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January 24, 2006

Mrs. Linda M. Langevin, Superintendent and
Members of the Board of Education
Voorheesville Central School District
432 New Salem Road
Voorheesville, NY 12186

Report Number: 2006M-4

Dear Mrs. Langevin and Members of the Board of Education:

We conducted an audit of the Voorheesville Central School District (District) to determine whether District officials have established appropriate internal controls over the administrative leave benefits provided to the former Superintendent, Alan McCartney, and the former Assistant Superintendent for Business, Anthony Marturano. The audit focused on the period from August 1, 1989 to July 15, 2005 for McCartney and from January 14, 1991 to August 2, 2002 for Marturano.

This report of examination summarizes our findings and recommendations. We discussed them with District officials and considered their comments in preparing this report. In addition to this report of examination, we are conducting audit fieldwork on other internal controls designed to safeguard assets at the Voorheesville Central School District and will issue a second report containing any related findings and recommendations at a later date.

Background and Methodology

The Voorheesville Central School District, located in Albany County, has about 1,270 students. The District has two school buildings and a workforce totaling about 235 employees as of October 2005. Its 2005-06 operating budget totals about \$19.3 million.

The District provided salary and benefits to the former Superintendent and Assistant Superintendent pursuant to written employment contracts. McCartney received \$141,400 in base salary for the 2004-05 fiscal year and Marturano received \$95,967 in base salary for the 2001-02 fiscal year, the last full years of their employment with the District. In addition, the District provided various other benefits over the years. For example, in the last full year of their employment, the District provided health insurance benefits (100 and 90 percent of the purchase costs covered by the District, respectively), 35 and 30 days of vacation leave respectively, 15 days of sick leave and \$1,500 annual reimbursements for payments made to their tax sheltered annuities or disability insurance.

We reviewed internal controls over the payments and benefits provided to the former Superintendent and former Assistant Superintendent. We obtained an understanding of these internal controls by inquiry, observation, inspection of documents and records and reviewing other audit reports. Our audit also included tests of the accounting records and supporting documents that evidenced how District officials authorized, charged and paid administrative leave benefits to the former Superintendent and Assistant Superintendent for Business.

We conducted our audit in accordance with Generally Accepted Government Auditing Standards. Such standards require that we plan and conduct our audit to assess adequately those school district operations within our audit scope. Further, those standards require that we understand the school district's management controls and compliance with those laws, rules and regulations that are relevant to the school district's operations included in our scope. An audit includes examining, on a test basis, evidence that supports the transactions recorded in the accounting and operating records and applying such other auditing procedures, as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our findings, conclusions and recommendations contained in this report.

Audit Results

We found over \$216,000 in questionable salary-related payments and leave benefits provided to the two former District officials above their normal salary payments, over \$167,000 to which they were not entitled, and \$49,000 which were made without proper notification or documentation or were made under inappropriate clauses in their employment contracts. Virtually all of these payments were made by the two officials authorizing the payments themselves without the knowledge or approval of the Board of Education (Board). A breakdown of the questionable payments and benefits by year for McCartney and Marturano is presented in Appendix A and B.

Inappropriate Payments and Benefits

Because of their unique positions of being able to authorize payments to themselves without the knowledge of the Board, the former Superintendent and Assistant Superintendent, were able to pay themselves \$167,205 to which they were not entitled. We are referring these findings to the Albany County District Attorney for his review as a possible criminal matter.

Excessive Payments for Unused Vacation Leave

Despite having employment contracts that limited the unused vacation leave for which they could be paid, the former Superintendent authorized payments of \$84,283 and \$35,968 in excess of the amounts allowed to himself and the former Assistant Superintendent, respectively. These payments represented exchanges of an extra 135 and 92.5 unused vacation days beyond what they were entitled to, respectively. Significantly, the final payment for unused vacation leave paid to McCartney came after he obtained the Board's approval to work an extra two weeks in July 2005 to help with the new Superintendent's transition. The former Superintendent accrued an extra 35 days of unused vacation leave on July 1, 2005, and was paid about \$20,600 for not using it. The 35 vacation days represented how much he would have earned had he worked the entire fiscal year pursuant to his prior employment agreements. Since he only worked two

weeks, he should have earned 1.5 vacation days (pro-rated), even if the Board had extended him this benefit during the short period that he helped the new Superintendent's transition.

