
Audit Report

Greater Johnstown School District
Education Stabilization Fund Audit
for the Period
March 13, 2020 through September 30, 2022

ESF-0123-02

September 9, 2024

The University of the State of New York
THE STATE EDUCATION DEPARTMENT
Office of Audit Services
Albany, New York 12234





THE STATE EDUCATION DEPARTMENT / THE UNIVERSITY OF THE STATE OF NEW YORK / ALBANY, NY 12234

New York State Education Department
Office of Audit Services
89 Washington Avenue, EBA 471
Albany, New York 12234
518 473-4516

September 9, 2024

Dr. William Crankshaw
Superintendent
Greater Johnstown School District
400 S. Perry Street
Johnstown, NY 12095

Dear Dr. Crankshaw:

Enclosed is the final audit report (ESF-0123-02) corresponding to our audit of the Greater Johnstown School District. The objective of this audit was to determine if Education Stabilization Funds (ESF) received under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) were spent in accordance with award requirements and federal regulations. This audit was conducted pursuant to Section 305 of the Education Law and the scope of the audit covered the period March 13, 2020 through September 30, 2022.

Within 90 days of the issuance of this report, we request school officials provide a written corrective action plan to the Office of Audit Services which details the specific steps that were taken by the Greater Johnstown School District to implement the recommendations in the audit report.

We appreciate the cooperation and courtesies extended to NYSED staff during the audit. If you have any questions or require additional information, please contact Lauri Walker, Auditor-in-Charge (Lauri.Walker@nysed.gov) or Karen Thornton, Audit Manager (Karen.Thornton@nysd.gov).

Sincerely,

James Kampf
Director, Office of Audit Services

Attachments

cc: Betty A. Rosa, Commissioner
Sharon Cates-Williams, Executive Deputy Commissioner
Jason Harmon, Deputy Commissioner, P-12 Operational Support
Theresa Billington, Assistant Commissioner, Office of Accountability
Erica Meaker, Director, Office of ESSA-Funded Programs
Karen Thornton, Audit Manager

Executive Summary

Objectives

To determine if the Greater Johnstown School District's (District) Education Stabilization Fund (ESF) expenditures were reasonable, necessary, and allocable under the CARES Act and to assess their compliance with all applicable federal, state, and local laws and regulations. The audit covered the period from March 13, 2020 through September 30, 2022.

Background

On March 27, 2020, Congress passed, and the President signed into law, the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The CARES Act created an Education Stabilization Fund (ESF) to prevent, prepare for and respond to the coronavirus. The Greater Johnstown School District was awarded ESSER funds of \$358,540 and GEER funds of \$60,766.

Key Findings

For the audit period March 13, 2020 through September 30, 2022, we found:

1. The District did not have written policies and procedures regarding the new hire process, including documentation to be maintained in the employee's personnel file and the corresponding retention period based on federal and state regulations.
2. The District did not have Board-approved procedures that contained sufficient detail to complete the business processes conducted by District personnel on a daily or regular basis, including but not limited to, accounting, federal and state grants management, human resources, payroll, and employee benefits.
3. The District does not have a system in place for certified staff (salaried employees) to track when they are present at the school, a log of their beginning and ending work times, total days worked in a pay period, or utilize an attestation that their full hours were worked, other than charges to accruals. The District only monitors absences for certified staff and does not require any supervisory approval of their time record prior to processing each payroll.
4. The District did not provide sufficient documentation to determine if employee benefits charged to the ESSER and GEER grants were accurate or paid. The District did not provide documentation for workers' compensation and unemployment insurance of the benefit rates, allocation methodology for equitable distribution of costs, payment documentation, and did not reconcile total benefit costs with the general ledger for the fiscal year.

Key Recommendations

We recommend the District:

1. Develop comprehensive, detailed procedures that enable and guide District personnel to complete the business processes conducted on a daily or regular basis, including but not limited to, hiring, accounting, federal and state grants management, human resources, payroll, and employee benefits.
2. Ensure the District maintains all required documentation in accordance with their records retention policies that is in compliance with state and federal laws and regulations.
3. Require certified staff to complete a self-attestation each pay period certifying that their full hours were worked, except for time charged to accruals, which is signed by the employee and approved by their supervisor before the payroll is processed.
4. Ensure District officials or supervisors are knowledgeable of all functions under their direction, including employee benefit rate calculations and costs allocation methodologies.
5. Contact the Department's Office of ESSA-Funded Programs for instructions, referencing this report, and submit a revised Final Expenditure Report through the NYSED Application Business Portal reflecting a reduction of \$12,048 ESSER and \$2,555 GEER for the unallowable/questioned costs reflected in this report.

District officials generally agreed with our findings. Appendix C includes our comments on issues raised with the District's response.

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Introduction

Background

The Greater Johnstown School District is a public school district accredited by the New York State Education Department. The District is located in Fulton County and serves residents in the cities of Johnstown and Gloversville and the Towns of Ephratah, Johnstown, and Palantine.

The District is governed by the Board of Education (Board), which was composed of nine elected members during the 2021-22 school year. The Board is responsible for the general management and control of the District's financial and educational matters. The Superintendent is responsible, along with other administrative staff, for the day-to-day management of the District under the direction of the Board.

The District had approximately 1,415 students during the 2021-22 school year.¹ They operate two elementary schools, one middle school, and two high schools, of which one is a Pathways in Technology Early College High School (PTECH). The District adopted a budget of \$39.9² million for the 2021-22 school year and was funded primarily with state aid, federal sources, and real property taxes.

