

Cato-Meridian Central School District

Salaries, Wages and Leave Benefits

JUNE 2022



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Cato-Meridian Central School District

Audit Objective

Determine whether Cato-Meridian Central School District (District) officials accurately paid salaries, wages and leave benefits and properly accrued leave benefits.

Key Findings

District officials accurately paid salaries and wages but did not accurately pay unused leave benefits, and leave accruals were not proper. As a result:

- \$14.1 million of (97 percent) salary and wage payments were disbursed without authorization.
- For four of nine employees that had separation payments, unused leave was incorrectly calculated - resulting in over/underpayments of \$7,430.
- Two administrators received leave valued at \$18,042 without Board approval.
- 15 employees (47 percent) had leave accrual errors totaling \$13,529.

Key Recommendations

- Develop and implement procedures for monitoring salary and wage payments
- Seek recovery of any amounts overpaid to employees.
- Periodically review accrued leave records.
- Adequately review and certify payrolls.

District officials generally agreed with our recommendations and indicated they have initiated or planned to initiate corrective action. Appendix B includes our comment on an issue raised in the District's response letter.

Background

The District serves the Towns of Cato, Conquest, Ira, Sterling and Victory in Cayuga County; the Towns of Granby and Hannibal in Oswego County; the Town of Lysander in Onondaga County; and the Town of Butler in Wayne County.

An elected seven-member Board of Education (Board) is responsible for the general management and control of the District's financial and educational affairs. The Superintendent of Schools (Superintendent) is the chief executive officer and is responsible, along with other administrative staff, for the day-to-day management under the direction of the Board.

The Business Administrator oversees the District's business operations. The Board appointed the District Clerk to certify payroll.

Quick Facts

Employees	308
Enrollment	887
2020-21 Appropriations	\$20.9 million
2019-20 Salaries and Wages	\$10.2 million

Audit Period

July 1, 2019 to January 31, 2021

Salaries, Wages and Leave Benefits

How Can District Officials Ensure They Accurately Pay Employees' Salaries, Wages and Leave Benefits?

Salaries and wages and benefits typically represent a significant portion of a district's annual expenditures. As such, district officials must ensure employee compensation is made according to board authorizations, collective bargaining agreements (CBAs) and individual employment contracts, which set forth employees' salaries and wages and benefits to be paid.

Therefore, it is important that district officials establish clear guidelines for staff to follow and implement adequate monitoring procedures to verify that payments are accurate. For example, management should review payroll activities to ensure that salaries and wages and benefits provided are properly authorized and documented so that employees receive the amounts to which they are entitled. Finally, before payments are distributed, payroll registers or similar records must be reviewed and independently certified to provide oversight of the payroll process. The certifier attests that employees are paid for time worked at the rates set by the board.

Accrued leave represents time off earned by employees. District officials are responsible for ensuring that employee leave benefits are accurately accounted for and employees can only use the leave to which they are entitled. To ensure accuracy, district officials should implement written guidelines and perform critical reviews of all data entered into the district's electronic records by someone other than the employee who enters the data.

A board must approve new positions and authorizes the hiring of new employee. Generally, a district clerk provides a board-approved appointment letter, which includes new employees' positions and pay rates, to the personnel clerk responsible for entering the employee pay rates and positions into the district's payroll system, and for processing payroll after the employee's information has been initially established in the system by the treasurer. Payments should be made in accordance with board-authorized rates and supported with timecards and attendance sheets. Also, the payroll system has the ability to generate payroll change reports to enable the review of changes made within the payroll system.

Payroll Was Not Adequately Monitored, but Salaries and Wages Were Generally Accurately Paid

There is no management review of the personnel clerk's calculations or timesheet entries. If a pay adjustment is necessary (i.e., proration of a salary) the personnel clerk works with the Treasurer to make the calculation and gives it to the Business Administrator to sign-off for approval.

