



Burnt Hills-Ballston Lake Central School District

Leave Accruals and Separation Payments Report of Examination

Period Covered:

July 1, 2014 – September 30, 2015

2015M-357



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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

March 2016

Dear School District Officials:

A top priority of the Office of the State Comptroller is to help school district officials manage their districts efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support district operations. The Comptroller oversees the fiscal affairs of districts statewide, as well as districts' compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving district operations and Board of Education governance. Audits also can identify strategies to reduce district costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the Burnt Hills-Ballston Lake Central School District, entitled Leave Accruals and Separation Payments. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

This audit's results are resources for district officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Burnt Hills-Ballston Lake Central School District (District) is located in the Towns of Ballston, Charlton and Clifton Park in Saratoga County and the Town of Glenville in Schenectady County. The District is governed by the Board of Education (Board), which is composed of seven elected members. The Board is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools is the chief executive officer of the District and is responsible, along with other administrative staff, for the day-to-day management of the District under the direction of the Board.

The District operates five schools with approximately 3,100 students and 600 employees. The District's budgeted expenditures for the 2015-16 fiscal year are \$62.8 million, which are funded primarily with State aid, real property taxes and grants. Budgeted appropriations for payroll and employee benefits for 2015-16 total \$ 47.8¹ million, or about 76 percent of the total budget.

Approximately 600 district employees are eligible to accrue and use paid leave time, as outlined in collective bargaining agreements (CBAs) and employment contracts. The Superintendent of Support Services is responsible for the District's accounting and payroll functions and the District's human resources office is responsible for maintaining attendance and leave accrual records. Both the human resources office and the payroll audit clerk have responsibility for calculating separation payments for eligible employees leaving district employment. Separation payments include cash payments to departing employees and service credit for unused leave balances. During our audit period, 33 separating employees were paid a total of \$529,440 and were awarded 968 days of service credit.

Objective

The objective of our audit was to evaluate the accuracy of the District's accounting for leave time and separation payments. Our audit addressed the following related question:

- Did the District adequately maintain leave accrual records and correctly calculate separation payments and service credits to departing employees?

Scope and Methodology

We examined the District's procedures and records related to leave accruals and separation payments for the period July 1, 2014 through September 30, 2015.

¹ Includes staff salaries, employee benefits and payroll taxes

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report. Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

**Comments of
District Officials**

The results of our audit have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report. District officials generally agreed with our report.

Leave Accruals and Separation Payments

Leave accruals represent time off earned by employees. The accumulation and use of leave time is generally addressed in CBAs, individual employment contracts and Board-approved policies, which should clearly stipulate each employee's entitlement to leave benefits.² School districts often provide cash separation payments or retirement service credits to employees for all or a portion of their earned but unused leave time when the employees retire or otherwise separate from district service. These payments and credits are employment benefits generally granted in negotiated CBAs or individual employment contracts and can be significant expenditures for a district. As such, district officials must be sure that employees are paid or credited with only the amounts to which they are entitled by ensuring that each payment and credit is accurate and authorized.

The District has six CBAs and four individual employment contracts that stipulate the terms and benefits for its employees. All CBAs and individual employment contracts include provisions for eligible employees to earn and use leave time and allow employees to receive a payment or other benefit³ for earned but unused leave time upon separation or retirement from the District. We found that District officials properly accounted for employee leave accruals and made accurate separation payments and service credits to employees based on the applicable CBAs or individual employment contracts. We commend District officials for establishing procedures to ensure that leave records were adequately maintained and separation payments and service credits were correctly calculated.

Leave Accruals — The District's Director of Human Resources is responsible for implementing procedures to maintain accurate leave records and ensure proper oversight of leave benefits. The principal clerk in the human resources office is responsible for crediting leave accruals based on CBAs and individual employment contracts, including the amount of leave time earned each year and the amount of unused leave time carried over from one year to the next. Attendance records are submitted to the human resources office and used by the attendance clerk to record when leave time is taken and deducted from employee leave balances. The principal clerk completes a secondary review of select⁴ leave usage records and attendance records to ensure

² Types of leave include vacation, personal and sick leave time.

³ In addition to a cash separation payment, a retiring employee may be eligible to receive retirement service credit and an option to use the value of unused sick leave to reduce health insurance premiums in retirement for earned but unused leave accruals. Additionally, a retiring employee may be eligible for a retirement increment, retirement incentive or both.

⁴ The human resources principal clerk reviews all non-routine leave usage transactions, such as maternity leave or leave without pay.

leave accruals used are recorded accurately. Additionally, the human resources office prepares and disseminates annual leave balance reports to all employees that show the accrued leave balances for each employee. Each employee has the responsibility to review the reports and notify the human resource office if any discrepancies are noted.