CARES Act

On March 27, 2020, Congress passed, and the President signed into law, the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The CARES Act created an Education Stabilization Fund (ESF) to prevent, prepare for and respond to the coronavirus, under which New York State has received:

- \$1.037 billion in Elementary and Secondary School Emergency Relief (ESSER) funds to support the ability of local educational agencies (LEAs), including charter schools that are LEAs, with emergency relief funds to address the impact that Novel Coronavirus Disease 2019 (COVID-19) has had, and continues to have, on elementary and secondary schools across the nation; and
- \$164.2 million in Governor's Emergency Education Relief (GEER) funds for the purpose of providing educational agencies with emergency assistance to address the impact of COVID-19.

The Greater Johnstown School District was awarded \$358,540 in ESSER funds and \$60,766 in GEER funds, respectively. The District used these funds for staff resources to maintain continuity of learning for students and address the social and emotional impact of COVID-19 on health and safety of students and staff.

¹ [Johnstown City SD Financial Transparency Report 2021-22 School Year](#)

² <https://www.johnstownschoools.org/budget-finance/current-budget-budget-history/>

Objectives, Scope, and Methodology

The Office of Audit Services conducted an audit to determine if the Greater Johnstown School District's Education Stabilization Fund (ESF) expenditures were reasonable, necessary, and allocable under the CARES Act and to assess their compliance with all applicable federal, state, and local laws and regulations. The audit covered the period from March 13, 2020 through September 30, 2022.

To accomplish our objectives, we interviewed school officials, assessed financial controls, reviewed policies and procedures for processing revenues, payroll, and examined documentation provided by District officials to support the financial transactions, reviewed relevant laws, and interviewed staff.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards (GAGAS), with the sole exception of an external peer review. Those procedures require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. In addition, GAGAS requires a review performed by a team of external peers, independent of the audit organization, at least once every three years. Due to recent changes in personnel and budget constraints, an external peer review was not conducted. We anticipate that an external peer review will be performed in the near future and believe that the lack of an external audit peer review has had no material effect on the assurances provided.

Audit Findings and Recommendations

1. Record Retention - Employee Personnel File

When teachers are hired, both the District and the new employee are required to complete a considerable amount of paperwork (e.g., tax withholding forms, health insurance and retirement enrollment forms, direct deposit forms, clearance for employment forms, and various optional benefit enrollment forms), which is then retained in the new employee's personnel file for a defined period of time. Districts should have established procedures for the new hire process, including the specific documentation that is to be maintained in the employee's personnel file and a corresponding retention schedule.

The *Retention and Disposition Schedule for New York Local Government Records* (LGS-1) indicates the minimum length of time that local government officials must retain their records before they may be disposed of legally. In accordance with *Personnel Records of Local Government Employees* (Schedule item 636³), "Personnel case file materials for teachers, except summary information record, and including but not limited to application for employment, resume, results of criminal background check, report of personnel change, evaluation, civil service examination results, notice of resignation or termination, observation and site visit records (as part of the annual professional performance review (APPR)), and correspondence" are required to be maintained until seven years after the termination of employment.

To determine if the District followed the applicable record retention schedules for its employee files, we reviewed the personnel files for four of five employees who were reported on the FS-10-F, *Final Expenditure Report for a Federal or State Project*, which was submitted to the Department as a final accounting of the District's ESSER and GEER expenditures. We found the following missing from the files:

- All four employees were missing the VOTE-COPE deduction form.
- One employee was missing a direct deposit form.
- One employee was missing the Regional Food Bank salary reduction authorization form.
- One employee was missing a Health Insurance Opt-out/Buyout form or documentation that the District advised the employee of their eligibility for the benefit.

District officials stated that: (1) due to a recent move from one District building to another, there were still unpacked boxes of personnel files in the basement which they believed may contain some of the missing documents, (2) the District did not retain documentation for the salary reduction of the Regional Food Bank or VOTE-COPE, and (3) employees eligible for health insurance buyout have a deadline to provide the district with documentation of other insurance in accordance the JTA collective bargaining agreement, and if not provided by the deadline, no additional follow-up is conducted by the District.

³ <https://www.archives.nysed.gov/records/local-government-record-schedule/personnelcivil-service>

The District's lack of written policies and procedures for the new hire process contributed to the missing documents. The staff responsible for onboarding personnel may not be aware of all documents to be maintained in the employee's personnel file or the corresponding retention period based on federal and state regulations, which can lead to errors or irregularities.

Without written policies and procedures regarding the new hire process and a listing of the required documentation to be maintained for each employee, the District cannot ensure they maintain all required documentation on file. Furthermore, without having formal signed employee authorizations on file, there is no indication the employee authorized a change, which could result in over or under reporting of benefits and deductions.

Recommendation:

We recommend District officials:

1. Develop written policies and procedures for the new hire process, including a list of all required documentation to be maintained and a corresponding retention schedule based on federal and state laws and regulations.

On February 21, 2024, the District provided a copy of the Board approved *Administrative Office Procedural Manual*, which included detailed procedures for the new employee onboarding process regarding the required documents to be included in the personnel file and procedures for records to be maintained in accordance with provisions of the *Retention and Disposition Schedule for New York Government Records*.

2. Create a checklist that details the specific documents that are required to be maintained in each employee personnel file and have a supervisor review the file and sign-off on the checklist when complete.

In response to the draft audit report, District officials stated that effective January 1, 2024, they would implement the use of a checklist when staff are hired to ensure that required documents are complete and filed in the personnel file. The checklist will be reviewed by the Assistant Superintendent and placed in the employee's personnel file.

3. Conduct periodic audits of the employees' personnel files to ensure all required documentation is on file.

In response to the draft audit report, District officials stated that effective September 1, 2023, they implemented procedures for Human Resources staff to periodically review personnel files for completeness throughout the school year.

