

*Jericho Union Free School District
Report on Internal Audit Procedures
Pertaining to the Payroll Payout Observation
on June 10, 2011*

Jericho Union Free School District

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Scope of Engagement

The Jericho Union Free School District Board of Education engaged Nawrocki Smith LLP to provide internal audit services with respect to the District's policies and procedures concerning payroll. As part of this engagement, we performed analysis and validation tests of the District's financial data by way of a Payroll Payout Audit, with an emphasis on potential irregularities.

Pursuant to the request of the Board, we have analyzed the financial documents made available to us by the Jericho Union Free School District. Our analysis within each area consisted of the following:

- **Payroll Payout Observation (June 10, 2011)**
 - Complete Payroll Payout distribution of the June 10, 2011 payroll

Analysis of Payroll Payout

On June 10, 2011 we conducted a complete Payroll Payout Audit for Jericho Union Free School District. This internal audit procedure consisted of the following phases: Planning, Field Work and Follow-up, and Analysis/Results.

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Planning

During the planning phase, we obtained payroll sign in-sheets from the Payroll Department for each building location, prepared confirmation letters and self-addressed envelopes and assigned Nawrocki Smith audit team members to the following locations:

- District Administration Office
- Jericho High School
- Jericho Middle School
- Cantiague Elementary School
- George A. Jackson Elementary School
- Robert Seaman Elementary School

Field Work and Follow-Up

On the morning of June 10, 2011, we secured the current pay period pay checks from the Business Office for the locations noted above. During the distribution process, we carried out the following procedures at each District location:

- Obtained an employee photo identification and signature
- Compared the signature obtained to that on the photo identification
- Distributed paycheck upon approval
- Sent confirmation letters to employees who did not pick up a pay check
- Analyzed confirmations returned to the office of Nawrocki Smith LLP

Analysis/Results

The following is a summary and analysis of the results of the Payroll Payout Audit.

- On June 10, 2011 we secured 732 paychecks
- On June 10, 2011 we approved and distributed 549 paychecks
- Confirmation letters were sent to 183 employees
 - As of July 15, 2011, 144 (79%) confirmations were received
 - As of July 15, 2011, 39 (21%) confirmations remain outstanding
- Second confirmation letters were sent to 39 employees
 - As of October 13, 2011, 178 (97%) confirmations were received
 - As of October 13, 2011, 5 (3%) confirmations remain outstanding

<u>Paycheck or Deposit Stub</u>	<u>Number of Checks/Deposit Stubs</u>	<u>Percentage</u>
Claimed by Employee	549	75%
Mailed with Confirmation	183	25%
Total	<u>732</u>	<u>100%</u>

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It should be noted that the five (5) outstanding confirmations as of October 13, 2011 are for individuals who are no longer employed at the District.

"*Second Request*" confirmation letters were issued to thirty-nine (39) employees with outstanding original confirmations on July 15, 2011.

The enclosed Exhibit I provides a summary, by location, of confirmations which were sent to employees. Additionally, Exhibit II provides a summary of outstanding confirmations that were not received as of October 13, 2011.

We also reviewed personnel files for fifteen (15) employees that did not respond to confirmation letters as of July 15, 2011 to determine that proper identification for the employee was obtained and maintained in the employee's personnel file.

We noted that one (1) of the fifteen (15) employee personnel files selected did not contain proper identification documentation for the employee. It should be noted that in past years the employee either responded to our confirmation letter or had their identification checked by the auditor.

Recommendations

Based on our Payroll Payout Audit procedures and related analysis of internal controls, we recommend the following:

- (1) The District should consider obtaining proper identification documentation for the one (1) employee whose personnel file lacked proper identification documentation.