive set of off-boarding procedures. Disabling the active directory account is expected to be part of a Munis workflow that sends notification to the IT Department upon the posting of the Human Resources' data indicating the employee separation date. Confirmation of completed access revocation will be captured, again, in Munis, if possible. Multiple departments including Human Resources, IT, Finance, Plant Services

Buffalo City School District
Internal Control Recommendations (continued)

and the Office of School Leadership are collaborating to standardize and memorialize a full exit workflow that delineates stakeholders, responsibilities and sequencing. In many cases, this involves updating and introducing procedures to ensure that off-boarding is efficient and all-inclusive.

Responsible Individuals: Jamie Warren, Associate Superintendent of Human Resources, and William Russo, Director of Instructional Technology

Timeline: December 2020

Buffalo City School District
Internal Control Recommendations (continued)

RECOMMENDATION 8

Criticality: Routine
Timeline: Long-Term

Finding: Based on discussions with the Chief Payroll Auditor, the food service workers fill out a paper time card. Bus Aides have their time manually entered into an in-house database, created by the IT Department for transportation services, by a Transportation Supervisor. This manual process for time-entry increases the risk of error.

Background: The bus aides and food service workers for the district do not use the EmpCenter software for their time entry. Food service workers fill out a paper time card. The time card is then approved by the Food Service Manager, who manually enters time into Munis via a batch process. Bus Aides have their time manually entered into an in-house database, created by the IT Department for transportation services, by a Transportation Supervisor. A CSV file is extracted from this in-house database and imported into Munis.

Rationale:

Impact: *Minor* – Bus aides and food service workers make up a small portion of the District’s payroll. Since these employees are hourly, there are weeks where they do not work a full-time schedule.

Likelihood: *Low* – The likelihood that of an error is low given the review and approval of these manual time cards.

Recommendation: The population of employees that use manual time cards rather than EmpCenter is small. TSA recommends that the Buffalo City School District implement an automated time punch-card system for the individuals who are not using EmpCenter. This system is a reasonable cost alternative to including these employees in EmpCenter, while reducing the risk of manual time reporting.

Management Response: The Chief Payroll Officer is working with the Food Service Director to start incorporating food service workers into EmpCenter. Additional configuration is required with EmpCenter, as the Food Service Workers would require additional pay codes.

Bus Aides do not have one central place where they are required to report prior to the start of their shift. They report to one of five different First Student Terminals. These terminals are not Buffalo Board of Education Property, and we cannot install time clocks on their property. Bus Aides also work split shifts (up to 3 in a day) and are not required to report back to the terminal prior to their shift ending. This would make clocking out difficult.

Responsible Individual: Hilary Berzon, Chief Payroll Auditor

Timeline: December 2020