2. Policies and Procedures

The Board is responsible for designing internal controls that help safeguard the District's resources and ensure they are used economically and efficiently. An adequate system of internal controls includes clear policies and procedures that promote effective operations, the prudent use of resources, and the adherence to applicable laws and regulations.

Additionally, Uniform Guidance, 2 CFR §200.303, requires non-federal entities receiving federal awards to establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

District officials could not provide Board-approved procedures that contained sufficient detail to complete the business processes conducted by District personnel on a daily or regular basis, including but not limited to, accounting, grants management, human resources, payroll, and fringe benefits. We requested a detailed financial policies and procedures manual and detailed procedures for the accounting, grants management, human resources, payroll, and fringe benefit functions. Although District officials provided various approved Board policies, they did not contain sufficient detail for staff to carry out the day-to-day operations of each function. Specifically, District officials provided a draft version of the GJSD Procedure Manual that included basic instructions, employee notes, and other informal instructions for some payroll functions. However, we found the procedures were not comprehensive of the entire processes for hiring, onboarding, payroll, and accounting, nor did they include the requirements for federal grants or Board approval. Additionally, we found that some of the informal notes District officials provided related to the human resources and payroll processes did not reflect current procedures.

The District's ability to update its procedures in a timely manner was impacted by the COVID-19 pandemic and further exacerbated by turnover of Business Office staff during the last few years.

Lack of comprehensive policies and procedures: (1) weakens the District's internal control structure, (2) places an unnecessary burden on employees who lack familiarity with specific functions, (3) increases the chances of errors and irregularities going undetected, and (4) increases the risk of noncompliance with federal and state laws and regulations, which could impact future funding.

Recommendation:

We recommend District officials:

1. Develop comprehensive, detailed procedures to complete the business processes conducted by District personnel on a daily or regular basis, including but not limited to, accounting, grants management, human resources, payroll, and fringe benefits. These procedures should be reviewed, updated on a regular basis (i.e., at least annually), and approved by the Board.

On February 21, 2024, District officials provided a copy of the Board approved *Administrative Office Procedural Manual*, which was aligned with Board approved policies and included detailed procedures sufficient for District personnel to

complete the day-to-day functions of District operations. The manual included comprehensive procedures for accounting, grants management, human resources, payroll, and fringe benefits, as well as other relevant business functions conducted by District staff. The District recognizes the value of a comprehensive procedural manual and the need for consistency in process, review, and compliance, as well as the safeguarding of District assets.

3. Time and Attendance

The District is responsible for ensuring there are adequate procedures in place to accurately compensate employees for work performed. An effective payroll system can provide assurance that employees are paid in accordance with collective bargaining agreements, and the payroll records are accurately recorded and authorized by management.

In accordance with Uniform Guidance, 2 CFR §200.430(i) - *Standards for Documentation of Personnel Expenses*, "Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.
- Be incorporated into the official records of the non-Federal entity.
- Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities..."

We selected four of five teachers who were reported on the Final Expenditure Report (FS-10-F) to determine if their time and attendance records were properly completed, reviewed, approved, processed in a timely manner, and verified the compensation had been calculated correctly. We requested policies and procedures, payroll registers, timecards, certifications or staff activity reports, and other relevant time and attendance records. We traced payroll report information to source documents, including pay rate approvals, withholdings, and benefits.

Although we found that staff salaries for all certified staff were properly calculated and paid in accordance with the salary schedule in the collective bargaining agreement, we noted the District does not have a system in place to track when certified staff (i.e., teachers, teacher assistants, tutors) are present at the schools, track their beginning and ending work hours and total days worked. Furthermore, the District does not require an attestation from supervisors to confirm that their staffs' full hours were worked or that their attendance record for the period was accurate and complete prior to the processing of each payroll, other than the employee's charges to accruals. District officials stated that certified staff are not required to complete timecards in the time clock system. Only classified, hourly staff, such as custodial, clerical, food service, transportation, nurses, monitors, aides, and maintenance staff use the time clock system to record beginning and ending of daily work times, which is used to calculate their payroll.

The Board and District officials did not establish adequate internal controls over certified employee time and attendance to ensure employees' time was accurate and properly reported and failed to require the review and approval of the employee's supervisor, or

someone with knowledge of the employee's actual daily attendance, prior to each payroll being processed.

When time and attendance records are not properly completed and approved in a timely manner or are not adequately reviewed and authorized by department supervisors, errors can occur and payments can be made without prior authorization. Additionally, charges to federal grants that lack, or have incomplete documentation, can result in lost funding. If controls are not improved, there is an increased likelihood that errors and irregularities of a more significant nature could occur and go undetected.

Recommendation:

We recommend District officials:

1. Require certified staff to complete a self-attestation each pay period certifying that their full hours were worked, except for time charged to accruals, and their supervisor should perform timely reviews of time and attendance for completeness and errors and provide approval before payroll is processed.
2. Include in the District's written procedures the requirements for salary and wage expenditures charged to federal grants to ensure all required documentation is accurate, complete, and on file.

On February 21, 2024, District officials provided a copy of the District's Board approved *Administrative Office Procedural Manual*, which was aligned with Board approved policies and included detailed procedures for the payroll functions and procedures for grant employee attendance. Specifically, effective January 1, 2024, staff charged to federal grants will complete a monthly attestation form, "Certificate of Compensation", that will record the employee's attendance.

4. Fringe Benefits

District officials are responsible for ensuring costs charged to federal awards are allowable, accurate, supported with sufficient source documentation and properly allocated. Furthermore, Uniform Guidance, 2 CFR §200.431(c) states "The costs of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and workers' compensation insurance (except as indicated in §200.447); pension plan costs (see paragraph (i) of this section); and other similar benefits are allowable, provided such benefits are granted under established written policies. Such benefits must be allocated to federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such federal awards and other activities and charged as direct or indirect costs in accordance with the non-federal entity's accounting practices."