Further, no one generates, receives or reviews payroll change reports. By reviewing change reports, the Business Administrator could identify payroll changes made (such as employees added to the payroll or salary increases) and review the supporting documentation to determine whether changes are appropriate and authorized.

We examined wages paid to 20 hourly/daily employees in January 2020 and November 2020 totaling \$48,210 and found they were properly paid Board-authorized rates and supported with timecards and attendance sheets. We also examined 22 salaried employees, for the audit period, totaling \$1.8 million to determine whether salaries were paid according to the respective CBAs or individual employment contracts. We found minor discrepancies which were discussed with officials.

The Business Administrator told us she did not provide adequate oversight because she trusted that the Treasurer and personnel clerk to properly calculate salaries and wages. In addition, she relied on the payroll certifier to verify calculations.

Although we did not identify significant discrepancies with payments of salaries and wages, management should review payroll activities to ensure that salaries and wages provided are properly authorized and documented so that employees receive no more or no less than to which they are entitled.

Salaries and Wages Were Paid Without Authorization

Each year, the Board authorizes the District Clerk to certify payrolls. Although the District Clerk was provided payroll reports, we found the District Clerk did not certify all salaries and wages paid to employees by signing and dating certification forms. There were \$14.1 million (97 percent) of salary and wage payments electronically disbursed during the audit period that were not certified as the District Clerk only made a cursory review and certification of payrolls for employees who received paper checks (3 percent). It is also unclear when the District Clerk reviewed those payrolls because she did not date her certification forms.

The District Clerk told us that she makes a cursory review of the payrolls she is given but does not verify any information. The District Clerk said her certifications are not always completed prior to the release of payments. She also told us she was not aware she should have certified all salaries and wages prior to their disbursement, or aware of what was expected of her.

With the certification being only a cursory review of 3 percent of payrolls and not a verification of payments, at least on a sample basis, it is unlikely that the District

There were \$14.1 million (97 percent) of salary and wage payments electronically disbursed during the audit period that were not certified.

Clerk would detect payments that are not authorized by the Board, lack adequate support or are not paid in accordance with contracts.

Without an adequate certification process, there is an increased risk that unauthorized changes could be made to employees' pay, fictitious employees could be added to the payroll or other errors and irregularities could occur without being detected by District officials.

Accrued Leave Records Contained Errors

The personnel clerk is responsible for maintaining leave accrual and usage records for all employees. At the beginning of the year, she rolls over leave balances, calculates vacation buyouts and deducts them from leave balances and adds new leave accruals. She receives approved attendance sheets indicating when employees used leave and deducts the time from accruals in the electronic payroll system. Although the Business Administrator reviews the annual roll-overs for reasonableness, no one verifies the additions or deductions throughout the year.

We tested leave records for 32 of the District's 308 employees during our audit period. We found records for 15 employees¹ (47 percent) had errors resulting in overstated leave of 66 days valued at \$9,107 and understated leave of 16 days valued at \$4,422. For example, we found:

- As of January 31, 2021, 12 employees have 60 days of overstated sick leave valued at \$7,247 due to leave being granted at the beginning of the school year instead of being accrued monthly as stipulated in contractual agreements. As a result, this leave led to the payout of sick leave that was not earned for two employees. See section: "Payments of Unused Accruals Were Not Accurate" below.
- Four days of approved usage leave indicated on attendance sheets was not deducted for four business office employees, valued at \$1,073.
- The Business Administrator received two vacation days in excess of her contractual agreement, valued at \$787, and inadvertently charged one vacation day for a holiday valued at \$394.
- One teacher did not receive 13 days of accrued sick leave valued at \$3,650.
- The Treasurer's personal leave accruals were overcharged by approximately two days, valued at \$378, due to an input error.

¹ Some employees had more than one error identified.

The Business Administrator stated there are no procedures or guidelines for any other personnel to ensure all leave entries input by the personnel clerk are accurate and that she was not aware that she should have been routinely reviewing or verifying entries. An independent review of the data entries in the payroll system may have caught these discrepancies. When District officials do not have adequate oversight, employees are able to earn and possibly use more time than allowed.

