



*Scarsdale Union Free School District*

*Agreed Upon Procedures Report*

*Pertaining to Internal Controls Over Payroll Withholdings*

*September 2022*



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**Executive Summary**

Pursuant to the Request For Proposal (RFP) for professional internal auditing services, “*The Scarsdale Union Free School District (“District”) made payroll tax payments in 2020. However, the Business Office made a clerical error when entering the 2020/Q1 deposit information into the Electronic Federal Tax Payment System (EFTPS). This resulted in part of the 2020/Q1 payment being paid late; thus, a corresponding Internal Revenue Service (IRS) “failure to deposit” penalty was assessed. The Business Office made another clerical error whereby a 2020/Q3 deposit was applied to 2020/Q2 and a 2020/Q4 deposit was applied to 2020/Q3, resulting in two further IRS “failure to deposit” penalties being assessed in 2020/Q3 and 2020/Q4, respectively. The IRS deemed as “overpayments” the 2020/Q3 and 2020/Q4 deposits for 2020/Q2 and 2020/Q3 because 2020/Q2 and 2020/Q3 had been fully paid. In addition, the District received notices from the IRS that it failed to submit or failed to submit a properly completed Schedule B with its 2021/Q2 and 2021/Q3 Form 941 - Employer’s Quarterly Federal Tax Return (Form 941). The IRS assessed a penalty pertaining to the District’s filing of its 2021/Q2 payroll tax return, but the 2021/Q3 notice, as of May 12, 2022, is only a request for more information, not a penalty.*”

We have been engaged to perform agreed upon procedures to address concerns expressed by the Board of Education pertaining to the internal controls of the payroll withholding payments for the period January 1, 2020 through April 30, 2022.

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Based on the work performed, we made the following observations regarding the District's internal controls over payroll withholdings:

- The Business Office has not developed documented guidelines pertaining to payroll withholdings.
- There is limited oversight of the payroll withholding calculations prior to payment processing.
- There is limited oversight of the payroll withholding amounts reported between the SMARTS financial application and Schedule B of Form 941.
- The Business Office utilizes multiple Excel Spreadsheets that result in duplicate data entry processes and increase the risk of clerical data errors.
- The District Treasurer's electronic signature is accessed by the Payroll Clerk and Accounts Payable Clerk.
- District's payroll bank accounts have outstanding checks pertaining to payroll withholdings unclaimed since 2016.

Areas where we recommend improvement in processes include:

- Develop documented guidelines pertaining to payroll withholdings.
- Establish a review and reconciliation process of the payroll withholdings reported within the SMARTS application, EFTPS, and Form 941 prior to processing or submitting payments to the IRS.
- Explore the full capabilities of the existing financial application, SMARTS, to implement a process wherein the payroll withholdings are accurately calculated, tracked, and reported to the IRS.
- Consider assigning the Claims Auditor to conduct a thorough and deliberate audit of online ACH payments and wire transfers related to payroll withholdings.
- Limit the check printing and signing authority to the District Treasurer as this position is not responsible for preparing accounts payable or payroll checks within the financial application system.
- Conduct due diligence in contacting the rightful parties before the old unclaimed payroll withholding funds are written off from the District's balance sheet.

### **Scope of Engagement**

Pursuant to the request of the "District," and in accordance with the June 2, 2022 engagement letter, we have performed agreed upon procedures pertaining to select records and transactions of the District. We performed analytical and testing procedures and assessed internal controls surrounding payroll withholdings for the period of January 1, 2020 through April 30, 2022.

The objectives of our analysis were to determine whether the internal controls pertaining to payroll withholding procedures are adequate and duties are properly performed, thus safeguarding the District's assets. The purpose of this report is to communicate the work performed to date and summarize our observations. Our findings and observations expressed herein are based on our work performed to date, and we reserve the right to supplement, update, or otherwise modify this report at a later date if relevant information comes to our attention.

