

Springs Union Free School District

Payroll

JANUARY 2019



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

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Report Highlights

Springs Union Free School District

Audit Objective

Determine whether Springs Union Free School District (District) employees received the salaries and accrued leave to which they were entitled.

Key Findings

- Two teacher assistants were not paid in accordance with their collective bargaining agreement (CBA).
- Nearly 53 percent of leave used by 33 employees tested was not supported by a required planned absence request form.
- Vacation and sick leave balances for 11 of 33 employees tested (33 percent) were overstated on nine occasions (by a total of 20.5 days valued at \$4,694) and understated on seven occasions (by a total of 26 days valued at \$7,845).

Key Recommendations

- Develop and implement procedures to ensure that employees are paid in accordance with contracts and CBAs.
- Implement and enforce procedures over leave accrual record maintenance, including how employees request leave and periodic review and reconciliation of the records.

District officials agreed with our recommendations and have initiated or indicated they planned to initiate corrective action.

Background

The District serves the Town of East Hampton in Suffolk County.

The five-member Board of Education (Board) is responsible for the general management and control of 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 Employees	204
2017-18 Appropriations	\$28.1 million
2016-17 Payroll and Benefit Costs	\$15.5 million

Audit Period

July 1, 2016 – February 28, 2018

Payroll

Payroll and benefits represent a significant portion of District annual expenditures (42 percent). As such, District officials must ensure employee compensation is made according to Board authorizations. The Board approved five CBAs and seven individual employment contracts. Together, they cover all employees. The CBAs and contracts set forth the salaries and benefits to be paid.

How Does a District Accurately Pay Employees' Salaries and Benefits?

District officials should establish clear procedures for staff to follow and implement adequate monitoring procedures to verify that payments are accurate. A well designed payroll processing system can provide assurance that employees are paid in accordance with board authorizations. For example, duties should be segregated so that one employee does not control all phases of a payroll transaction. In addition, management should review payroll activities to ensure that compensation and benefits provided are properly authorized and documented so that employees receive the amounts to which they are entitled.

Accrued leave represents time off earned by employees. The board is 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 procedures and a review of all data entered into the district's electronic records by someone other than the employee who enters the data.

Compensation Paid Was Not Always Accurate

District officials did not effectively ensure the accuracy of employee salaries and wages paid.

We examined annualized salaries paid to 31 employees for 2017-18 totaling \$2.2 million to determine whether salaries were paid according to the respective CBAs or individual employment contracts. We also examined wages paid to 15 hourly/daily employees in February 2018 totaling \$26,571 to determine whether these employees were paid their appropriate pay rates and that time worked agreed with supporting documentation (e.g., timecards and attendance sheets).

We found that two teacher assistants were not paid the correct pay rates. The CBA for teacher assistants required a 1.75 percent salary increase for its members in 2017-18. However, one teacher assistant received the same salary for 2016-17 and 2017-18 (20 months) and did not receive any increases, as required by the CBA. The District Clerk told us that the rate change was possibly missed due to this teacher assistant frequently taking time off from work. Although the other teacher assistant received an increase, the District Clerk miscalculated

the increased biweekly salary as \$1,161 instead of \$1,172. As a result, these two employees were underpaid by nearly \$800 in 2017-18.

Accrued Leave Records Contained Errors

The Board did not adopt accrued leave policies and District officials did not implement any written procedures or oversight of accrued leave record maintenance. Except for the transportation chief and head custodian, employees that wish to use vacation or personal leave were required to fill out a planned absence request form (request form), which must be signed and dated by the employee and their immediate supervisor before submission to the Director of Pupil Personnel Service and Human Resources (Director).

The transportation chief or head custodian recorded the leave used from the approved request forms in the leave tracking system for their respective employees, and the human resources secretary recorded the leave used from the forms for all other employees. While the Director is responsible for maintaining employee leave records, she did not periodically review accrued leave records or reconcile the records to the approved request forms and time and attendance records to ensure that employee leave balances were accurate.

We reviewed the 2016-17 leave records for 33 of the District's 222 employees, 14 employees who received vacation, sick and personal leave and 19 employees who received only sick and personal leave. While these 33 employees used leave 542 times that year, District officials did not have request forms on file for 286 instances (nearly 53 percent), including 22 of 27 instances when the head custodian used leave.

In addition, three administrators and four office employees tested were not required to complete time and attendance records (i.e., submit time sheets or use a time clock). As a result, we were unable to determine whether these employees' leave records were accurate. District officials' ability to maintain accurate records for accrued leave is limited by not enforcing the regular use of leave request forms and other time and attendance records.

Furthermore, because the Director did not periodically review or reconcile the accrued leave records, we found 16 discrepancies between her records and the leave tracking system for 11 of the 33 employees tested (33 percent). These discrepancies, primarily found in the records of custodial and transportation employees, included overstated vacation and sick days on nine occasions by a total of 20.5 days valued at \$4,694 and understated vacation and sick days on seven occasions by a total of 26 days valued at \$7,845.

The Director told us that the majority of these discrepancies were the result of a software glitch or clerical errors. However, she was unable to explain

the discrepancies pertaining to three of the 11 employees. For example, a transportation employee's leave balance was overstated by six vacation days and eight sick days, for a total of 14 days valued at \$3,220, a teacher's balance was understated by nine sick days valued at \$4,552 and a custodial employee's balance was understated by eight days valued at \$1,536.

The Director told us that the discrepancies for each of these three employees was the result of the leave tracking software generating an absentee report for some employees that did not match the annual summary report and that these errors have been corrected.

When District officials do not have a control system to accurately record employee absences, employees could be granted either more or less leave time than they are entitled to, or use more leave time than allowed, which could also increase the risk that employees receive payment for more accrued leave than they are entitled to when they leave District employment.