Payments of Unused Accruals Were Not Accurate

The personnel clerk receives notification that an employee is separating from the District and is seeking payment of unused accruals. The personnel clerk and the Treasurer together calculate the value of unused leave accruals, then the personnel clerk processes the payment through payroll.

During our audit period, the District disbursed \$24,310, for unused leave accruals, to nine employees who separated from the District. We identified discrepancies with payments made to four employees consisting of overpayments made to three employees totaling \$6,715 and an underpayment made to one employee totaling \$716.

- An Assistant Principal/Athletic Director was granted 21 days of vacation leave on July 1, 2020. According to the Administrators' contract, his vacation should have been prorated upon separation. He left the District on September 1, 2020. The personnel clerk and Treasurer did not prorate his vacation days resulting in an overpayment of 17.5 days totaling \$6,328. The personnel clerk and the Treasurer told us they were unaware of verbiage in the Administrators' contract for vacation days to be prorated upon separating from the District.
- Due to the sick leave days not being prorated at time of separation along with calculation errors, a custodian and bus driver were paid a combined 15 days totaling \$387 they were not entitled to. The personnel clerk and Treasurer told us annual sick leave is inappropriately granted at the beginning of the school year and did not realize an adjustment to leave would be necessary at the time of separation. Furthermore, they told us they did not know how to properly calculate a daily rate, but they followed the calculation the District has always used.
- A part-time clerk's vacation day accruals were not properly accrued and prorated resulting in the employees leave accruals by having a net understatement of 11 days valued at \$716 at time of separation. The personnel clerk told us she did not properly prorate the employee's leave accruals earned and that there was a glitch in the computerized accounting system which granted erroneous vacation leave at the start of the 2020-21 school year for employees. Although adjustments were made to correct

employee leave balances, the personnel clerk told us she used the wrong granted leave amount when determining the proper prorated adjustment.

The Business Administrator told us she does not review documentation for adjustments of prorated leave accruals or unused leave payments prepared by the personnel clerk and Treasurer to ensure they are accurate because she relied on them to calculate them correctly. When leave accruals are not properly maintained and when there is no management oversight to review of payments for unused leave accruals, it increases the risk that employees are not paid in accordance with contractual agreements.

The Superintendent Granted Leave Benefits Without Board Approval

Two administrators received leave granted by the Superintendent valued at \$18,042 without Board approval. The Superintendent granted:

- A Principal 10-day paid administrative leave valued at \$4,632.
- A Principal 33 additional sick days valued at \$13,410 by carrying in the Principal's unused sick leave they accumulated with another school district.

The Superintendent may suspend an employee until the next regular Board meeting, at which time the Superintendent is then required to submit to the Board all facts relating to the suspension for Board consideration and action. Additionally, the Board should follow any grievance procedures set forth in a CBA or individual employee contract, as well as any applicable provisions of law. While the Board President stated the Board was aware of the issue and made aware of the suspension in an executive session during a Board meeting, the District did not provide documentation for any action taken by the Board and the Board President did not recall if any action was taken other than having discussion regarding the matter. The Superintendent stated it was his understanding that a contractual agreement stipulated that the Superintendent was allowed to grant paid administrative days and to allow days to be carried over when hiring outside the District.

However, by granting leave without Board authorization, taxpayers may be compensating individuals to more money than they are entitled.

What Do We Recommend?

The District officials should:

1. Develop and implement procedures for monitoring salary and wage payments to ensure they are accurate, supported and in accordance with CBAs, individual employment contracts or Board resolutions.

Two administrators received leave granted by the Superintendent valued at \$18,042 without Board approval.

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2. Seek recovery of amounts overpaid and pay underpaid amounts to employees.
 3. Periodically review accrued leave records and make corrections, as necessary, to ensure that employee leave accruals earned and used are accurate.
 4. Update accrual balances to reflect Board-approved contracts.
 5. Ensure payments of unused leave accruals are accurately calculated and are in accordance with Board-approved CBAs and individual employment contracts prior to disbursement.
 6. Consult with legal counsel and only grant leave that is authorized in accordance with Board-approved CBAs, individual employment contracts or resolutions.