### **Work Performed**

Our analysis consisted of the following:

1. Reviewed Board of Education policies and District procedures pertaining to the function of recording and payment of payroll withholdings.

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2. Obtained general ledger detail reports related to payroll withholding accounts and analyzed the withholding amounts paid to the appropriate third parties.
3. Compared payment amounts recorded in the general ledger to those paid per the bank statements.
4. Compared Form 941 filings to actual payments.
5. Performed on-site observations of the payroll cycle on June 28, 2022 and documented the existing processes related to payroll tax withholdings.
6. Interviewed the following individuals:
  - Assistant Superintendent for Business
  - Business Manager/ District Treasurer
  - Bookkeeper
  - Payroll Clerk

During our meetings, we had the opportunity to review documents and direct inquiries regarding transactional records, supporting documents, and reporting. The purpose of these interviews was to obtain knowledge as to each individual’s job duties and involvement as they pertain to the payroll withholding cycle, day-to-day responsibilities, who they report to, and who they supervise.

7. Assessed the possible impact the COVID pandemic may have had on the District’s internal controls, including control effectiveness and performance.
8. Assessed possible improvements pertaining to the internal controls of the payroll withholding functions. Such recommendations are presented within each applicable report section.
9. Prepared analysis and report. An audit exit conference was held on September 8, 2022 with the Assistant Superintendent for Business, Business Manager, and District Treasurer. The results, findings, and recommendations contained in this report were discussed with those attending.

**Assessment of Payroll Withholding Procedures**

General Governance

We have identified the following payroll withholding processes currently carried out by each Party:

<b><u>Party</u></b>	<b><u>Function</u></b>
Assistant Superintendent for Business	Reviews payroll verification reports.
Business Manager/ District Treasurer	Reviews & signs monthly bank reconciliations and quarterly Form 941s.
Assistant Business Manager- Purchasing Agent	Reviews payroll verification reports.
Accountant	Prepares monthly bank reconciliations, which include withholding transactions
Bookkeeper	Calculates payroll withholdings and updates Excel spreadsheets. Process payments to federal, state, and other third-party agencies. Posts payroll. Reviews cash bank balances. Prepares quarterly Form 941s.
Payroll Clerk	Sets up employee payroll screens and salary budget codes. Processes payroll for contractual and hourly employees, extra pay, and stipends. Sets up direct deposits. Reviews payroll verification reports. Responsible for health insurance payroll deduction and Form 1095C reporting.

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**Observation/Recommendation #1**

**Risk Rating: Moderate**

The Business Office has not developed documented guidelines pertaining to payroll withholdings.

- ***The Business Office should review and finalize the attached narratives (See Exhibit 1) to prepare a departmental process manual regarding payroll withholdings. This will allow for an annual internal review of processes as well as serve as a training document for the Business Office.***

**Payroll Withholding Calculations & Payments**

We analyzed the federal and state payroll withholdings from January 2020 through April 2022 and confirmed the three (3) clerical errors that resulted in the IRS notices of federal tax lien filing against the District. Based on our analysis, we noted that two (2) clerical errors pertained to selecting the incorrect quarters and one (1) error pertained to entering the incorrect amount on the online EFTPS system. No other discrepancies were noted during the period analyzed. The following table summarizes the online payments made on the EFTPS system during the period of February 2020 through October 2020.

<u>Tax Period</u>	<u>Settlement Date</u>	<u>EFTPS</u>	<u>Form 941</u>	<u>Difference</u>	<u>Notes</u>
2020/Q1	02/06/20	148,570.21	1,048,570.21	(900,000.00)	District made a clerical error on the EFTPS website and entered an incorrect amount.
2020/Q1	03/27/20	900,000.00	-	900,000.00	District made an additional payment on the EFTPS website to reflect the correct amount for settlement date 02/06/20.
2020/Q2	08/14/20	234,539.09	234,539.09	-	District made a clerical error on the EFTPS website and selected the incorrect quarter of 2020/Q2 instead of 2020/Q3.
2020/Q3	10/15/20	1,135,114.51	1,135,114.51	-	District made a clerical error on the EFTPS website and selected the incorrect quarter of 2020/Q3 instead of 2020/Q4.