Similarly, the District paid Marturano \$22,700 for 60 days of unused vacation leave when he retired. This payment was comprised of an accrual of 30 days from July 1, 2002 through August 2, 2002, and 30 days supposedly carried over from prior years' balances. However, Marturano did not have any unused vacation days from prior years to carry over. In addition, the 30 accrued vacation days accrued after July 1 represented how much he would have earned if he had worked the entire 2002-03 fiscal year pursuant to his prior employment agreements. Since he only worked for a little more than one month, he should have earned 2.5 vacation days (pro-rated). So instead of 60 days to cash in on August 2, 2002, at the most he would have had 2.5 days.

Absent without Leave

By comparing leave records with other district records (e.g., cellular telephone bills), we determined that the former Superintendent (or minimally his cell phone) was out-of-town at least 16 days on 9 separate occasions when he did not charge leave or have approval to attend an out-of-town conference or for other District business. For example, from October 9 (a weekend) through October 14, 2004, calls were made on the former Superintendent's District-issued telephone from Las Vegas without him charging leave time for his absence. In addition, calls were made from Boston, Massachusetts on July 7 and July 8, 2005 with no charges to his leave time. These two days were in the final two weeks during which he was assisting the current Superintendent's transition. Calls were also made from the Utica/Rome region without the former Superintendent charging leave. The cash value of such unauthorized absences totals \$7,435.

Similarly, the former Assistant Superintendent (or his cell phone) traveled from Chicago, Illinois to Nashville, Tennessee on one day when he did not charge leave or have approval to attend an out-of-town conference or for other district business. The cash value of his unauthorized absence totals \$372.

Stipend Payment Not Repaid as Required

In exchange for unused sick leave¹, the Board authorized annual stipend payments totaling \$20,000 to the former Assistant Superintendent during his final three years of employment. As part of that authorization, the Board required that he not work past June 30, 2002 or he would have to repay the stipends to the District with interest. Marturano retired on August 2, 2002. Despite failing to comply with the terms of the Board's arrangement, he did not repay the stipends.

Improper Compensatory Time and Snow Days

Although not authorized by their employment agreements, McCartney and Marturano charged 15 and 21 compensatory days (i.e., alleged time off in lieu of "overtime pay" for regularly scheduled or irregular or occasional overtime work) for absences during our audit period. The cash value of these unauthorized absences totaled \$7,268 for McCartney and \$7,482 for

¹ Although the Board resolution stated that that stipend was in exchange for unused sick leave, Marturano's contract did not allow him to exchange unused sick leave. In essence, the stipend paid for something that the District was not required to pay for anyway.

Marturano. Within these totals was an instance where McCartney accrued time when the District's schools were closed because of snow. District officials told us that central office employees have always been required to work their regular schedules on days that classes are cancelled due to snow. In effect, McCartney, the head of the District and highest paid employee, gave himself extra credit for showing up on a snowy day, when all other business office employees are expected to show up as a regular course of business, unless otherwise directed.

Personal Leave

Effective July 1, 2000, McCartney's employment contract no longer provided him with the personal leave benefits that had been included in previous contracts. However, he ignored his contract and charged nine personal days for absences after July 1, 2000 that had a value of \$4,397.

Improperly Authorized Payments and Benefits

The following payments were not properly authorized and therefore are of questionable validity, although there is evidence that the District intended to provide these payments to the two former officials.

Lack of Notification for Unused Vacation Days Payments

Although within the permitted limits of their employment contracts, McCartney and Marturano received improperly authorized cash payments for unused vacation days totaling \$19,455 and \$17,610, respectively. McCartney generally sent his payment requests directly to the payroll clerk who processed the information. McCartney then approved the payrolls containing his leave payments. Marturano generally made his request to McCartney, who approved it and forwarded it to the payroll clerk.

Although these payments were required by the contract (the Board could not have disapproved them), the employment contracts required McCartney and Marturano to notify the Board of their intent to cash in the unused leave. Board knowledge of McCartney and Marturano exercising this clause and receiving this benefit could certainly have played into subsequent contract negotiations. Board members told us that the two former officials did not notify the Board of their actions.

Improper Employment Contract Provision

During the 1997-98 through 1999-2000 fiscal years, the Board authorized \$4,500 in reimbursement payments to McCartney for annuity and disability insurance benefits by cross-referencing his employment contract to the District's collective bargaining agreement for administrators that provided this benefit. However, Education Law § 1711(3) was amended in 1996 to prohibit references in a superintendent's contract to any other employees' contracts. Thus, effective in 1997, the Board could not authorize the reimbursements in this manner.

Undocumented Reimbursement

Marturano's contract provided him with reimbursement payments for annuity and disability insurance benefits also. Unlike McCartney, who submitted documentation showing that he incurred these expenses in order to be reimbursed by the District, Marturano did not submit documentation for \$7,637 of his reimbursement payments.

