



Chateaugay Central School District

Leave Accruals

Report of Examination

Period Covered:

July 1, 2014 – January 31, 2016

2016M-149



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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

July 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 Chateaugay Central School District, entitled Leave Accruals. 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 and recommendations 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 Chateaugay Central School District (District) is located in the Towns of Bellmont, Burke and Chateaugay in Franklin County and the Towns of Clinton and Ellenburg in Clinton County. The District is governed by a Board of Education (Board) that 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 (Superintendent) is the District's chief executive officer and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction.

The District operates one school with approximately 550 students and 100 employees. The District's budgeted appropriations for the 2015-16 fiscal year were \$12.5 million, which were funded primarily with State aid and real property taxes.

Objective

The objective of our audit was to evaluate the accuracy of employees' leave accrual records. Our audit addressed the following related question:

- Did the District accurately maintain employees' leave accrual records?

Scope and Methodology

We examined the District's leave accrual records for the period July 1, 2014 through January 31, 2016.

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 and Corrective Action

The results of our audit and recommendations 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 recommendations and have initiated, or indicated they planned to initiate, corrective action.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of General Municipal Law, Section 2116-a (3)(c) of New York State Education Law and Section 170.12 of the Regulations of the Commissioner of Education, a written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and provided to our office within 90 days, with a copy forwarded to the Commissioner of Education. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. The Board should make the CAP available for public review in the District Clerk's office.

Leave Accruals

A good system of accounting for employee leave time (i.e., vacation, personal and sick leave) requires District officials to periodically verify the accuracy of employee leave records with regard to leave time earned and used. The District should establish procedures to ensure that periodic independent reviews of leave accrual records and balances are performed. District officials should also ensure that District personnel properly calculate and deduct leave time used from employee leave accrual balances and that leave is both earned and carried over from one fiscal year to the next in accordance with Board resolutions, collective bargaining agreements (CBAs) and individual employee contracts. Because the District provides payments to certain employees for all or a portion of their unused vacation and sick leave time when they leave employment, and because certain employees receive retirement service credit for unused sick leave time,¹ it is especially important for the District to maintain accurate leave accrual records.

The District did not accurately maintain employees' leave accrual records. We reviewed 15 employees' leave accrual records² during our audit period to determine whether the leave time that they recorded on their time records or leave request forms was properly deducted from their leave accrual balances. We also determined whether the amounts of leave credited and carried forward during the 2014-15 and 2015-16 fiscal years agreed with Board resolutions, CBAs or individual employee contracts. We found errors in the leave accrual records for nine of the 15 employees, which included the following:³

- Six employees did not have 39.25 hours of leave deducted from their leave accrual balances when the records indicated that these employees used leave time.
- Three employees had 14.5 hours of leave time deducted from their leave accrual balances when the records indicated that these employees did not use leave time.
- One employee was improperly credited with six days of leave time to which she was not entitled, while another employee

¹ Noninstructional employees can receive retirement service credit for up to 165 days of unused sick leave.

² Refer to Appendix B for more information on our sample selection and methodology.

³ The leave accrual records for some employees contained more than one error.

should have been credited with a day of leave time, to which she was entitled, but was not.

- Two employees improperly carried over 11 days of unused leave time from 2013-14 to 2014-15 to which they were not entitled. Also, one employee improperly carried over eight days of unused leave time from 2014-15 to 2015-16 to which she was not entitled.

The cumulative effect of these errors is that, as of January 31, 2016, four employees' leave accrual balances were overstated by a total of almost 20 days, valued at \$8,201, and two employees' leave accrual balances were understated by a total of more than one day, valued at \$298. This occurred because District officials did not establish adequate procedures to ensure employees' leave accrual records were accurately maintained.

The former principal clerk⁴ and the District Treasurer were responsible for maintaining employees' leave accrual records without supervisory oversight. Although the former principal clerk periodically provided leave accrual balances to employees,⁵ District officials did not perform periodic reviews of employee leave accrual balances to ensure their accuracy.

Without accurate leave records, the District cannot properly determine the amount of payments or retirement service credit due to employees when they retire or resign from their positions or ensure that District employees are compensated for the correct amounts to which they are contractually entitled. The number of errors identified during our examination indicates that the District's process for maintaining leave accrual records needs improvement.