District Clerk should:

7. Adequately review and certify payrolls prior to the Treasurer distributing paychecks and direct deposits and document her review date.

Appendix A: Response From District Officials

cato-meridian
central school district

SMALL COMMUNITY, BIG IMPACT!

Dr. Terry Ward
Superintendent of Schools

Ms. Elizabeth Kupiec
Assistant Superintendent

Mrs. Khrystie Allen
Committee on Special Education Chairperson

March 22, 2022

Office of the State Comptroller
Division of Local Government and School Accountability
PSU-CAP Submission
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Office of Audit Services, Room 524 EB
89 Washington Avenue
Albany, NY 12234

Dear Office of the State Comptroller:

The Cato-Meridian Central School District has received and reviewed the preliminary draft Report of Examination for the audit period July 1, 2019 - November 30, 2020. The Cato-Meridian Central School District appreciates the opportunity to acknowledge the findings and provide a corrective action plan included in this response to the audit recommendation.

During the course of the audit the Comptroller's Office conducted a risk assessment of the District's financial processes, including payroll, financial oversight, cash receipts and disbursements, purchasing and personnel services. The audit focused on payroll and leave accruals. As part of this examination the Comptroller's Office identified processes that can be strengthened in our Internal controls over payroll and leave accruals.

The administrative team concurs with the majority of the recommendations and the following Corrective Action Plan will be approved by the Board of Education within ninety (90) days of the release of the report.

The Cato-Meridian School District respectfully disputes the following instance:

- **Principal Leave Provided Without Board Approval:** In this instance, due to the nature of the concern, the BOE was informed in executive session and public notification was not appropriate. Documentation regarding concern has been provided to the OSC.

See
Note 1
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Corrective Action Plan

Key Findings from Audit:

1. Develop and Implement Procedures for Monitoring Salary and Wage Payments.
2. Seek Recovery of Overpaid Employees.
3. Periodically Review Accrued Leave Records.
4. Adequately Review and Certify Payroll Records.

The Administrative Team agrees with these recommendations and has made the following adjustments to existing processes within the Business Office. Several of these adjustments were made during the audit process and continue.

1. Develop and Implement Procedures for Monitoring Salary and Wage Payments:
 - A. Payroll Change (e.g. salary increase, change in position/pay, or other circumstances (maternity leave)).
 - The Payroll Clerk prepares a salary change form that reflects the adjustments made in existing salary and the implication across pay periods.
 - This salary change form is approved by the Assistant Superintendent and acknowledged by the Employee as well.
 - B. Retirement/Separation From District:
 - The Payroll Clerk prepares a separation form that reflects the employee payout due to contractual obligations (sick time payout, vacation payout)
 - Accrued Leave is reviewed through this process to ensure that the payouts match contractual entitlements (e.g. prorated vacation time per contractual agreements).
 - The Separation Form is reviewed and approved by the Assistant Superintendent prior to the release of funds.
2. Seek Recovery of Overpaid Employees:
 - A. The District will seek recovery of funds for overpaid employees through the support of our legal counsel.
3. Review Leave Accruals:
 - A. The Assistant Superintendent regularly reviews leave accruals through the following means.
 - Weekly Attendance/Payroll Sign Offs
 - Individual Payroll Changes Include Leave Accruals
 - Review of Monthly Attendance Data
 - Leave Accrual Rollover Certification
4. Adequately Review and Certify Payroll Record
 - A. District Clerk: Reviews the Payroll Report provided by the Payroll Clerk
 - B. Assistant Superintendent: Reviews a Payroll Change Report that reflects any significant changes in employee payroll. This is vetted against the BOE Minutes.
 - C. Assistant Superintendent: Reviews and approves changes in individual payroll.