We reviewed leave time earned and carried over for 30 employees, including the 15 employees selected in our review of separation payments (see the following section). We also reviewed leave time used by 30 employees by four biweekly payroll periods, which included 113 occurrences of employees using leave time. Except for minor discrepancies that we discussed with District officials, we found the District accurately accounted for employees' leave time.

Separation Payments and Service Credit — Employees who separate from district service may be eligible for a cash payment for their unused time as specified in their CBAs or individual employment contracts. Retiring employees may also be eligible to exchange a portion of earned but unused sick leave for a retirement service credit, may elect to use the value of unused sick leave to reduce health insurance premiums in retirement or both. Retiring employees may also be eligible to receive a payment for a retirement increment,⁵ retirement incentive or both.⁶ After the Board approves a separation, the principal clerk reviews the applicable CBA or individual employment contract to determine the separation payments or benefits to which the employee may be entitled. Based on the terms of the CBA or individual employment contract, the principal clerk calculates the separation payment and provides the calculation with supporting documentation to the Assistant Superintendent for Support Services for review and approval. In the case of a separating administrator, approval from the Board of Education President is required.

The District had 97 employees who retired, resigned or otherwise separated from the District during our audit scope period. Thirty-three of these employees received separation payments⁷ totaling \$529,440 and were awarded service credits totaling 968 days.⁸ We reviewed a judgmental sample of 15 separation payments totaling \$265,438 and 642 days of service credit awarded and found they were correctly calculated.

⁵ All of the current CBAs and individual employment contracts contain provisions for employees to receive a cash payment upon retirement if they meet certain employment requirements, including a minimum employment term, or if they notify the District in writing of their intent to retire by a date specified in the CBA.

⁶ The Board passed a resolution on February 10, 2015 to provide a retirement incentive in the form of a cash payment for employees who met certain criteria.

⁷ Including payments for unused vacation days, retirement increments and retirement incentives and the value of sick leave applied toward health insurance premiums in retirement

⁸ Four of the CBAs contain a provision for a benefit under the Retirement and Social Security Law that provides for service credit for unused, unpaid sick leave days at retirement.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

The District officials' response to this audit can be found on the following page.



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March 8, 2016

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Dear Chief Examiner:

On behalf of the Burnt Hills Ballston Lake Central School District (BH-BL), this letter is in response to the draft of your Report of Examination on Leave Accruals and Separation Payments for the period of July 1, 2014 – September 30, 2015. The District would like to recognize the professionalism exhibited by the auditor while conducting the review. The purpose of this audit was to examine internal controls to ensure appropriate safeguards are in place to protect the financial assets of the school district. Based on the results of the examination, BH-BL is pleased the audit did not identify any exceptions, improprieties or improper practices. This reinforces the District's position of high standard work performed by its staff. In particular, we appreciate how you have commended district officials for establishing the procedures that have ensured leave records and separation payments are correct and current.

The Burnt Hills Ballston Lake Central School District views this audit report as an important tool in maintaining a high level of accountability to our stakeholders. We appreciate the constructive comments and feedback and thank you for the opportunity to respond to the preliminary draft audit report.

Sincerely,

John Blowers
Burnt Hills-Ballston Lake Board of Education President

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

The objective of our audit was to evaluate the accuracy of the District's accounting for leave time and separation payments for the period July 1, 2014 through September 30, 2015.

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We reviewed the negotiated CBAs and individual employment contracts to identify details regarding accrued leave and separation payments.
- We interviewed District officials and staff to gain an understanding of the accrued leave process, the processing and approval of separation payments and controls over the computerized financial software.
- We selected a sample of 30 employees composed of a judgmental sample of 15 employees focused on administrators and those with close proximity to the leave process and access to the financial management system and a judgmental sample of 15 employees based on the monetary level of the separation payment they received during the scope period.
- For the same sample of 30 employees, we judgmentally selected four biweekly payroll periods during the District's academic year (September through June) and compared manual time records to leave records in the financial management software.
- For the same sample of 30 employees, we analyzed leave data provided by the District directly from the computerized financial software and reviewed leave earnings and leave carry over during July of 2014 and July of 2015.
- We reviewed Board minutes, inquired with District officials and reviewed the results of the analysis of the electronic data to identify all separation payments made during our scope period.
- We judgmentally selected 15 of the 33 separation payments made during our audit period based on the level of monetary payments and examined the supporting records to determine if the payments were supported and correctly calculated according to Board-approved CBAs and individual employment contracts. The 15 employees had 642 days of service credit awarded during our audit period. We examined supporting records to determine if the service credits were correctly calculated according to the Board-approved CBA and individual employment contracts.

We conducted this performance audit in accordance with GAGAS. Those standards 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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