

**Scarsdale Union Free School District**  
**Independent Accountant's Report On**  
**Applying Agreed-Upon Procedures**  
June 2, 2014

**INDEPENDENT ACCOUNTANT'S REPORT ON  
APPLYING AGREED-UPON PROCEDURES**

Board of Education and Audit Committee  
Scarsdale Union Free School District  
Scarsdale, New York

We have performed the procedures described in the following pages, which were agreed to by the Scarsdale Union Free School District (District), solely to review the activities of the Payroll and Personnel Departments for the period July 1, 2012 through September 30, 2013.

The District's management is responsible for administering this area.

This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the District. Consequently, we make no representation regarding the sufficiency of the procedures either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are described in the following pages.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the District's administration of payroll. 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.

We would like to express our appreciation for the cooperation and assistance that we received from the District's administration and other employees during our engagement.

This report is intended solely for the information and use of the District and is not intended to be and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purpose.

*Cullen & Danowski, LLP*

June 2, 2014

**SCARSDALE UNION FREE SCHOOL DISTRICT**  
**Report on Applying Agreed-Upon Procedures**  
For the Period Ended September 30, 2013

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**Introduction:**

This report has five sections consisting of:

- Background information
- Summary of the engagement
- Procedures performed during our detailed testwork
- Findings as a result of our review
- Recommendations to further strengthen internal controls or improve operational efficiency.

Some of the recommendations may require a reassignment of personnel duties within the District and/or a monetary investment. However, any enhancement of controls should be done after a careful cost-benefit analysis.

**Corrective Action Plan:**

Commissioner of Education Regulation §170.12(e)(4) requires that a corrective action plan, approved by the Board of Education, must be filed within 90 days of issuance with the New York State Education Department.

The District should send the Corrective Action Plan (CAP) along with the respective Internal Audit Report via mail or email to the addresses listed below. The report needs to accompany the CAP to allow the Office of Audit Services (OAS) to reconcile the District's CAP to the report to ensure all items have been addressed (i.e., CAP is not missing any recommendations).

***Submission Information – Mail & Email***

New York State Education Department (NYSED)  
Office of Audit Services (OAS)  
89 Washington Avenue  
Room 524 EB  
Albany, NY 12234  
[Fsanda133@mail.nysed.gov](mailto:Fsanda133@mail.nysed.gov)

***Contact***

Mr. John Cushin  
(518) 474-5928

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**PAYROLL AND PERSONNEL DEPARTMENTS**

**Background:**

The District utilizes a financial system (CSI System) that is quite robust and powerful. However, the functionality of this software has not been fully utilized within the Payroll and Personnel Departments. We included recommendations in our prior internal audit reports stating the opportunities for improvement related to the CSI System's capabilities. We noted that there have been some enhancements including the implementation of the CSI Time Clock System, the document scanning process and District-wide use of the CSI Requisition module. In addition, the District began using the salary guides in the CSI System for the Scarsdale Teachers Association (STA) bargaining unit in the 2010-2011 school year. The District entered the teachers' salary data based on step and class into the CSI System as per the STA's contract. This provides the District with the ability to effectively and efficiently manage the annual salary changes, and allows the District to maintain step and class information systematically rather than using the manual process of documenting this information on salary cards and Excel spreadsheets. However, the salary guides still need to be implemented for the other bargaining units. We also found however, that although the teachers have been set up in the CSI System's position controls data fields by the Information Technology (IT) Department, there has been minimal progress related to this functionality and this still needs to be utilized. The position controls maintain the headcount of the District staff that is set up in the CSI System and this systematically links with the salary schedules resulting in stronger controls and more efficiencies.

As a result of these items, we were engaged by the District to perform a review of the Payroll and Personnel Departments as per the procedures below.

**Summary:**

We found that the District has begun taking steps towards improving the CSI System that includes scheduling periodic interdepartmental meetings including the Personnel Department, IT Department and Business Office. We note that the District has already started conducting these sessions and we understand that the District's plan is to work collaboratively going forward to enhance procedures and utilize the CSI System technology including the position controls and salary guides. One of the goals is to reduce the manual procedures by using the CSI System functionality to facilitate processes in a more efficient manner and to identify other opportunities to utilize technology to enhance procedures.

**Procedures:**

Our procedures, as per the engagement letter dated January 2, 2013, were as follows:

- Review Board policies and District procedures related to the payroll and personnel functions.
- Interview employees and review interdepartmental activities of the Payroll, Personnel and IT Departments.
- Assist the District with further utilization of the functionality of the position controls and salary schedules in the CSI System and facilitate the entry of additional employees (e.g., aides, bus drivers, custodians, clerical, substitutes, etc.) in the position controls data fields.
- Review the annual salary rollover process and document the key procedures to ensure accuracy of the salary changes. Work with the District to use technology to begin automating some of these activities.
- Interview the IT Department staff to discuss controls related to the electronic distribution of paycheck deposit advices to ensure that the data is secured properly and access is appropriately restricted.

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- Review payroll related activity for the period July 1, 2012 through September 30, 2013, as follows:
  - For changes related to the annual salary rollover – select a sample of 5 employees from each bargaining unit to ensure the accuracy of the salary amounts for the 2012-13 year.
  - For contractual payments – select sample of 10 payments to ensure amount paid agreed to employee records and contract (if applicable) and compare all amounts withheld for taxes, benefits, etc. to supporting documentation.
  - For non-salary payments (i.e., hourly, stipend, overtime, etc.) – select sample of 10 payments to ensure proper approval and amount.