Recommendations

District officials should:

1. Ensure that District personnel properly calculate and deduct leave time used from employee leave accrual balances.
2. Ensure that accrued leave is both earned and carried over from one fiscal year to the next in accordance with Board resolutions or the terms of CBAs and individual employee contracts.

⁴ The former principal clerk was employed by the District through January 6, 2016, after which the District Treasurer maintained employees' leave accrual records.

⁵ The attendance notice forms that were sent to employees during our audit period contained employees' leave accrual balances as of July 8 and December 8, 2014 and May 26 and July 17, 2015.

3. Designate an individual who is independent of leave accrual record maintenance to periodically review leave accrual records and balances for accuracy.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

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June 20, 2016

Jeffrey Leonard

Chief Examiner

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Dear Mr. Leonard:

The Chateaugay Central School District would like to thank the Office of the State Comptroller for their report and recommendations. The entire audit process was conducted in a positive and professional manner. The examiners were courteous with district personnel and made the experience meaningful. The information provided during the audit and within this audit review will further assist the District in its efforts to improve controls and accountability over our finances and operations.

This letter serves as Chateaugay Central School's official response to the Office of the State Comptroller's audit for the period of July 1, 2014 – January 31-2016 for the purpose of examining Leave Accruals. We accept and agree with their recommendations have implemented measures to ensure District employees receive and use leave accruals in accordance with their individual employee contracts and collective bargaining agreements.

Recommendation: Ensure that District personnel properly calculate and deduct leave time used from employee leave accrual balances.

The district treasurer and payroll clerk have developed a spreadsheet that identifies each employee group, identified personnel within each employee group, and leave time (sick, personal, vacation, bereavement) charted per employee. This will be used to properly calculate and deduct leave time from employee leave accrual balances within the financial management system.

Recommendation: Ensure that accrued leave is both earned and carried over from one fiscal year to the next in accordance with Board resolutions or the terms of CBAs and individual employee contracts.

The District has purchased an online absence approval system. Franklin Essex Hamilton BOCES business office set up the system in accordance with the terms of CBAs and individual employee contracts. This system interfaces with the Finance Management System to properly ensure that accrued leave is both earned and carried over from one fiscal year to the next.

Designate an individual who is independent of leave accrual record maintenance to periodically review leave accrual records and balances for accuracy.

The District has designated an individual who is independent of leave accrual record maintenance to periodically review leave accrual records and balances for accuracy. The district treasurer has developed a method to randomly select employees for the designated individual to review employee leave accrual records. This process will ensure employees are compensated for the correct amounts to which they are contractually entitled.

Again, the Chateaugay Central School District expresses gratitude for the examiners and the work they performed as part of this examination. The Board, Superintendent, and Business staff will continue to maintain controls and accountability over Leave Accrual.

Sincerely,

Loretta Fowler

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

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

- We interviewed District officials and employees and reviewed the District's policy manual, Board resolutions, CBAs, individual employment contracts and various financial records and reports to gain an understanding of the District's procedures related to the maintenance of leave accrual records and any associated effects of deficiencies in those procedures.
- We judgmentally selected 15 employees and reviewed their leave accrual records. We judgmentally selected the former principal clerk and District Treasurer who maintained employees' leave accrual records during our audit period. We then judgmentally selected another 13 employees whose leave benefits were specified in the CBAs and individual employee contracts by selecting six employees covered by the Civil Service Employees Association CBA, four employees who were covered by the teachers unit CBA, one employee who was covered by the confidential unit CBA and two employees with individual employee contracts. We chose these 13 employees from different District titles to obtain a sample of employees covered by all CBAs and a majority of the individual employee contracts at the District. We reviewed the leave accrual records of the 15 employees in our sample during our audit period to determine whether the leave time that they recorded on their time records or leave request forms was properly deducted from their leave accrual balances. However, from July 1, 2014 through November 8, 2015, two employees in our sample (the Superintendent and high school principal) notified the former principal clerk of their leave time used without any other District employee providing an independent review or approval of the leave time used. Therefore, during this time period, we could not determine whether all of the leave time used by these employees was properly deducted from their leave accrual balances. However, we were able to include these two employees in this examination from November 9, 2015 through January 31, 2016.
- We determined whether the amounts of leave credited and carried forward by the 15 employees in our sample during the 2014-15 and 2015-16 fiscal years agreed with Board resolutions, CBAs or individual employee 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.

APPENDIX C

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