Subsequent to our review, the Director told us that she has implemented new procedures that require all custodial and transportation request forms be delivered to the business office weekly for reconciliation and that opening leave accrual balances be sent to all employees for verification, with any identified discrepancies being investigated and corrected, as necessary.

What Do We Recommend?

District officials should:

1. Develop and implement procedures to ensure that employees are paid in accordance with contracts and CBAs.
2. Verify correct pay rates for the teacher assistants and retroactively pay the identified employees any amounts due.
3. Implement and enforce procedures over leave accrual record maintenance, including how employees request leave and periodic review and reconciliation of the records.
4. Periodically review accrued leave records and make corrections, as necessary, to ensure that employee leave accruals earned and used are accurate.

Appendix A: Response From District Officials



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ERIC M. CASALE, Principal
CHRISTINE CLEARY, Assistant Principal

State Of New York
Office Of The State Comptroller
110 State Street
Albany, NY 12236

January 8, 2019

Ladies and Gentlemen,

Springs School District is in receipt of the Draft audit report entitled *Payroll, Report of Examination 2018-222*. Report of Examination for the period of July 1, 2017 to June 30, 2018. Please consider this letter as both the response to the audit and the required corrective action plan, as pursuant to General Municipal and NYS Education Law.

On behalf of the Board of Education and administration, we would first like to thank the local staff of the Comptroller's Office for their professionalism while conducting the audit. [REDACTED] and [REDACTED] were courteous and extremely helpful throughout the process.

The district is pleased that the audit resulted in no findings of a **material weakness, operational improprieties, waste, or abuse**. As a result, the primary focus of the audit was payroll, which resulted in recommendations regarding procedures to ensure that employees are paid according to contract and procedures for accruals. Our response to the **Recommendations and Corrective Action Plan** are as follows:

Audit recommendation 1: Develop and implement procedures to ensure that employees are paid in accordance with contracts and CBAs.

Action Already Taken: Business Administrator reviewed all current contracts and CBAs in the finance system. Completed in March 2018 and new salaries reviewed and put into system in July 2018.

Implementation Plan of Action: The District has begun implementing procedures to ensure timely and accurate updates into the payroll system of all new salary tables and to establish standard policies with regard to step movements in situations where a unit member has taken a prolonged leave of absence without pay.

Implementation Date: March 31, 2019

Person Responsible for Implementation: Michael Henery, School Business Administrator

Audit recommendation 2: Verify correct pay rates for the teacher assistants and retroactively pay the identified employees any amounts due.

Action Already Taken: District reviewed and corrected the two teaching assistant salaries and retroactively paid the difference. Completed May of 2018.

Implementation Plan of Action: Once a CBA has been settled and a new contract comes in to force, any retroactive adjustments will be required to go through a formal review process to also check for accuracy before the retroactive payments will be approved for disbursement.

Implementation Date: March 31, 2019

Person Responsible for Implementation: Michael Henery, School Business Administrator

Audit recommendation 3: Implement and enforce procedures over leave accrual record maintenance, including how employees request leave and periodic review and reconciliation of the records.

Action Already Taken: Planned absence request form for all employees. Completed May 2018.

Implementation Plan of Action: Procedures will be developed, shared and implemented with all employees. All employees will continue to use planned absence request forms. Clerical assigned to attendance management system will reconcile attendance daily and share with business office.

Implementation Date: March 1, 2019

Person Responsible for Implementation: Keri Delalio, Human Resources and Pupil Personnel Services Director

Audit recommendation 4: Periodic review of accrued leave records and make corrections, as necessary, to ensure that employee leave accruals earned and used are accurate.

Action Already Taken: Employees verified accrued balance. Completed in September 2018.

Implementation Plan of Action: After yearly balance is verified by employee in September, accrued balances will be on paychecks monthly for employees to verify. Director will also reconcile employee accrued leaves monthly.

Implementation Date: April 1, 2019

Person Responsible for Implementation: Keri Delalio, Human Resources and Pupil Personnel Services Director

Sincerely,

Debra Winter

Superintendent of Springs School

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 reviewed CBAs, individual employment contracts and Board-approved policies and interviewed District officials to gain an understanding of the payroll and leave accrual process.
- We compared the 2016-17 gross salaries per District records to the actual 2016-17 gross salaries paid to contractual employees. We judgmentally selected all 31 employees who had a variance in excess of \$5,000. To determine whether salaries were accurate, we compared the 2017-18 Board-approved salaries (salary benefit form and the CBA) for these 31 employees to the February 2018 payroll payments.
- We compared the 2016-17 gross salaries per District records to the actual 2016-17 gross salaries paid to hourly/daily employees. We judgmentally selected the 15 employees who had a variance in excess of \$5,000. To determine whether pay rates were accurate, we compared the 2017-18 pay rates from the Board minutes to the pay rate each of these 15 employees received on the February 2018 payroll journal.
- The District had 222 employees in 2016-17 and 154 employees were entitled to accrue leave. We determined the number of employees that used either vacation, sick or personal leave in 2016-17 from the leave records maintained for these 154 employees. We judgmentally selected a sample of employees for testing based on a proportionate number of those employees covered under each CBA that would be sufficient to show any systemic breakdown in internal controls. Our sample included all 14 employees who received accrued vacation in 2016-17 and another 19 employees, judgmentally selected based on job title, who received only sick and personal leave that year. To determine whether accrued leave balances were accurate, we recalculated the 2017-18 ending leave balances for our sample of 33 employees, based on the applicable employment contract or CBA, the Director's records, the leave request forms and the accrued leave software absentee reports. We compared our results with the District's recorded ending balances and documented and followed up on any discrepancies.

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 relevant population size 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

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