We conducted a comparative analysis of the payroll tax liability reported in the SMARTS financial application and Schedule B of Form 941 and EFTPS payments during the period of January 2020 through March 2022. The District over-reported and over-paid its payroll tax withholding liability to the IRS for one (1) payroll quarter. Based on our analysis, we did not identify any other discrepancies during the period analyzed. The following table summarizes the reporting discrepancies between the three (3) sets of data during the period analyzed:

		(A)	(C)	(B)	(C) - (A)	(B) - (A)
<u>Tax Period</u>	<u>Settlement Date</u>	<u>SMARTS-Payroll Liability</u>	<u>Form 941-Sch B Tax Reporting</u>	<u>EFTPS-Payment</u>	<u>Difference</u>	<u>Difference</u>
2020/Q3	10/15/20	1,134,780.33	1,135,114.51	1,135,114.51	334.18	334.18

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**Observation/Recommendation #2**

**Risk Rating: Moderate**

The Business Office has taken corrective action whereby as of November 2021, the Payroll Clerk supervises the Bookkeeper's data entry process to ensure the accuracy of the total payroll withholding amount, payroll date, and payroll quarter on the EFTPS system. The Bookkeeper and Payroll Clerk sign off on the EFTPS confirmation payment statements and file the signed confirmation with the applicable payroll summary reports and quarterly Form 941s to be reviewed by the District Treasurer during the bank reconciliation process. We performed on-site observations of the payroll cycle on June 28, 2022 and noted the following regarding the existing payroll tax withholdings process:

- The Bookkeeper is responsible for calculating payroll withholdings, data entry of withholdings in Excel spreadsheets, submitting federal and state payroll withholding payments, and reviewing payroll cash balances, which creates a segregation of duties issue.
  - The Bookkeeper manually calculates the federal payroll withholdings; however, the Payroll Clerk does not verify the calculation amounts or reconcile the calculations to the SMARTS application prior to processing payments.
  - The Bookkeeper does not indicate the wire payment confirmation numbers, check numbers, or transaction dates on the Excel spreadsheets to confirm their accuracy.
  - The District Treasurer did not log into the District's payroll bank account on the day the money was transferred to the IRS to ensure that the transfer had occurred. It was represented that the Accountant and District Treasurer reviewed the online payments during the monthly bank reconciliation process.
  - There is limited oversight of the payroll withholding amounts reported between the SMARTS financial application and Schedule B of Form 941.
- ***The Business Office should implement a process whereby the Bookkeeper provides documentation from the SMARTS application and Excel spreadsheets to support the federal payroll withholding calculations to the Payroll Clerk for verification prior to processing payment. The Bookkeeper should indicate the wire payment confirmation numbers, check numbers, or transaction dates on the Excel spreadsheets to confirm their accuracy. Furthermore, the District Treasurer should log into the District's payroll bank account on the day the money should transfer to the IRS to ensure that the transfer has occurred. The District Treasurer should reconcile the payroll withholding amounts reported between the SMARTS financial application and Schedule B of Form 941. This will increase the District's oversight controls over payroll withholding and ensure that discrepancies are detected promptly.***

***Subsequent to our review, the Business Office took corrective action and the District Treasurer currently reconciles the payroll withholding amounts reported between the SMARTS financial application and the EFTPS payments each payroll run. The District Treasurer logs into the District's payroll bank account on the day the money is transferred to the IRS to ensure that the transfer has occurred, prints the statements, and is attached to the EFTPS payment confirmations.***

We selected a random sample of ten (10) payroll runs and analyzed the payroll withholdings reported on the SMARTS system, payroll Excel spreadsheets, general ledger, and bank statements from January 2020 through April 2022. Based on our analysis, no exceptions were noted.