District Corrective Actions

Current District officials recently have assessed internal controls over the administrative leave benefits provided to the current superintendent and assistant superintendent for business and have implemented some new policies and procedures. For example, Board members and the superintendent informed us that the audit committee now monitors the superintendent's attendance and leave usage. In addition, the Board is taking steps to recover the funds overpaid to the former superintendent and former assistant superintendent. In December 2005, the attorney for the District sent letters to them requesting repayments of amounts they were not entitled to receive, along with interest on the amounts due. The Board also has instructed the attorney to explore all avenues of collection, including civil actions, to recover the amounts due.

Recommendations

1. The Board should continue to aggressively pursue collection of the payments and leave benefits provided to the former Superintendent and former Assistant Superintendent to which they were not entitled.
2. The District's audit committee should develop written procedures describing how it will monitor the administrative leave benefits provided to the District's superintendents in the future. Once developed, the audit committee's written procedures should be adopted by the Board and then carried out routinely by the audit committee.
3. The current Superintendent should ensure that all leave benefits provided to the Assistant Superintendents (and other employees) are in accordance with the terms of the applicable written employment contracts and/or Board resolutions and policies.
4. The Board should request that its attorney review any written employment contracts prior to approving the agreements.

It is your responsibility, as District officials, to formulate a plan of action by assessing risks, designing control procedures that address the identified risks in a cost effective way and determining how to address deficiencies best. This plan of action should be available for public review in the office of the District Clerk and the Office of the State Comptroller. See the attached document for additional information on filing a corrective action plan. Our Office is available to assist you upon request. If you have any further questions, please contact Associate Examiner Stephanie Drenchko at 518-438-0093 or sdrenchko@osc.state.ny.us.

Sincerely,

Steven J. Hancox
Assistant Comptroller

APPENDIX A - ALAN MCCARTNEY

Inappropriate Payments and Benefits

Fiscal Year Ended	Excessive Payments for Unused Vacation Leave	Absent Without Leave	Improper Compensatory Time and Snow Days	Personal Leave	Total
1990	\$ 1				\$ 1
1991					0
1992	1,563				1,563
1993	2,996				2,996
1994	1,769				1,769
1995	1,833				1,833
1996	1,906				1,906
1997	1,943				1,943
1998	1,979				1,979
1999	2,084				2,084
2000	2,146				2,146
2001	17,853	\$446	\$1,785	\$1,339	21,423
2002	9,717		929	696	11,342
2003	11,828		2,980		14,808
2004	5,098	517	1,035	1,553	8,203
2005	1,750	6,472	539	270	9,031
2006	19,817			539	20,356
Total	\$84,283	\$7,435	\$7,268	\$4,397	\$103,383

Improperly Authorized Payments and Benefits

Fiscal Year Ended	Lack of Notification for Unused Vacation Days Payments	Improper Employment Contract Provision	Total
1990	\$1,241		\$1,241
1991	1,327		1,327
1992	1,563		1,563
1993	1,665		1,665
1994	1,769		1,769
1995	1,833		1,833
1996	1,906		1,906
1997	1,943		1,943
1998	1,979	\$1,500	3,479
1999	2,083	1,500	3,583
2000	2,146	1,500	3,646
2001			
2002			
2003			
Total	\$19,455	\$4,500	\$23,955

APPENDIX B - ANTHONY MARTURANO

Inappropriate Payments and Benefits

Fiscal Year Ended	Excessive Payments for Unused Vacation Leave	Absent Without Leave	Stipend Payment Not Repaid as Required	Improper Compensatory Time and Snow Days	Total
1991	\$ 543				\$ 543
1992	1,260				1,260
1993	1,323				1,323
1994					
1995	28				28
1996	639				639
1997	973				973
1998	798				798
1999	1,657				1,657
2000	1,998		\$6,667	\$2,752	11,417
2001	2,067		6,667	2,683	11,417
2002	2,138	\$372	6,666	2,047	11,223
2003	22,544				22,544
Total	\$35,968	\$372	\$20,000	\$7,482	\$63,822

Improperly Authorized Payments and Benefits

Fiscal Year Ended	Lack of Notification of Unused Vacation Days Payments	Undocumented Reimbursement	Total
1991	\$ 534		\$ 534
1992	1,260		1,260
1993	1,323	\$ 1,500	2,823
1994	1,391	1,500	2,891
1995	1,295	1,500	2,795
1996	1,490	1,500	2,990
1997	1,538	1,500	3,038
1998	1,596		1,596
1999	1,657		1,657
2000	1,720		1,720
2001	1,789		1,789
2002	1,860		1,860
2003	157	137	294
Total	\$17,610	\$7,637	\$25,247