The District charged employee benefits to both the ESSER and GEER grants, which included social security, workers' compensation, unemployment insurance, health insurance, and teacher's retirement totaling \$128,630 and \$12,005. We requested payroll registers, quarterly payroll tax reports (i.e., Form 941, NYS-45 reports), payroll reconciliation reports, invoices, the methodology used to determine the individual benefit

rates, the supporting documentation of the benefit rates, payment documentation, such as canceled checks or electronic funds transfers, and bank statements. The District did not provide sufficient documentation to determine if benefits charged to the grants were accurate or paid. The District did not provide documentation for individual benefit rates and payments for workers' compensation and unemployment insurance, an allocation methodology for equitable distribution of costs, and did not reconcile total benefit costs with the general ledger for the fiscal year. We have detailed each benefit below, as follows:

- The **social security** charged to the ESSER and GEER grants totaled \$17,588 and \$3,730. Social security included Social Security and Medicare taxes at the federal mandated rates of 6.2 and 1.45 percent, which we recalculated using a combined rate of 7.65 percent of the employee's gross total salaries. The recalculated amounts agreed with the social security amount charged to the grant. However, in our review of the District's payroll reconciliation for the fiscal year 2021, we found discrepancies between the general ledger salary accounts total and the Form 941 for the period from July 1, 2020 to June 30, 2021. Specifically, the total salaries, and payroll taxes for two of the four quarters had unreconciled differences totaling \$809.11, for which District officials had no explanation.
- The **workers' compensation insurance** charged to the ESSER and GEER grants, which was calculated at a rate of 3.74 percent of total gross salaries, totaled \$8,599 and \$1,824. The District is self-insured for workers' compensation insurance through a consortium of twelve schools and provided a copy of the Workers' Compensation plan liability report on June 30, 2019 with 2020 funding level projections. However, the District did not provide supporting documentation of the 3.74 percent rate, total workers' compensation costs for FY 2021, invoices, or an allocation methodology of total costs. The Business Manager/District Treasurer stated the rate calculations for both workers' compensation and unemployment insurance were performed by a former employee and they continued to use the same rates previously calculated. District officials did not know when the rates were last calculated or have any other documentation. The workers' compensation insurance charged the ESSER and GEER grants totaling \$8,599 and \$1,824 were not supported.
- The **unemployment insurance** charged to the ESSER and GEER grants which were calculated at a rate of 1.5 percent of total gross salaries, totaled \$3,449 and \$731. The District is registered as a reimbursable employer that pays dollar for dollar on unemployment charges and is billed quarterly by the state. The District provided copies of the FY 2021 Benefit Charged Detail Reports for each quarter, which totaled \$81,988. District officials did not provide documentation or an explanation how the rate was determined, unemployment insurance expense account general ledger detail, allocation methodology for total unemployment insurance costs, or all payment documentation for the quarterly claims. The unemployment insurance charged for ESSER and GEER grants totaling \$3,449 and \$731 were not supported.
- The **teachers' retirement system** (TRS) charged to ESSER and GEER grants which were calculated at a rate of 9.53 percent of the total gross salaries, totaled \$21,910 and \$4,647. The District provided the final bill documentation from the TRS website to confirm the FY 2020-21 contribution rate was 9.53% and we found the charges were reasonable. However, the District did not reconcile the fiscal year

2021 total teacher retirement contributions (i.e., employer and employee) paid through a reduction of the District's State Aid payment with the payroll system annual teacher retirement reports, and the general ledger expenditure detail account. When we recalculated the total contributions, we found there was an unexplained variance. Specifically, the amount paid through a reduction in the District State Aid was \$40,612 more than our recalculated total District contributions for all employees. As the scope of our audit and testing was limited to the employees charged to the ESSER and GEER awards, we did not receive sufficient information to determine if the unexplained variance is a cause for concern. However, the District should be reconciling these amounts to ensure that the total employee retirement system contributions and the total payments that are paid through a reduction in District's State Aid payments are in agreement.

- The **health insurance** charged to ESSER and GEER grants totaled \$77,084 and \$1,070. We recalculated the amounts charged to the grant for health insurance utilizing the GJSD rates notification provided to the employees for FY 2021, the JTA bargaining agreement employer contribution percentages, and the CDPHP invoice for June 2021. The total health insurance costs for employees charged to the ESSER and GEER grants for FY 2021 were \$81,403 and \$16,705, which exceeded the amount charged to the grants, and District officials stated the costs that were charged to the grants were limited to the budget amounts. However, instead of allocating these costs monthly, the District waited until the end of the grant performance period and made a journal entry for the budgeted amount. The District was advised that costs should be allocated when they are incurred and not to wait till the end of the grant performance period.

The lack of documentation for employee benefits and discrepancies noted above are the result of the District not having detailed written policies and procedures for employee benefits management. Additionally, staff were not trained in all aspects of benefit calculations and did not have knowledge of the rate calculation methodologies.

Lack of internal controls over fringe benefit management and processing increases the likelihood that errors and irregularities will occur and go undetected. Without sufficient documentation, the District cannot ensure employee benefit costs charged to the federal grants are reasonable and accurate, which could result in the loss of funding. The District could not provide sufficient documentation for workers' compensation costs for ESSER and GEER of \$8,599 and \$1,824 and unemployment insurance of \$3,449 and \$731. As a result, these costs are considered unallowable/questioned.

Recommendation:

We recommend the Board and District officials:

1. Establish written procedures for all employee benefits that include detailed steps on how each is managed including enrollment, documentation requirements including rate calculations, allocation methodologies, accounts charged, frequency and reconciliation with the accounting system, employee and employer sharing, and payment processing for both the employer and employee.