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**Observation/Recommendation #3**

**Risk Rating: Moderate**

The Bookkeeper utilizes four (4) independent Excel spreadsheets to calculate payroll withholdings prior to processing payment.

**Payroll Summary Workbook**

- **Payroll Summary Spreadsheet (Tab 1)**. Indicates the payroll withholding codes and amounts per payroll run, downloaded from the SMARTS system.
- **Payroll Summary Spreadsheet (Tab 2)**. Indicates the payroll withholding codes and amounts per payroll run, copied from the “Payroll Summary Spreadsheet.” Includes formulas to calculate the payroll withholdings by category (e.g., federal, state, AFLAC, court orders, health contributions, etc.). Includes instructions on how payroll withholdings should be disbursed (e.g., wire or check) and their frequency.

**Payroll Spreadsheet -**

- **Summary Spreadsheet**. Indicates the summary of the payroll withholding amounts per payroll run, copied from the “Payroll Summary Spreadsheet.” Contains monthly and quarterly subtotals of the payroll withholdings amounts.
- **Taxes wires and cks Worksheet**. Payroll withholding amounts are copied and transposed from the “Summary Spreadsheet.” Includes validation formulas and instructions on how payroll withholdings should be disbursed (e.g., wire or check) and their frequency.

The manual Excel spreadsheets are stand-alone methods developed by the Business Office to track payroll withholdings. We noted certain payroll account codes that pertained to imputed income for group life insurance and accumulated overtime for hourly employees were not calculated correctly in the “Payroll Summary Spreadsheet” or “Summary Spreadsheet.” It should be noted that the above payroll codes are tracked by the Business Office for information purposes only and had no impact on payroll withholdings. We also noted that the payroll instructions on the “Payroll Summary Spreadsheet” and “Taxes wires and cks Worksheet” did not reflect the current payroll withholding payment process. The utilization of multiple Excel Spreadsheets results in duplicate data entry processes in the Business Office and increases the risk of clerical errors resulting in inaccurate data.

- ***The Business Office should explore the full capabilities of the existing financial application, SMARTS, and implement a process wherein the payroll withholdings are calculated, tracked, and reported to the IRS. Using standardized software to record payroll withholdings will provide improved control over the payroll withholding accounting, reporting, and payment processes. This can also reduce the manual processing of payroll data and assist the Business Office in making accurate payments and reporting payroll withholdings to the IRS.***

**Observation/Recommendation #4**

**Risk Rating: Moderate**

Although the District has established dual controls in preparing and releasing bank wire transfers, the District has not established a process for the Claims Auditor to review online ACH payments and wire transfers related to payroll withholdings.

- ***The District should consider assigning the Claims Auditor to conduct a thorough and deliberate audit of online ACH payments and wire transfers related to payroll withholdings after payment is released. The review function of the payroll withholdings, supporting documentation, and payments should be documented and provided in a summary form to the Board of Education.***

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**Observation/Recommendation #5**

**Risk Rating: Moderate**

The Payroll Clerk and Accounts Payable Clerk have user access permissions to set up payments and print checks in SMARTS by utilizing the District Treasurer's electronic signature, creating a segregation of duties risk.

- ***The Business Office should limit the check printing and signing authority to the District Treasurer as this position is not responsible for preparing accounts payable or payroll checks within the financial application system. The Business Office should set up controls that the District Treasurer's signature is password protected to prevent an unauthorized user from processing payments. Segregating check preparation and check signing prevents an employee from approving transactions and then preparing the check to pay them without being detected.***

**Payroll Withholding Reconciliation & Reporting**

The Business Office has established a process whereby the Bookkeeper prepares and the District Treasurer reviews the quarterly payroll tax reports Form 941. The District Treasurer reconciles the payroll tax reports to the copies of the EFTPS and New York Department of Taxation confirmation payment statement. Upon review, the District Treasurer mails Form 941 to the IRS. As of July 2022, the Business Office has been submitting Form 941 electronically to the IRS through a web-based application entitled "Tax Bandit."

