Pleasantville Board of Education

July 1, 1997 to June 30, 1998
The Honorable Christine Todd Whitman  
Governor of New Jersey

The Honorable Donald T. DiFrancesco  
President of the Senate

The Honorable Jack Collins  
Speaker of the General Assembly

Mr. Albert Porroni  
Executive Director  
Office of Legislative Services

Enclosed is our report on the audit of the Pleasantville Board of Education for the period July 1, 1997 to June 30, 1998.

If you would like a personal briefing, please call me at (609) 292-3700.

Richard L. Fair  
State Auditor  
September 8, 1999
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Pleasantville Board of Education

**Scope**

We have completed an audit of expenditures of the Pleasantville Board of Education for the period July 1, 1997 to June 30, 1998. The prime responsibility of the Pleasantville Board of Education is to provide a quality education to approximately 3640 kindergarten to twelfth grade students. Expenditures totaled $40 million.

**Objectives**

The objectives of our audit were to determine whether financial transactions were related to the school district’s programs, were reasonable and were recorded properly in their accounting system. This audit was conducted pursuant to the State Auditor’s responsibilities as set forth in N.J.S.A. 18A:7F-6d.

**Methodology**

Our audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. In preparation for our testing, we studied legislation, administrative code, policies of the board and the Department of Education Comparative Spending Guide. Provisions that we considered significant were documented and compliance with these requirements was verified by interview, observation, and through our samples of financial transactions. We also read the budget, reviewed financial trends and interviewed district personnel to obtain an understanding of the district’s programs and internal controls.

A nonstatistical sampling approach was used. Our samples of financial transactions were designed to provide conclusions about the validity of transactions as well as internal control and compliance attributes. Transactions were judgmentally selected.
Conclusions

We found that the financial transactions included in our testing were related to the school district’s programs, were reasonable and were properly recorded in the accounting system. In making this determination, we noted certain matters of compliance with regulations and certain elements of the internal control environment meriting management’s attention.
Segregation of duties and written policies and procedures help assure that management's objectives are achieved.

A strong system of internal control includes adequate segregation of duties between various payroll processing and distribution functions. Our review of the payroll operations disclosed internal control weaknesses that, if corrected, would reduce the risk of errors and irregularities occurring. Specifically, one individual performs all procedures of the payroll operation, including the following:

- entering employees onto the payroll system,
- entering and adjusting salaries into the system,
- processing and distributing overtime payments,
- processing, printing, endorsing (through endorsing machine), and distributing payroll checks, and
- holding unclaimed checks.

A strong system of internal control also requires that policies and procedures are documented and followed. There are no written policies and procedures. The district is relying on the experience of one individual to ensure that proper undocumented procedures are followed.

**Recommendation**

The Pleasantville School District should develop written policies and procedures concerning the payroll function and implement procedures which adequately segregate duties.

**Auditee’s Response**

The development of written policies covering the payroll operation of the district for adoption by the Board of Education is currently underway. These policies will form the basis for administrative guidelines for payroll which will detail payroll procedures and adequately segregate duties involved in the payroll process, including distribution verification.
Unauthorized Vacation Payments

During our review period, we found that three nonunion individuals received payment in lieu of taking earned vacation time. No policy exists for nonunion employees concerning unused vacation time. However, the school board is the approval authority for all actions concerning nonunion employees. One employee initiated payments for unused vacation pay for himself and two other employees. These payments totaled $27,000. There was no board approval for these payments. In addition, the individual who initiated these payments also denied consideration for payment of unused vacation time for other staff.

Recommendation

The propriety of the unused vacation payments should be reviewed and acted upon by the board. The district should also develop a written policy concerning unused vacation time.

Auditee’s Response

A written policy concerning unused vacation payments is also under development for review and adoption by the Board of Education. This item is also addressed in the district’s negotiated agreements with its employee associations. Administrative guidelines detailing procedures for payment of unused vacation time pursuant to Board of Education policy and the provisions of the negotiated agreements will be incorporated into the administrative guidelines for the payroll process.
The district should review and control overtime to eliminate unnecessary expense.

Maintenance and Custodial Overtime

We noted that the district does not adequately monitor overtime costs of the Maintenance/Custodial Department. Thirty-two of 36 employees in this department received overtime payments costing the district $139,000. Four employees received overtime payments exceeding 50 percent of their base salary. Overtime should be the result of nonrecurring unexpected events or emergency situations. It should not alleviate conditions which occur on a routine basis. Our review of this overtime disclosed the following:

- Three employees received two hours of overtime on a daily basis. One of these employees received these two hours of overtime 365 days a year, while the other two received this overtime on working days only. This overtime cost the district a total of $40,000.

- The district circumvented their own policies concerning custodial work on Saturdays and holidays. The agreement between the Pleasantville Supportive Staff Association and the Board of Education states that if work is required on these days, a compensatory day will be given instead of cash. However, cash payments were made for work on a holiday and various Saturdays throughout the year.

- Overtime payments were made for routine events. No scheduling adjustments were attempted to alleviate the need for overtime.

- Substitutes were not employed while custodians were absent from their normal shift. One or more staff custodians were brought in at various hours of the day to make up the hours lost from the absent employee and were paid at an overtime rate.

- One employee was allowed to approve his own overtime.

Recommendation

We recommend that the Pleasantville School District develop and implement procedures necessary to monitor and control overtime costs. This process should include
a review of the appropriateness of the two hours of daily compensation given to the three employees; complying with the agreement between the Pleasantville Supportive Staff Association and the Pleasantville Board of Education concerning hours worked on holidays and Saturdays; adjusting employee work schedules to accommodate scheduled events; and employing substitute custodians to fill in for employees absent from their regular shift. We also recommend that all overtime payments be approved by an independent supervisor.

Auditee’s Response

The Board of Education has been involved in developing a policy on overtime, and has conducted a first reading of a draft policy. The policy should address appropriate types of overtime and categories of staff eligible for overtime. The policy ultimately adopted by the Board of Education will be expanded into a detailed procedure covering overtime authorization and approval, and complying with the provisions of the negotiated agreements with employee associations. This procedure will be incorporated into the payroll administrative guidelines. Appropriate staff supervisors will review and, where possible, adjust scheduled employee work hours to eliminate or reduce overtime. A pool of substitute custodians to fill in for employees absent from their regular shift will be established.