

Southold Union Free School District

Leave Accruals

SEPTEMBER 2018



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

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Report Highlights

Southold Union Free School District

Audit Objective

Determine whether the Southold Union Free School District (District) officials implemented a system to accurately record employee benefits and usage.

Key Findings

- The system for tracking leave accruals is not reliable.
- We found errors in accrual records for 70 percent of the employees tested, confirming that the District's control system is not working properly. Records reviewed contained 16 errors resulting in leave balances being overstated by a total of 9.5 days valued at \$3,623.

Key Recommendations

- Implement procedures for maintaining leave accrual records and ensure that accurate information is maintained and monitored.
- Provide oversight of duties performed by the District Clerk.

District officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

Background

The District is located in the Town of Southold in Suffolk County.

The Board of Education (Board) is responsible for managing the District's financial and educational affairs. The School Superintendent is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction.

Quick Facts

2017-18 Budgeted Appropriations	\$29.4 million
2016-17 Payroll Costs	\$15 million
2017-18 Employees	165

Audit Period

July 1, 2016 - December 31, 2017

Leave Accruals

What Is an Effective Leave Accrual Process?

Leave accruals represent time off earned by employees. The Board is responsible for ensuring that employee leave benefits are accurately accounted for so that employees use only the leave to which they are entitled. To ensure accuracy, there should be written procedures and a review of all data input into the District's electronic records by someone other than the individual who inputs the data.

Leave Accrual Records Are Not Accurate

There are no procedures or oversight for the District Clerk's input of leave usage into the electronic software. The District Clerk is responsible for maintaining leave accrual and usage records for all employees. At the beginning of each year, she rolls over any leave balances and inputs new leave accruals based on employees' contracts or collective bargaining agreements. Throughout the year, the District Clerk inputs leave usage into the electronic system based on daily attendance sheets received from departments and/or building secretaries. At mid-year and year-end, the District Clerk sends all employees their current balances for sick, personal and vacation leave with instructions to contact her if they have questions or corrections.

In order to test the leave accrual tracking system we reviewed the leave accrual balances for 10 of the 165 employees from July 1, 2016 through June 30, 2017. We found 16 instances where the District Clerk did not record leave used by seven employees, resulting in leave balances being overstated by a total of 9.5 days, valued at \$3,623. The errors found in accrual records for 70 percent of the 10 employees tested shows the system of controls over employee accruals is not working properly. For example:

- The Treasurer had six instances of leave time used totaling 3.5 days valued at \$1,000 that were not recorded in the electronic software.
- A teacher used one personal day valued at \$683 that was not recorded in the electronic software.

When we discussed these discrepancies with the District Clerk, she researched each and provided an explanation. If she found it to be her error, she adjusted the electronic records to reflect the absence. However, in attempting to correct the error for one employee, the District Clerk, without providing a valid explanation, actually created two additional discrepancies totaling another day.

When District officials do not have a control system to accurately record employee absences, employees could use more leave time than allowed. This could potentially increase the District's costs.

What Do We Recommend?

District officials should:

1. Develop and implement written procedures for maintaining leave accrual records and ensure that accurate information for accruals is maintained and monitored.
2. Provide oversight of duties performed by the District Clerk such as an independent review of all data input into the District's electronic records.
3. Consider reviewing employees' leave accrual records and making appropriate corrections.

Appendix A: Response From District Officials

SOUTHOLD UNION FREE SCHOOL DISTRICT

420 OAKLAWN AVENUE
P.O. BOX 470
SOUTHOLD, NY 11971
(631) 765-5400
FAX (631) 765-5086

August 22, 2018

Ira McCracken, Chief Examiner
Division of Local Government and School Accountability
Office of the State Comptroller
NYS Office Building, Room 3A10
250 Veterans Memorial Highway
Hauppauge, New York 11788-5533

Re: Response to Draft Report of Examination
2018M-113- Period Covered: July 1, 2016 - December 31, 2017

Dear Mr. McCracken:

This letter will serve as confirmation of our receipt of the draft report for the Southold Union Free School District dated July 27, 2018, entitled Leave Accruals, Report of Examination 2018M-113 for the period July 1, 2016 to December 31, 2017. We are in agreement with the content of the report.

The Southold Union Free School District remains committed to being responsible and compliant stewards of the District's assets. The Corrective Action Plan will be filed in a timely manner. We welcome your suggestions for improvements to our control environment and look forward to working with you in the future.

Sincerely,

David A. Gamberg
Superintendent of Schools

Appendix B: 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 interviewed District officials to gain an understanding of the process of recording leave accruals and employee absences.
- We judgmentally selected 10 of the District's 165 employees to test for the period July 1, 2016 through June 30, 2017. The sample included employees covered by different collective bargaining agreements and with different positions, and employees in the Business Office with access to the electronic records. We reviewed the employees' collective bargaining agreements, individual contracts and resolutions to understand the conditions under which they may accrue and use leave.
- For all 10 employees, we examined the time sheets and attendance records. We recalculated all vacation, sick and personal leave balances by starting with the beginning balance, adding accruals as stated in employment contracts and deducting time off. We compared our calculations to the balances on the employees' electronic records. We investigated any differences with those responsible for maintaining the electronic records. We calculated the overstatement by multiplying the daily salary rate by the overstated time for each employee.

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

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 2116-1(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 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. We encourage the Board to make the CAP available for public review in the Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

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

www.osc.state.ny.us/localgov/costsavings/index.htm

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

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

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

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

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

www.osc.state.ny.us/localgov/planbudget/index.htm

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

www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.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/localgov/finreporting/index.htm

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

www.osc.state.ny.us/localgov/researchpubs/index.htm

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

www.osc.state.ny.us/localgov/academy/index.htm

Contact

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

www.osc.state.ny.us/localgov/index.htm

Local Government and School Accountability Help Line: (866) 321-8503

HAUPPAUGE REGIONAL OFFICE – Ira McCracken, Chief Examiner

NYS Office Building, Room 3A10 • 250 Veterans Memorial Highway • Hauppauge, New York
11788-5533

Tel (631) 952-6534 • Fax (631) 952-6530 • Email: Muni-Hauppauge@osc.ny.gov

Serving: Nassau, Suffolk counties



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