**Observation/Recommendation #6**

**Risk Rating: Moderate**

We noted that the District's payroll bank accounts have outstanding checks pertaining to payroll withholdings unclaimed since 2016. We have verified that the bank reconciliation reports disclose such unclaimed properties.

- ***The Business Office should conduct due diligence in contacting the rightful parties before old unclaimed payroll withholding funds are written off from the District's balance sheet.***

**Statement Of Limiting Conditions**

The above procedures do not constitute an examination made in accordance with generally accepted auditing standards. This report relates only to the elements specified above and does not extend to any financial statements or income tax returns of the related entities. This report is intended solely for the information and use of the Board of Education of the Scarsdale Union Free School District and is not intended to be and should not be used by anyone other than this specified party unless otherwise authorized. The preceding analysis is based upon the information made available by the Scarsdale Union Free School District. We provide no assurance that we identified all payroll withholding payments and expenses and we have not included periods prior to or subsequent to our scope of January 1, 2020 through April 30, 2022. We reserve the right to revise our analysis based on any future events and circumstances which may occur or become known to us.



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**Exhibit**

- Exhibit 1***      Narratives of Payroll Withholding General Governance Procedures.
- Exhibit 2***      Narratives of Payroll Withholding Calculation and Payment Procedures.
- Exhibit 3***      Narratives of Payroll Withholding Reconciliation and Reporting Procedures.

Please contact our Hauppauge, New York office @ 631-756-9500 if you should have any questions in this regard.

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**Narratives of Payroll Withholding General Governance Procedures**  
**Exhibit 1**

1. The following individuals are responsible for the District's payroll withholding processes as follows:
  - Assistant Superintendent for Business - Reviews payroll verification reports. Signs off on District-wide payroll certification.
  - Business Manager/District Treasurer - Reviews and signs monthly bank reconciliations and quarterly Forms 941 - Employer's Quarterly Federal Tax Return.
  - Assistant Business Manager/Purchasing Agent - Reviews payroll verification reports.
  - Accountant - Prepares monthly bank reconciliations.
  - Bookkeeper - Calculates payroll withholdings and updates Excel spreadsheets. Process payments to federal, state, and other third-party agencies. Posts payroll. Reviews cash bank balances. Prepares quarterly Forms 941 - Employer's Quarterly Federal Tax Return.
  - Payroll Clerk – Sets up employee payroll screens and salary budget codes. Processes payroll for contractual and hourly employees, extra pay, and stipends. Sets up direct deposits. Reviews payroll verification reports. Responsible for health insurance payroll deduction and Form 1095C reporting.
  
2. The District has adopted the following policies regarding payroll withholdings:
  - 6410 Authorized Signatures- According to the policy, the President of the Board of Education is the Chief Fiscal Officer at the District and is responsible for executing contracts, documents, papers, and agreements. The Board of Education also authorizes the signature of the District Treasurer on all District checks for the payment of all salaries.
  - 6800 Payroll Procedures- According to the policy, the Superintendent, or in their absence, the Assistant Superintendent for Business, is responsible for examining and certifying the District payroll.
  - 6805 Tax-Sheltered Annuity Plan- According to the policy, the Board of Education acts only as a paying agent with respect to tax-sheltered annuity plans that all employees may participate in that are approved by the Board of Education.
  
3. The Payroll Department utilizes the SMARTs payroll module to process payroll, payments, and employee deductions.

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4. The Payroll Department utilizes the following payroll and benefits forms to document employee salaries and payroll withholdings:

<b><u>Form</u></b>	<b><u>Purpose</u></b>
Payroll Notice- Change in Payroll	Document any changes to an employee's payroll. The Human Resources Department prepares and provides to Payroll Department.
Individual Timesheet	Document hours worked by Employees for clerical substitutes, nurses, grant, athletic supervision, part-time, per diem, tutoring, and overtime; Maintained by Payroll Department.
Payroll Check Designation	Document the payment frequency for Teachers. Maintained by the Business Office.
Direct Deposit Form	Document Employee authorization for electronic payroll deposit into their bank account. Maintained by Payroll Department.
Form W-4 – Employee's Withholding Certificate	Document Employee's tax withholdings; Maintained by Payroll Department
Form NYS IT-2104 - Employee's Withholding Allowance Certificate	Document Employee's State tax withholdings; Maintained by Payroll Department.
Form 941 - Employer's Quarterly Federal Tax Return	Report income taxes, Social Security tax, and Medicare tax withheld from employees' paychecks. Maintained by Payroll Department.