On February 21, 2024, District officials provided a copy of the District's Board approved *Administrative Office Procedural Manual*, which was aligned with Board approved policies and included procedures for employee fringe benefits. However, more detailed procedures are still needed for workers' compensation and unemployment insurance, which we described in Appendix C.

2. Ensure adequate documentation is maintained to support employee benefit rates and charges to federal grants.
3. Ensure that when there is a staff vacancy, all of the duties of the position are reassigned to staff that have been previously cross-trained and District officials or supervisors are knowledgeable of all functions under their direction, including benefit rate calculations and cost allocation methodologies.

In response to the draft audit report, District officials stated that effective December 1, 2023, the structure of the Business and Human Resources functions and job responsibilities have been updated to allow for cross-training of key functional areas to provide for continuity of operations moving forward. Additionally, a copy of updated job responsibilities was provided on February 21, 2024.

4. Perform quarterly payroll reconciliations between general ledger accounts and Form 941, NYS-45, and TRS employee contributions to ensure expenditures are accurate and in agreement. If adjustments or discrepancies are identified, explanations should be documented.

In response to the draft audit report, District officials stated that effective January 1, 2024, the District would formalize the reconciliation process between general accounts and the respective Form 941 and NYS-45 to ensure expenditures are accurate and in agreement and would document explanations for any adjustments or discrepancies.

5. Contact the Department's Office of ESSA-Funded Programs for instructions, referencing this report, and submit a revised Final Expenditure Report through the NYSED Application Business Portal reflecting a reduction of \$12,048 (ESSER) and \$2,555 (GEER) for the unallowable/questioned costs reflected in this report. The Grants Finance Office will send Form FS-80, Notice of Overpayment, to your District confirming the amount overpaid, and provide remittance instructions.

Contributors to the Report

- James Kampf, Audit Director
- Karen Thornton, Audit Manager
- Lauri Walker, Auditor-in-Charge
- Althea Medford, Staff Auditor
- Thomas Burns, Staff Auditor

Audit Response from Greater Johnstown School District Officials



Pleasant Avenue Elementary • Warren Street Elementary • Knox Middle School • Johnstown High School

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Ms. Karen Thornton
Audit Manager
New York State Education Department, Room 471 EBA
Office of Audit Services
89 Washington Avenue
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January 4, 2024

Dear Ms. Thornton,

During the course of the audit process, we appreciated the opportunity to review and respond to questions raised, provide additional supporting documentation and clarifications associated with the audit on our Education Stabilization Funds, received under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The audit period covered March 13, 2020 through September 30, 2022, and in accordance with Section 305 of the Education Law. It must be noted that our funds were fully expended in the 2020-2021 fiscal year, ending June 30, 2021, for salaries and benefits associated with five teaching positions. Since that time operational changes in business, finance, and human resources have occurred which may address the findings, recommendations, and conclusions drawn, in whole or part, associated with the Audit Report.

Please find our responses to the findings below with corrective actions that have or will be taken with completion dates for implementation.

Audit finding 1- Record Retention: Employee Personnel Files

Finding:

When teachers are hired, both the District and the new employee are required to complete a considerable amount of paperwork (e.g., tax withholding forms, health insurance and retirement enrollment forms, direct deposit forms, clearance for employment forms, and various optional benefit enrollment forms), which is then retained in the new employee's personnel file for a defined period of time. Districts should have established procedures for the new hire process, including the

specific documentation that is to be maintained in the employee's personnel file and a corresponding retention schedule.

To determine if the District followed the applicable record retention schedules for its employee files, we reviewed the personnel files for four of five employees who were reported on the FS-10-F, Final Expenditure Report for a Federal or State Project, which was submitted to the Department as a final accounting of the District's ESSER and GEER expenditures. We found the following missing from the files:

- All four employees were missing the VOTE-COPE deduction form.
- One employee was missing a direct deposit form.
- One employee was missing the Regional Food Bank salary reduction authorization form.
- One employee was missing a Health Insurance Opt-out/Buyout form or documentation that the District advised the employee of their eligibility for the benefit

Recommendation:

We recommend District officials:

1. Develop written policies and procedures for the new hire process, including a list of all required documentation to be maintained and a corresponding retention schedule based on federal and state laws and regulations.
2. Create a checklist that details the specific documents that are required to be maintained in each employee personnel file and have a supervisor review the file and sign-off on the checklist when complete.
3. Conduct periodic audits of the employees' personnel files to ensure all required documentation is on file.

District Response:

The District has deployed a checklist that is used when staff are hired to ensure that required documentation is complete and filed in the personnel file. Human Resources is now placing this existing checklist in new hire personnel files. This checklist was provided during the audit process. As of January 1, 2024, the checklist is being signed by the Assistant Superintendent prior to being placed in personnel files. Additionally, new hire forms were reviewed and updated during the 2021-2022 school year along with the process of coordinating paperwork and access to District applications.

Further, as part of our internal audit requirements, human resources and payroll functions were the focus of audit during the 2022-2023 school year. Personnel files along with required documentation were a part of this audit process. Human Resources staff are now regularly reviewing personnel files for completeness, effective September 1, 2023.

The District coordinates with our Johnstown Teachers Association which represents certified staff, on annual changes to union dues, VOTE-COPE, Regional Food Bank, etc. in order to update deductions in our financial management system, Nvision. The Business Office and Human Resources staff then review all deductions and changes to payroll by the second pay in September of each year for completeness and accuracy. The use of spreadsheets along with originally sourced Nvision reports are utilized in this review. This process has been in place with fidelity since July 1,

2022. The checklist and associated periodic reviews of personnel files will ensure that we are not missing any pertinent forms from the personnel files in the future.

Lastly, the District will submit as part of a procedural manual, the new hire process and forms as mentioned in the above recommendations by February 29, 2024.

