

**HOMER CENTRAL SCHOOL DISTRICT**

**AGREED - UPON PROCEDURES**

**INTERNAL AUDIT TESTING**

**FOR YEAR ENDED JUNE 30, 2012**

**Raymond F. Wager, CPA, P.C.**  
**Certified Public Accountants**

**Shareholders:**

**Raymond F. Wager, CPA**  
**Thomas J. Lauffer, CPA**  
**Thomas C. Zuber, CPA**

Members of  
American Institute of  
Certified Public Accountants  
and  
New York State Society of  
Certified Public Accountants

**Independent Accountant's Report**  
**On Applying Agreed-Upon-Procedures**

To the Board of Education  
Homer Central School District

In accordance with your request, we will perform the agreed-upon procedures enumerated below, which have been agreed to by the Homer Central School District Audit Committee solely to assist you with respect to the internal controls over payroll processing. Homer Central School District's management is responsible for the internal controls over payroll processing.

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

The procedures and findings are as follows:

**1. Salaries/Wages**

- A. For the pay period February 3, 2012 we selected a sample of 15 employees from the certified payroll ledger and performed the following:
1. We compared salary and wage rates paid to salary notices and recalculated gross pay.
  2. For hourly employees we compared hours paid to scheduled work hours. We observed supporting documentation for any additional hours worked or time off.
  3. For any stipends or additional payments to the employee we verified eligibility of employee by verifying employment status and compliance with applicable contract terms.
  4. We examined cancelled checks or direct deposit authorizations to verify payment.

**Findings**

There were no findings identified based on the procedures completed.

**To the Board of Education  
Homer Central School District**

**2. Health Insurance**

- A. For the month of February we obtained the health insurance bill. For those 15 employees originally selected and an additional sample of 15 active employees we performed the following:
1. Confirmed eligibility of employee by verifying employment status and compliance with applicable contract terms.
  2. Observed enrollment form and confirmed coverage provided.
  3. Verified payroll withholdings were in compliance with contract terms.
- B. Using the health insurance bill for February, we selected a sample of 5 retirees, and their spouses, receiving coverage, and performed the following:
1. Retiree or beneficiary was eligible for coverage.
  2. Observed enrollment forms and confirmed correct coverage provided considering contractual provisions.

**Findings**

There were no findings identified based on the procedures completed.

**3. Vacation, Holiday, and Sick Time**

- A. Using the sample of 15 employees originally selected, we obtained attendance records and performed the following:
1. We selected a sample of absences for each employee and observed proper documentation of the request for leave.
  2. We verified that absentee records obtained from the payroll system agreed to attendance records.
  3. We obtained earned vacation and sick time records and compared them to contracts and verified that balances do not exceed maximum allowed.
  4. Observed requests to roll over any unused vacation or personal time and verified proper authorization and that hours did not exceed maximum allowed by contract.
- B. We obtained substitute sign-in sheets for the months of October, 2011 and February, 2012, selected a sample of 10 substitutes, and performed for the following:
1. Verified that sign-in sheets contained all required information.
  2. Verified that attendance records for teachers had been adjusted for those dates for which a substitute was present.

**Findings**

There were no findings identified based on the procedures completed.

**To the Board of Education  
Homer Central School District**

**4. Withholdings (Other Than Health)**

- A. For the pay period and sample of employees originally selected, we examined the certified payroll register and performed the following:
1. We examined IRS Form W-4 and New York State Form IT-2104 and confirmed that the income tax withholding status per the payroll system matched the employee's elections.
  2. For all other voluntary deductions, other than health insurance, we examined documentation supporting the amounts withheld as authorized by the employee.
  3. We obtained detail of payments to tax sheltered annuities and charitable organizations during the test month and compared it to the employee elections.

**Findings**

There were no findings identified based on the procedures completed.

**5. Audit Reports**

- A. We obtained payroll audit reports from the system and selected a sample of 10 changes to employees' pay rates, deductions, or health insurance coverage to ensure agreement with supporting documentation.

**Finding**

The payroll audit report which is provided to the Director of Finance and Business for each payroll does not identify changes in employees withholding status for federal and state tax purposes. This limits the effectiveness of the Director's review process which has been identified as a key control over the payroll process. It should also be noted that we were able to examine a sample of changes to employee withholdings during the test period and there were no unsupported changes noted.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion, on the internal controls over payroll processing. 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.

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 anyone other than those specified parties.

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We would like to express our appreciation to all District personnel for the courtesies extended to us during the course of our engagement. If you have any questions regarding the above items, please do not hesitate to call.

*Raymond F. Wager, CPA P.C.*

June 22, 2012