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Calculation Procedures

1. The Payroll Department processes payroll through SMARTS on a bi-weekly basis.
2. The Payroll Department updates in SMARTS the following employee information:
  - Salaries based on Payroll Action Forms
  - Tax Withholdings based on Form W4 – Wage and Tax Withholdings
  - Hourly/Daily Attendance based on time sheets
  - Budget Codes from the Assistant Superintendent for Business or Assistant Business Manager, when applicable
  - Deductions and Direct Deposit based on forms submitted by employees
3. The Human Resources Department reviews the changes for accuracy.
4. The Payroll Department updates employee salary and payroll deduction information in SMARTS.
5. Prior to processing the first payroll, the Assistant Superintendent for Business, Assistant Business Manager, District Treasurer, Payroll Clerk, and Bookkeeper perform a secondary review of the changes in payroll salaries and deductions.
6. The Payroll Clerk updates the SMARTS payroll journal for additional earnings, adjustments, or corrections in the timesheets identified during the review process.
7. The following table summarizes the payroll deductions processed by the Payroll Department:

OMNI	AFLAC
Scarsdale Foundation Charity	Principals Dues
FICA	Court Orders
Medicare Gross & Withholding	NYSUT Teachers
Federal Gross & Withholding	Middle Management Dues
State Gross & Withholding	Scarsdale Association of Educational Secretaries
State Withholding	Scarsdale Teachers Association
Tax Shelter Annuity	Association of Scarsdale Teacher Aides & Assistants
Health Insurance	Teachers Retirement System Retirement & Loans
Earnings Retirement System Retirement, Arrears & Loans	Excess Major Medical
CSEA Bus Drivers	CSEA Employee Benefit Fund (Dental)
	CSEA Custodians

8. The Bookkeeper utilizes four (4) independent Excel spreadsheets to calculate payroll withholdings prior to processing payment.

Payroll Summary Workbook

- Payroll Summary Spreadsheet (Tab 1). Indicates the payroll withholding codes and amounts per payroll run, downloaded from the SMARTS system.

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- Payroll Summary Spreadsheet (Tab 2). Indicates the payroll withholding codes and amounts per payroll run, copied from the "Payroll Summary Spreadsheet." Includes formulas to calculate the payroll withholdings by category (e.g., federal, state, AFLAC, court orders, health contributions, etc.). Includes instructions on how payroll withholdings should be disbursed (e.g., wire or check) and their frequency.

Payroll Spread Sheet

- Summary spreadsheet. Indicates the summary of the payroll withholding amounts per payroll run, copied from the "Payroll Summary Spreadsheet." Contains monthly and quarterly subtotals of the payroll withholdings amounts.
  - Taxes wires and cks Worksheet. Payroll withholding amounts are copied and transposed from the "Summary Spreadsheet." Includes validation formulas and instructions on how payroll withholdings should be disbursed (e.g., wire or check) and their frequency.
9. Upon review, the Payroll Clerk accepts the new payroll and enters the payroll date in SMARTS.
  10. The Payroll Clerk enters the start and end check numbers in SMARTS and posts the payroll checks in SMARTS.
  11. The Payroll Clerk prints the following final payroll reports from SMARTS:
    - Payroll Summary Report
    - Check Reconciliation Report