SED Comment #1

Audit Finding 2 – Policies and Procedures

Finding:

The Board is responsible for designing internal controls that help safeguard the District's resources and ensure they are used economically and efficiently. An adequate system of internal controls includes clear policies and procedures that promote effective operations, the prudent use of resources, and the adherence to applicable laws and regulations.

Additionally, Uniform Guidance, 2 CFR §200.303, requires non-federal entities receiving federal awards to establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

District officials could not provide Board-approved procedures that contained sufficient detail to complete the business processes conducted by District personnel on a daily or regular basis, including but not limited to, accounting, grants management, human resources, payroll, and fringe benefits. We requested a detailed financial policies and procedures manual and detailed procedures for the accounting, grants management human resources, payroll, and fringe benefit functions. Although District officials provided various approved Board policies, they did not contain sufficient detail for staff to carry out the day-to-day operations of each function. Specifically, District officials provided a draft version of the GJSD Procedure Manual that included basic instructions, employee notes, and other informal instructions for some payroll functions. However, we found the procedures were not comprehensive of the entire processes for hiring, onboarding, payroll, and accounting, nor did they include the requirements for federal grants or Board approval. Additionally, we found that some of the informal notes District officials provided related to the human resources and payroll processes did not reflect current procedures.

The District's ability to update its procedures in a timely manner was impacted by the COVID-19 pandemic and further exacerbated by turnover of Business Office staff during the last few years. Lack of comprehensive policies and procedures: (1) weakens the District's internal control structure, (2) places an unnecessary burden on employees who lack familiarity with specific functions, (3) increases the chances of errors and irregularities going undetected, and (4) increases the risk of noncompliance with federal and state laws and regulations, which could impact future funding.

Recommendation:

We recommend District officials:

1. Develop comprehensive, detailed procedures to complete the business processes conducted by District personnel on a daily or regular basis, including but not limited to, accounting,

grants management, human resources, payroll, and fringe benefits. These procedures should be reviewed, updated on a regular basis (i.e., at least annually), and approved by the Board.

2. Provide the Office of Audit Services with a copy of the Board approved procedures, along with the Board resolution within 30 days of said approval and adoption

District Response:

The District uses Nvision as its financial management system. This system does contain a manual or how-to guides for every process conducted in Nvision which all authorized staff have access to. Although we have started a Procedural Manual for financial and human resources functions, it is not currently detailed as per the above recommendation.

The District is working to formalize a comprehensive procedures manual aligned to approved Board policies, and have these procedures Board approved. This manual will be useful and relevant to our District specific processes. We recognize the value a comprehensive procedures manual provides to key functions of District operations, and the consistency in process, review and compliance, a manual lends to safeguarding district assets.

The District will submit a Board approved, comprehensive procedures manual to the Office of Audit Services per the recommendation above, by February 29, 2024.

SED Comment #2

Audit Finding 3 – Time and Attendance

Finding:

We selected four of five teachers who were reported on the Final Expenditure Report (FS10-F) to determine if their time and attendance records were properly completed, reviewed, approved, processed in a timely manner, and verified the compensation had been calculated correctly. We requested policies and procedures, payroll registers, timecards, certifications or staff activity reports, and other relevant time and attendance records. We traced payroll report information to source documents, including pay rate approvals, withholdings, and benefits.

Although we found that staff salaries for all certified staff were properly calculated and paid in accordance with the salary schedule in the collective bargaining agreement, we noted the District does not have a system in place to track when certified staff (i.e., teachers, teacher assistants, tutors) are present at the schools, track their beginning and ending work hours and total days worked. Furthermore, the District does not require an attestation from supervisors to confirm that their staffs' full hours were worked or that their attendance record for the period is accurate and complete prior to processing each payroll other than charges to accruals.

District officials stated that certified staff are not required to complete timecards in the time clock system. Only classified, hourly staff, such as custodial, clerical, food service, transportation, nurses, monitors, aides, and maintenance staff use the time clock system to record beginning and ending of daily work times, which is used to calculate their payroll.

The Board and District officials did not establish adequate internal controls over certified employee time and attendance to ensure employees' time was accurate and properly reported and failed to

Audit Finding 4 – Fringe Benefits

Finding:

District officials are responsible for ensuring costs charged to federal awards are allowable, accurate, supported with sufficient source documentation and properly allocated. Furthermore, Uniform Guidance, 2 CFR §200.431(c) states “The costs of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and workers’ compensation insurance (except as indicated in §200.447); pension plan costs (see paragraph (i) of this section); and other similar benefits are allowable, provided such benefits are granted under established written policies. Such benefits must be allocated to federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such federal awards and other activities and charged as direct or indirect costs in accordance with the non-federal entity’s accounting practices.”

The District charged employee benefits to both the ESSER and GEER grants, which included social security, workers’ compensation, unemployment insurance, health insurance, and teacher’s retirement totaling \$128,630 and \$12,005. We requested payroll registers, quarterly payroll tax reports (i.e., Form 941, NYS-45 reports), payroll reconciliation reports, invoices, the methodology used to determine the individual benefit rates, the supporting documentation of the benefit rates, payment documentation, such as, canceled checks or electronic funds transfers, and bank statements. The District did not provide sufficient documentation to determine if benefits charged to the grants were accurate or paid. The District did not provide documentation for individual benefit rates and payments for workers’ compensation and unemployment insurance, an allocation methodology for equitable distribution of costs, and did not reconcile total benefit costs with the general ledger for the fiscal year. We have detailed each benefit below, as follows:

- The social security charged to the ESSER and GEER grants totaled \$17,588 and \$3,730. Social security included Social Security and Medicare taxes at the federal mandated rates of 6.2 and 1.45 percent, which we recalculated using a combined rate of 7.65 percent of the employee’s gross total salaries. The recalculated amounts agreed with the social security amount charged to the grant. However, in our review of the District’s payroll reconciliation for the fiscal year 2021, we found discrepancies between the general ledger salary accounts total and the Form 941 for the period from July 1, 2020 to June 30, 2021, the total salaries, and payroll taxes for two of the four quarters had unreconciled differences totaling (\$809.11), for which District officials had no explanation.
- The workers’ compensation insurance charged to the ESSER and GEER grants totaled \$8,599 and \$1,824, which was calculated at a rate of 3.74 percent of total gross salaries. The District is self-insured for workers’ compensation insurance through a consortium of twelve schools and provided a copy of the Workers’ Compensation plan liability report on June 30, 2019 with 2020 funding level projections. However, the District did not provide supporting documentation of the 3.74 percent rate, total workers’ compensation costs for FY 2021, invoices, allocation methodology of total costs, or payment documentation. The Business Manager/District Treasurer stated the rate calculations for both workers’ compensation and unemployment insurance were performed by a former employee and they continued to use the same rates previously calculated. District officials did not know when the rates were last

calculated or have any other documentation. The workers' compensation insurance charged the ESSER and GEER grants totaling \$8,599 and \$1,824 were not supported.

- The unemployment insurance charged to the ESSER and GEER grants totaled \$3,449 and \$731, which were calculated at a rate of 1.5 percent of total gross salaries. The District is registered as a reimbursable employer that pays dollar for dollar on unemployment charges and is billed quarterly by the state. The District provided copies of the FY 2021 Benefit Charged Detail Reports for each quarter, which totaled \$81,988. District officials did not provide documentation or an explanation how the rate was determined, unemployment insurance expense account general ledger detail, allocation methodology for total unemployment insurance costs, or payment documentation for the quarterly claims. The workers' compensation insurance charged for ESSER and GEER grants totaling \$3,449 and \$731 were not supported.
- The teachers' retirement system (TRS) charged to ESSER and GEER grants totaled \$21,910 and \$4,647, which were calculated at a rate of 9.53 percent of the total gross salaries. The District provided the final bill documentation from the TRS website to confirm the FY 2020-21 contribution rate was 9.53% and we found the charges were reasonable. However, the District did not reconcile the fiscal year 2021 total teacher retirement contributions (i.e., employer and employee) paid through a reduction of the District's State Aid payment with the payroll system annual teacher retirement reports, and the general ledger expenditure detail account. When we recalculated the total contributions, we found there was an unexplained variance. Specifically, the amount paid through a reduction in the District State Aid was \$40,612 more than our recalculated contributions.
- The health insurance charged the ESSER and GEER grants totaled \$77,084 and \$1,070. We recalculated the amounts charged to the grant for health insurance utilizing the GJSD rates notification provided to the employees for FY2021, the JTA bargaining agreement employer contribution percentages, and the CDPHP invoice for June 2021. The total health insurance costs for employees charged to the ESSER and GEER grants for FY 2021 were \$81,403 and \$16,705, which exceeded the amount charged to the grants, and District officials stated the costs that were charged to the grants were limited to the budget amounts. However, instead of allocating these costs monthly, the District waited until the end of the grant performance period and made a journal entry for the budgeted amount. The District was advised that costs should be allocated when they are incurred and not to wait till the end of the grant performance period.

The lack of documentation for employee benefits and discrepancies noted above are the result of the District not having detailed written policies and procedures for employee benefits management. Additionally, staff were not trained in all aspects of benefit calculations and did not have knowledge of the rate calculation methodologies.

Recommendation:

We recommend the Board and District officials:

1. Establish written procedures for all employee benefits the District manages that include detailed steps on how each is managed including enrollment, documentation, employee and employer sharing, and payment processing for both the employer and employee.

2. Provide the FY 2021 workers' compensation and unemployment insurance actual benefit rates documentation, allocation methodologies, all invoices, payment documentation (e.g., canceled checks and bank statements), and the general ledger detail reports of the District's expense accounts reflecting the year-to-date total costs, for both. If not workers' compensation costs for ESSER and GEER of \$8,599 and \$1,824 and unemployment insurance of \$3,449 and \$731 will be questioned and the District may need to repay these funds.
3. Ensure that when there is a staff vacancy, all of the duties of the position are reassigned to staff that have been previously cross trained and District officials or supervisors are knowledgeable of all functions under their direction, including benefit rate calculations and costs allocation methodologies.
4. Perform quarterly payroll reconciliations between general ledger accounts and Form 941 and NYS-45 to ensure expenditures are accurate and in agreement. If adjustments or discrepancies are identified, explanations should be documented

District Response:

While the District provided much documentation and information concerning fringe benefits during the audit process, including our preliminary responses dated September 25, 2023, we recognize the need for written procedures including methodologies for calculating benefit costs charged to Federal grants, staff understanding and knowledge, and the timeliness in which benefits costs are charged and reconciled to Federal grants.

The district will submit as part of the comprehensive procedures manual, procedures regarding employee benefits charged to Federal grants, including cost methodologies as per the recommendation above, by February 29, 2024.

Further, as mentioned previously, the structure of the Business and Human Resources functions and job responsibilities has been updated since the use of these funds, and has been refined more since December 1, 2023. This has allowed for more cross-training of key functional areas and will continue to provide continuity of operation moving forward. A copy of these job responsibilities will be included in the comprehensive procedures manual to be submitted by February 29, 2024.

Effective January 1, 2024, the District will formalize the quarterly payroll reconciliation between general ledger accounts and Form 941 and NYS-45 to ensure expenditures are accurate and in agreement. This is inclusive of documenting adjustments or discrepancies found, which we believe, was the essence of the recommendation.

