



# Jefferson-Lewis- Hamilton-Herkimer- Oneida Board of Cooperative Educational Services

## Separation Payments

### Report of Examination

Period Covered:

July 1, 2014 – April 30, 2016

2016M-304



Thomas P. DiNapoli

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# State of New York Office of the State Comptroller

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## **Division of Local Government and School Accountability**

October 2016

Dear Board of Cooperative Educational Services (BOCES) Officials:

A top priority of the Office of the State Comptroller is to help BOCES officials manage BOCES resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support BOCES operations. The Comptroller oversees the fiscal affairs of BOCES statewide, as well as BOCES' 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 BOCES operations and Board of Education governance. Audits also can identify strategies to reduce BOCES costs and to strengthen controls intended to safeguard BOCES assets.

Following is a report of our audit of the Jefferson-Lewis-Hamilton-Herkimer-Oneida BOCES, 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 are resources for BOCES 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 Jefferson-Lewis-Hamilton-Herkimer-Oneida Board of Cooperative Educational Services (BOCES) is a public entity serving 18 component school districts. BOCES is governed by a nine-member Board of Education (Board) elected by the boards of the component districts. The Board is responsible for the general management and control of BOCES' financial and educational affairs. The District Superintendent is BOCES' chief executive officer and serves dual roles. The District Superintendent is responsible, along with other administrative staff, for BOCES' day-to-day management and for regional educational planning and coordination. The District Superintendent also serves the State as a representative for the New York State Commissioner of Education.

Combined, the component districts educate approximately 23,700 students in Jefferson, Lewis, Hamilton, Herkimer and Oneida Counties. BOCES delivers 59 educational and administrative services to its component school districts and employs approximately 500 staff members. BOCES' 2015-16 fiscal year budget of approximately \$47 million was funded primarily by charges to school districts for services.

The Assistant Superintendent for Business supervises all functions of the Business Office, which is largely responsible for calculating and approving employee separation payments.

## Objective

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

- Were employee separation payments calculated correctly and in accordance with BOCES policies, collective bargaining agreements and individual contracts?

## Scope and Methodology

We examined the separation payments to former BOCES employees paid during the period July 1, 2014 through April 30, 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 BOCES  
Officials**

The results of our audit have been discussed with BOCES officials, and their comments, which appear in Appendix A, have been considered in preparing this report. District officials generally agreed with our report.

## Separation Payments

Separation payments are cash payments or retirement service credit given to employees for all or a portion of their earned but unused leave time when employees retire or otherwise separate from service. These payments and credits are generally granted in negotiated collective bargaining agreements (CBAs), individual employment contracts or Board-approved policies or handbooks and can represent significant expenditures. BOCES officials must ensure each payment or credit is accurate and authorized by a Board-approved employment contract or policy.

BOCES officials have entered into three CBAs and one individual employment contract and have two handbooks addressing terms and benefits for employees. These contracts and handbooks provide for eligible employees to receive payment or retirement service credit for earned but unused leave time upon leaving BOCES employment. We found that BOCES officials made accurate employee separation payments and granted service credit as authorized by the CBAs, employment contract or handbook.

BOCES officials follow certain practices for processing separation payments. After the Board approves a separation, either the payroll clerk or Employer/Employee Relations Director reviews the CBA, employment contract or handbook to determine the payment or service credit the employee is entitled to receive.<sup>1</sup> Officials assemble the documentation to establish eligibility and the payment calculation.<sup>2</sup> The payroll clerk calculates the payment or service credit with supporting documentation attached. The calculation and the supporting documentation is reviewed by the Business Manager and/or other BOCES officials<sup>3</sup> who ensure the payment or service credit is appropriate and accurate.

BOCES had 117<sup>4</sup> employees who retired, resigned or otherwise left employment during our audit period. We found 33 employees were

<sup>1</sup> The payroll clerk reviews unused sick leave eligibility, while the Employer/Employee Relations Director reviews unused vacation leave eligibility.

<sup>2</sup> The payment for sick leave is calculated by multiplying the employee's balance of unused sick leave by the payout rate in the employment contract, handbook or CBA. The payment for vacation leave is calculated by multiplying the employee's balance of unused vacation leave by the employee's daily wage rate. Payments for both may be limited by the employment contract, handbook or CBA.

<sup>3</sup> Payments for unused sick leave are reviewed by the Business Manager, Board Clerk and Assistant Superintendent for Business while payments for unused vacation leave are reviewed by the Business Manager.

<sup>4</sup> Two employees separated from the BOCES effective June 30, 2014; however, because they received a separation payment within our scope period, we included them within this number.

eligible for separation payments totaling \$146,616 and were awarded retirement service credits totaling 432 days. Aside from minor issues, which we discussed with BOCES officials, the separation payments and service credits were correctly calculated, paid and awarded in accordance with the CBAs, employment contract or handbooks.

We commend BOCES officials for establishing an effective employee separation payment process. Establishing and adhering to an effective process decreases the risk that incorrectly calculated or unauthorized payments or credits will be made.

## **APPENDIX A**

### **RESPONSE FROM BOCES OFFICIALS**

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





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October 19, 2016

Office of the State Comptroller  
Division of Local Government & School Accountability  
PSU – CAP Submission  
110 State Street, 12<sup>th</sup> Floor  
Albany, NY 12236

To Whom It May Concern:

This letter serves as the Jefferson-Lewis-Herkimer-Hamilton-Oneida BOCES official response to the NYS Comptroller's audit of the period of July 1, 2014 – April 30, 2016, for the purpose of examining the BOCES's separation payment process.

After a review of 117 employees who retired, resigned or otherwise left employment during the audit period, 33 individuals were found to be eligible for separation payments totaling \$146,616. Your office found that the separation payments and service credits were correctly calculated, paid and awarded in accordance with the collective bargaining agreements, employment contracts or handbooks. Given that the audit has commended the BOCES for "establishing an effective employee separation payment process", the BOCES will not prepare a Corrective Action Plan for this audit.

The Jefferson-Lewis-Herkimer-Hamilton-Oneida BOCES staff works hard to ensure that policies and procedures are followed and are used to appropriately safeguard the taxpayers' money.

The BOCES would like to thank the auditors for the professionalism shown throughout the audit process. We take great pride in the work we do here at the BOCES and will continue to review our practices to improve controls and accountability over the financial operations.

Sincerely,

James L. Lawrence, Jr., President  
Jefferson-Lewis-Herkimer-Hamilton-Oneida BOCES

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## APPENDIX B

### AUDIT METHODOLOGY AND STANDARDS

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

- We interviewed BOCES officials and staff to gain an understanding of the approval process for separation payments.
- We reviewed Board minutes, inquired of BOCES officials and reviewed electronic payroll data from the computerized accounting systems along with a list of employees who separated from BOCES maintained by the payroll clerk to identify all employees who left BOCES employment during the audit period. We identified 33 eligible employees who received a separation payment during our audit period.
- We reviewed the negotiated CBAs, employment contract and BOCES handbooks to determine the terms authorizing separation payments.
- We examined the supporting records for 33 separation payments to determine if the payments were supported and correctly calculated according to Board-approved agreements.

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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**AND SCHOOL ACCOUNTABILITY**

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