**Findings:**

Review of District procedures, interviews with employees and reviews of the interdepartmental activities of the Payroll, Personnel and IT Departments noted:

- The procedures related to managing the position controls in the CSI System related to teacher changes (e.g., moving buildings) requires improvement. In addition, we found that the position controls still needs to be utilized and the District has begun to address this matter as noted above. We understand that the District has set up the bus drivers in the CSI System related to salary guides. The District's plan is to implement salary guides for all full-time employees in the near future. There are employee contracts currently in negotiations with the goal of being finalized before the end of the 2013-14 year, so the plan is to activate the salary guides for bus drivers for the 2014-15 year. We understand that the District will have interdepartmental meetings to continue progressing with this initiative.
- There has been improvement related to communications because we noted that the District has started scheduling interdepartmental meetings and discussions. We also understand that the timeliness of updating the CSI System related to employee changes (i.e., new hires, transfers, separations, and retirements) has improved, since the District has developed procedures to ensure that these changes are communicated to the appropriate staff in each of the departments and the data in the CSI System is updated promptly (e.g., salary schedules, position controls, payroll, user accounts, etc.)

Assisting the District with further utilization of the functionality of the position controls and salary schedules in the CSI System found:

- The District still needs to fully utilize the functionality of the position controls and salary schedules in the CSI financial system and still needs to complete the entry of all employees (e.g., aides, bus drivers, substitutes, clerical, custodians, secretaries, etc.) in the position controls data fields. As noted above, the District has started scheduling interdepartmental meetings to address this item.

Interviews with the IT Department staff to discuss controls related to the electronic distribution of paycheck deposit advices found:

- There are processes in place and systematic functionality to ensure that the data is secured properly and access is appropriately restricted.

Review of changes related to the annual salary rollover for 5 employees from each bargaining unit noted:

- There were no exceptions or findings as a result of our review related to the annual salary rollover.

Review of the 10 contractual payments found:

- The employees now make contributions towards their health insurance premiums. This is new because these costs were previously covered fully (i.e., 100%) by the District. We found that the District needs

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to establish formal procedures and assign duties to the appropriate employees on how to handle these health insurance contributions when employees who are on Family and Medical Leave Act (FMLA) with respect to health insurance coverage and how to account for new employees, since coverage does not start until a month after the employee's start date.

Review of the 10 non-salary payments (i.e., hourly, stipend, overtime, etc.) noted:

- There are no formal procedures to require that an administrator or supervisor approve all stipends earned by employees prior to processing these payments through payroll (e.g., coaching stipends, club advisors, working at athletic events, etc.). The approval should be obtained to verify that the employee fulfilled the required duties related to the work for which they are paid the stipend. We also found that the approvals for the rates of pay related to certain stipends require improvement, since the Board approval of the rates and names took place after the event for the following:
  - The proctoring of test exams for the Guidance Department. Further review also found that the rate of pay is not included in the contract.
  - The High School and Middle School nurses who work on “gold card” clearance for students involved in District sports programs. Further review found that the rate of pay is included in the contract.
  - The supervision of athletic events and the working of the time clock for basketball games. Further review also found that the rate of pay is not included in the contract.
- Conversations with Business Office staff revealed that the procedure for aides to sign in and out each day is not consistent at each school. There are some locations where the aides are not required to sign in and out as part of monitoring staff attendance.
- The school principals use a signature stamp to approve the time sheets and possibly other important records, instead of physically signing these documents. We understand that the District has implemented procedures to require the school principals to personally sign the time sheets and other important records instead of using signature stamps, which was established after our fieldwork as a result of this finding.

**Recommendations:**

We recommend that the District consider implementing the following items to further improve internal controls and operational efficiencies related to the personnel and payroll functions:

1. Continue efforts related to the District's plan to fully utilize the functionality of the CSI System, which includes position controls and salary guides in the CSI software system and complete the entry of data for all employees (e.g., aides, bus drivers, substitutes, clerical, custodians, secretaries, etc.) in the position controls data fields. We recommend that the District complete this initiative to eliminate the potential for manual errors, to increase the level of detail for salary types (i.e., base salary, longevity, differentials, etc.) and to facilitate the management and reporting of personnel and payroll data (e.g., longevity reporting). We understand that the District will continue to set up joint meetings between the Personnel Department, , Business Office and IT Departments to work collaboratively on enhancing the CSI software system, which includes position controls and salary guides.
2. Develop procedures for the administration of payroll deductions related to employee health insurance contributions, including reviewing potential of using the benefits module of the CSI System to record employees' health insurance coverage types. We also recommend developing procedures related to the handling of health insurance coverage when an employee is on FMLA and how to administer health insurance to new employees since coverage begins one month after employment. We understand that

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the District has obtained advice from its legal counsel to facilitate the implementation of this recommendation.

3. Establish procedures to obtain Board approvals related to the names and rates of pay, if necessary, prior to the date of the event (e.g., proctoring of test exams, nurses who work on "gold card" clearance, supervision of athletic events and working the time clock for basketball games, etc.). We understand that there are instances when events will take place prior to the Board approval because the names of the individuals are not known in advance. We recommend that these rates of pay and, if possible, the maximum amount of payment, be approved prior to the event by the Board. Another consideration is to include the rates of pay in the respective bargaining unit contracts. We suggest that the District review all of the scenarios involving these types of compensation when addressing this recommendation.
4. Develop procedures to require approvals from an administrator or supervisor to ensure that the individuals performed these activities to earn the respective stipends (e.g., coaches; club advisors; working at athletic events; etc.) as required.
5. Review the attendance procedures related to aides and establish consistency and standardization regarding the sign in and sign out practices throughout the District.

