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**Ciaschi • Dietershagen • Little • Mickelson  
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Frederick J. Ciaschi, C.P.A.

To: Carol Alnutt, Director of Personnel  
Fred Beardsley, Treasurer

From: Duane Shoen, Partner and Miguel Andrade, Audit Manager  
Ciaschi, Dietershagen, Little, Mickelson & Company, LLP

Subject: Personnel Department Internal Control Assessment

Date: September 12, 2013

As part of our prior year engagement, we assessed internal control of the Personnel Department. We reviewed the Department's procedures for financial reporting; performed walkthroughs of the payroll cycle as well as retiree health insurance; recalculated payroll amounts for ten employees and compared them to Board approved and contractual salaries/hourly wages, and examined ten employee files for completeness. As a result of our assessment, inquiries and observations, we have updated this memo to reflect the current year status.

Payroll Adjustments

Finding:

During our walkthrough of payroll procedures, we noted frequent use of an 'adjusted to gross' line item in calculating gross wages. This line item is used for various purposes, including but not limited to, shift differentials, retroactive pay, and Family Medical Leave. We also noted of nine circumstances for which this line item appears to be used, three pay types already have sub-codes assigned for use in the payroll system.

Recommendation:

We recommended the Department provide information and/or training for all Departments regarding the use of pay type sub-codes. In addition, because the current software program has the capacity for additional sub-codes for pay types, we recommended the Department add new codes for frequently used pay types and implement ongoing training to ensure all responsible personnel are utilizing correct pay types.

Status:

As of December 31, 2012, the Department is in the process of obtaining new software which will make the use of sub-codes easily accessible. According to the Department, training will be available with the new software to ensure that it is used effectively.

We would like to thank the Personnel Department staff for their assistance and the courtesies extended to us during our assessment.

DRS/MAA

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