5. Granting of Leave:

- A. New Hires: In the event that leave time is granted as a part of the hiring process, this will be documented on the BOE Recommendation Form to ensure full transparency.

Additional Adjustments Anticipated:

- Payroll / Leave Accrual System: CM's existing financial management system presents challenges when determining daily rate and computing adjustments in leave accrual. The long term plan for the district is to shift to a different financial management system.

Person Responsible for the Implementation

The Assistant Superintendent is responsible for the implementation of the Corrective Action Plan.

This corrective action plan was discussed with the Audit Committee and will be recommended for approval by the Board of Education within ninety (90) days of the release of the report.

The administrative team as well as the Audit Committee appreciates your assistance in further strengthening our Internal controls and processes. The audit was both thorough and professional and we appreciate the communication throughout and after the audit process.

Sincerely,



Terry L. Ward, Ed.D
Superintendent of Schools

cc: Board of Education
Elizabeth Kupiec, Assistant Superintendent

Appendix B: OSC Comment on the District's Response

Note 1

We agree the Board and officials should discuss personnel matters in executive session. However, a Board discussion in executive session is not a Board action. All Board actions must be recorded in the official Board meeting minutes. While the Superintendent may suspend an employee until the next regular Board meeting, all facts relating to the case were required to be submitted to the Board for consideration and action. The District held three special meetings of the Board prior to the next regular Board meeting, during which the Board went into executive session during two of those meetings to discuss "personnel issues." However, the Board did not go into executive session at the next regular Board meeting. The Board President stated he could not remember if any action was taken at a Board meeting. Since the District could not provide documentation of any Board action taken, we stand by our finding.

Appendix C: Audit Methodology and Standards

We conducted this audit 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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We reviewed Board meeting minutes, CBAs, individual employment contracts, memorandum of agreement (MOA) and Board-approved policies and interviewed District officials to gain an understanding of the payroll and leave accrual process.
- We reviewed the District's Human Resources and Payroll permissions reports to determine whether user access rights were segregated.
- We judgmentally selected 22 salaried employees (12 percent of salaried employees) to obtain a sample that included 13 instructional and nine noninstructional employees. We reviewed their salary documentation and had discussions with District officials to determine the employees' authorized annual compensation. Our selection included the Superintendent and the Business Administrator, District Treasurer and personnel clerk who are key business office personnel. We compared the annual gross salaries paid from July 1, 2019 through June 30, 2020 and July 1, 2020 through January 31, 2021 to the authorizations for each employee.
- We judgmentally selected two months, consisting of four semi-monthly pay periods, for 20 hourly/daily rate employees. We selected the months of January 2020 and November 2020 and compared their pay rates to Board-approved rates to determine whether wages paid were accurately.
- To determine if payments made to individuals were certified during the audit, we obtained a judgmental sample of payroll certification by selecting the top four highest paid pay-periods for each fiscal year during the audit period.
- We reviewed leave records for 22 salaried employees used in the payroll testing and 10 hourly employees entitled to leave accruals to determine whether leave accruals were properly earned, credited and carried forward up to the maximum accumulation. We compared attendance sheets to the leave documented on each employee's electronic leave record. We also reviewed leave records for proper accrual balances.
- We reviewed the supporting records for all payments of unused leave accruals totaling \$24,310 and retirement incentive payments totaling \$57,159 during the audit period to determine whether they were supported, accurately calculated and disbursed in accordance with contractual agreements and the terms of Board-approved MOA.
- We interviewed the Board President to determine if the Board was aware of specific personnel scenarios and to determine the Board's intent.

We conducted this performance audit in accordance with generally accepted government auditing standards (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.

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.

The Board has the responsibility to initiate corrective action. 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, 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. 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 CAP should be posted on the District's website for public review.

Appendix D: Resources and Services

Regional Office Directory

www.osc.state.ny.us/files/local-government/pdf/regional-directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/local-government/publications

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/local-government/publications

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/files/local-government/publications/pdf/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/local-government/publications

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/local-government/academy

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