



Avoca Central School District Separation Payments

Report of Examination

Period Covered:

July 1, 2013 – September 30, 2015

2015M-273



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

December 2015

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 Avoca Central School District, entitled 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 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 Avoca Central School District (District) is located in the Towns of Avoca, Bath, Cohocton, Fremont, Howard, Prattsburgh and Wheeler in Steuben County. The District is governed by the Board of Education (Board), which is composed of five 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)¹ is the District's chief executive officer and is responsible, along with other administrative staff, for the day-to-day management of the District under the Board's direction. The Board-appointed District Treasurer (Treasurer) supervises all functions within the Business Office, including overseeing the payroll clerk.

The District operates one school building with 455 students and 106 employees. The District's budgeted appropriations for the 2015-16 fiscal year totaled \$12.2 million, funded primarily with State aid and real property taxes.

During our scope period, 23 individuals, including the former Superintendent, left District service for retirement or other employment opportunities.

Objective

The objective of our audit was to examine the District's calculation of separation payments. Our audit addressed the following related question:

- Were separation payments calculated correctly?

Scope and Methodology

We examined the calculation of separation payments to former District employees whose effective date of resignation was during the period July 1, 2013 through September 30, 2015.

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.

¹ Two superintendents served during our audit period. The former Superintendent retired on July 31, 2014 and served as the interim Superintendent through August 31, 2014. The current Superintendent started on September 11, 2014.

**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 agreed with our findings and recommendation and indicated they will take 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.

Separation Payments

In addition to established wages and salaries, school districts often provide separation payments to employees for all or a portion of their earned but unused leave time when the employee retires or otherwise leaves district service. These payments are an employment benefit generally granted in collective bargaining agreements (CBAs), individual employment contracts or district policies. Because separation payments can be a significant district expenditure, employees should be paid only the amounts to which they are entitled. District officials are responsible for ensuring that each payment is accurate and authorized by a Board-approved CBA, employment contract or policy that contains clear and unambiguous language.

The District had three CBAs and eight individual employment contracts that stipulated the terms and benefits for its employees. In addition, a Board-approved non-contractual employee program (Program) for confidential and managerial employees guided the employment terms and benefits for several employees prior to the negotiation and approval of contracts that occurred during our scope period. The CBAs, contracts and Program all included provisions for eligible employees to receive a payment upon separation from the District.

The District processed employee separation payments as follows. After Board approval of an employee's request to retire or resign, together the Treasurer and payroll clerk reviewed the applicable employment contract or policy, determined whether the employee was eligible for any separation payments and prepared any separation payment calculations. The Treasurer or payroll clerk then contacted employees to request that they submit in writing their payout choice when the applicable separation payment provisions provided for different payout options:

- Payment to an Employee's 403(b) Retirement Account – The payroll clerk prepared a requisition and the payment was processed through the normal purchase order process. Therefore, both the District's claims auditor and the former Superintendent reviewed and approved all these payments.
- Payment Directly to the Employee – The payroll clerk prepared the separation payment documentation for the Treasurer's review and assignment to a budget code. The former Superintendent then reviewed the documentation with the payroll clerk and signed or initialed it indicating he

authorized the payment to be processed through payroll. The payroll clerk then included the payment as part of the normal payroll process.

Although District officials sufficiently reviewed and approved these payments, they have not developed written policies or procedures to formalize this process. Therefore, we reviewed the terms of separation for each of the 23 employees who left District service during our audit period to determine those eligible for a separation payment and if the payments were properly calculated per the Board-approved employment contract or policy terms. We found that nine of these employees were eligible for and paid separation payments totaling \$152,607, all of which conformed to the terms of the written agreements.

While the procedures in place provide a good system of controls over separation payments, the lack of written procedures results in a risk of the procedures not being followed or changing over time. Formal, written policies and procedures will help District officials ensure that separation payments to District employees are accurate and in accordance with the applicable employment agreements.

We discussed other minor deficiencies with District officials during our fieldwork.

Recommendation

1. District officials should develop, and the Board adopt, written policies and procedures to formalize the processing of separation payments.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

Administration

**Superintendent
Stephen Saxton**

**7 – 12 Principal
Matthew Pflieger**

**PreK-6 Principal
Stephanie Helgeland**

**District Treasurer
Gay Fairbrother**



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Board Of Education

President, Brian Patterson

Vice President, Karen Dgien

Michael Slayton

Don Lester

Megan Hubbard

December 9, 2015

Office of the State Comptroller
110 State Street
Albany, New York 12236

Ladies and Gentlemen:

We are in receipt of the draft Report of Examination of the Avoca Central School District Separation Payments for the period of July 1, 2013 through September 30, 2015. The report was reviewed with district staff and officials at our exit conference on December 9, 2015. We would like to thank the staff from the Office of the State Comptroller involved with the field work for their professional and courteous execution of their duties during the course of the audit.

The district is pleased with the findings that indicate all separation payments during the period tested conformed to the terms of the written contractual agreements. We understand and agree with the recommendation for development of formal policies and procedures which will formalize the processing of future separation payments. We also agree with the details of the report, and will submit our Corrective Action Plan following receipt of the final report as required.

Respectfully Submitted,

Brian Patterson
Board of Education President

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

The objective of our audit was to examine the District's calculation of separation payments for the period July 1, 2013 through September 30, 2015. To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed District officials and staff to gain an understanding of the District's processing and approval of separation payments, controls over the financial software and controls over the computerized leave requisition process.
- We reviewed the collective bargaining agreements, individual employment contracts and non-contractual employee program to identify terms authorizing separation payments.
- We reviewed Board meeting minutes, inquired with District officials and reviewed reports from the financial software to identify all individuals who resigned from the District during our scope period and any related separation payments.
- We reviewed the employment provisions of all 23 employees who left the District and compared them to the facts surrounding each individual's separation to determine if they were eligible for a separation payment.
- We examined the supporting records of the nine separation payment calculations for individuals who left the District during our scope period to determine if the payments were supported and correctly calculated according to the previously identified terms authorizing separation payments.

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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