Payroll Payment Procedures

1. The Payroll Clerk prints payroll checks from SMARTS using the District Treasurer's signature.
2. The Payroll Clerk emails the Data Service Department to upload the payroll ACH Direct Deposit files to the People's United bank. The Human Resources Department, Assistant Superintendent for Business, District Treasurer, Assistant Business Manager, and Bookkeeper are copied on this email.
3. The Bookkeeper logs into the Peoples United Bank website, using her password and token to review and approve the ACH file for transmission.
4. The Bookkeeper prepares the following internal and external transfers:
  - a. Internal transfer - from the general fund account to the payroll fund account to cover payroll payments.
  - b. External transfer - The Bookkeeper utilizes templates to create wire transfers from the payroll fund to the various third-party agencies.
5. The Bookkeeper emails the District Treasurer to approve and release the wire transfers.

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6. The Bookkeeper prints copies of the wire transfer confirmations and emails the Human Resources Department, Data Services Department, Assistant Superintendent for Business, District Treasurer, and Payroll Clerk that payroll has been approved and processed.

Online Federal Taxes Payments

1. The Bookkeeper manually copies the breakdown of Federal taxes from the Excel spreadsheet "Taxes wires and checks worksheets."
2. The Bookkeeper logs onto the Electronic Federal Tax Payment System (EFTPS) website and enters the District's Employer Identification Number (EIN), Personal Identification Number (PIN), password, and token.
3. The Bookkeeper prepares the payment by selecting the quarter, year, payment amount, and settlement date (payroll date).
4. The Payroll Clerk verifies the quarter, year, date, and payment amount based on the Bookkeeper's handwritten notes.
5. The Bookkeeper submits and makes the payment in EFTPS.
6. The Bookkeeper prints and signs off the EFTPS payment confirmation. The Payroll Clerk and Assistant Business Manager initial and date the EFTPS payment confirmation page. The Bookkeeper attaches the EFTPS payment confirmation and the printout of the "Taxes wires and checks worksheets" to the payroll file.

Online State Taxes Payments

1. The Bookkeeper manually copies the breakdown of State taxes from the Excel spreadsheet "Taxes wires and checks worksheets."
2. The Bookkeeper logs onto the NYS Department of Taxation and Finance website and enters the District's Employer Identification Number (EIN), Personal Identification Number (PIN), password, and token.
3. The Bookkeeper makes payment by selecting a payroll date, State withholding amount based on the manual calculation of the breakdown on the Summary page, and bank account.
4. Upon submission, the Bookkeeper prints out the Prompt Withholding payment confirmation. The Bookkeeper attaches the Prompt Withholding payment confirmation and the printout of the "Taxes wires and checks worksheets" to the payroll file.

Other Payroll Withholdings Processed through Checks

1. The Bookkeeper makes journal entries in SMARTS to generate payments for non-federal and non-state payroll withholdings (e.g., OMNI, ERS, CSEA Dues, Court Orders, etc.). The Bookkeeper prints the checks and maintains a log to reconcile the bank statements (People's United and Chase).
2. The District Treasurer reviews the log and signs off.

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3. Once the banks (People's United and Chase) clear the checks, the Bookkeeper posts them to the SMARTS general ledger.

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***Exhibit 3***

***Bank Reconciliation Procedures***

1. The Accountant logs into the District's People's United and Chase bank account websites to review the District's payroll and withholdings activities.
2. The Accountant reconciles the payroll disbursement activity between the payroll bank statements and the payroll disbursement journals.
3. The Accountant compiles the bank reconciliation reports and submits them to the District Treasurer for review.
4. The District Treasurer reviews and approves the bank reconciliations.

***Federal Reporting Procedures***

1. The Bookkeeper prepares Form 941 - Employer's Quarterly Federal Tax Return based on Excel spreadsheets and provides copies of the EFTPS and New York Department of Taxation Prompt Withholding payment confirmation to the District Treasurer for review.
2. Upon review, the District Treasurer reviews, signs, and mails Form 941 to the IRS.
3. As of July 2022, the Business Office has been submitting Form 941 electronically to the IRS through a web-based application entitled "Tax Bandit."