Moreover, per recommendation number two (2), the fiscal year 2021 invoices with payment documentation will be sent under separate cover for workers compensation and unemployment insurances. The District does request that a review of previously submitted documentation concerning workers compensation and unemployment be performed.

SED Comment #4

Thank you for the opportunity to share our responses to the Audit Report, and for the time and attention your team spent with our staff during the course of this audit.

Sincerely,

AD Koster

Alicia D. Koster
Assistant Superintendent

Cf: Dr. William T. Crankshaw, Superintendent
Board of Education
Ms. Melissa Baker, School Business Manager
Ms. Bonnie Turnbull, District Treasurer

SED Comments to Audit Response

1. To address our recommendations regarding Finding 1 – Record Retention – Employee Personnel File:
 1. District officials provided a copy of the Board approved *Administrative Office Procedural Manual* and resolution on February 21, 2024. It included detailed procedures for the new employee onboarding process that detailed the required documents to be included in the personnel file and procedures for records to be maintained in accordance with provisions of the *Retention and Disposition Schedule for New York Government Records*. We updated the report to reflect this.
 2. District officials implemented new procedures effective January 1, 2024, regarding the use of a checklist. We updated the report to reflect this.
 3. District officials implemented new procedures effective September 1, 2023, for Human Resources staff to begin conducting periodic reviews of employee personnel files to ensure all required documentation was on file. We updated the report to reflect this.

2. To address our recommendation related to Finding #2 – Policies and Procedures:
 1. District officials provided a copy of the Board approved *Administrative Office Procedural Manual* and resolution on February 21, 2024. The procedural manual included detailed procedures for accounting, grants management, human resources, payroll, and fringe benefits, as well as other relevant business functions. We updated the audit report to reflect this.

3. To address our recommendations related to Finding #3 – Time and Attendance:
 1. District officials indicated that each school building principal was responsible for maintaining “logs of when staff are absent and how the absence was covered”. However, during the audit, District officials explained that certified staff were responsible for arranging their own sub-coverage through the ASEOP system and we were not informed of any logs maintained by the building principal. We requested District officials provide any reports that would support time and attendance. However, the principal logs for certified staff absences were not provided. We received individual employee’s paid leave request forms which were approved by the building principal and a *Time Summary Listing Report By Employee Name* that summarized the employee’s leave used for the school year. These documents were not sufficient to meet internal control practices for a supervisor’s review of an employee’s time and attendance record prior to processing of the payroll, as it does not document their complete attendance record and only reflects the absences. Although the District has made significant improvements to its procedures, they do not fully address

our recommendation that the District ensure that there is supervisor review of all staff's time and attendance records prior to processing each payroll. Since certified staff are not required to use the time clock system, the District must utilize some other method to ensure sufficient internal controls are in place over employees' time and attendance.

2. On February 21, 2024, District officials provided the Board approved *Administrative Office Procedural Manual* and resolution. We updated the audit report to reflect this.
4. To address our recommendation related to Finding #4 – Fringe Benefits:
 1. District officials provided a copy of the Board approved *Administrative Office Procedural Manual* and resolution on February 21, 2024. The procedural manual included procedures for entering salaries, benefits, and voluntary payroll deductions specific to the District to be used by Human Resources staff in their day-to-day activities with these functions. In the Grants Management, Grant Fringes section of this manual, we observed that, moving forward, expenses related to workers' compensation and unemployment insurance will no longer be charged to federal grants. However, we did not find detailed procedures regarding workers' compensation and unemployment insurance. District officials should establish procedures that cover, at a minimum, the following aspects: the methodology and components of the annual rate calculation, updates to the payroll system for rate changes, how it allocates the costs each pay period, how the accounts are funded or paid, reconciliation of costs, and the frequency of these reconciliations.
 2. District officials provided workers' compensation and unemployment insurance payment backup files on January 5, 2024. We reviewed the files which included canceled checks and account appropriation transaction reports. However, no documentation supporting the rate calculation methodology, allocation methodology, or reconciliation of the total costs was provided. Consequently, we could not determine if the unemployment insurance and workers' compensation insurance costs were accurate since the District did not provide all requested documentation. We determined the District has questioned costs in regard to employee benefits of \$12,048 (ESSER) and \$2,555 (GEER), respectively.

Appendix D

Greater Johnstown School District				
Schedule of Questioned Costs				
Funding Source:	Cares Act - ESSER			
Funding Dates:	3/31/2020	to	9/30/2022	
	Code	Project Costs	Questioned Costs	Adjusted Costs
Professional Salaries	15	\$ 229,910.00	\$ -	\$ 229,910.00
Support Staff Salaries	16			
Purchased Services	40			
Supplies and Materials	45			
Travel Expenses	46			
Employee Benefits	80	\$ 128,630.00	\$ (12,048.00)	\$ 116,582.00
Indirect Cost	90			
BOCES Services	49			
Minor Remodeling	30			
Equipment	20			
Grand Total		\$ 358,540.00	\$ (12,048.00)	\$ 346,492.00
Schedule of Questioned Costs				
Funding Source:	Cares Act - GEER			
Funding Dates:	3/31/2020	to	9/30/2022	
	Code	Project Costs	Questioned Costs	Adjusted Costs
Professional Salaries	15	\$ 48,764.00	\$ -	\$ 48,764.00
Support Staff Salaries	16			
Purchased Services	40			
Supplies and Materials	45			
Travel Expenses	46			
Employee Benefits	80	\$ 12,002.00	\$ (2,555.00)	\$ 9,447.00
Indirect Cost	90			
BOCES Services	49			
Minor Remodeling	30			
Equipment	20			
Grand Total		\$ 60,766.00	\$ (2,555.00)	\$ 58,211.00