



Oswego County Board of Cooperative Educational Services Separation Payments

Report of Examination

Period Covered:

July 1, 2014 – October 31, 2015

2016M-217



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

September 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 Oswego County 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 and recommendations 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 Oswego County Board of Cooperative Educational Services (BOCES)¹ is an association of nine component school districts. BOCES is governed by a nine-member Board of Education (Board) elected by the boards of the component school districts. The Board is responsible for the general management and control of BOCES' financial and educational affairs.

The District Superintendent (Superintendent) is BOCES' chief executive officer and serves dual roles. The Superintendent is responsible, along with other administrative staff, for BOCES's day-to-day management and for regional educational planning and coordination. The Superintendent also serves the State as a representative for the New York State Commissioner of Education.

Combined, the component districts educate approximately 22,000 students in Oswego County, with approximately 1,200 attending BOCES programs. BOCES delivers more than 40 educational and administrative services to its nine component districts and employs approximately 370 staff members. BOCES' 2015-16 fiscal year budget of approximately \$50.5 million was funded primarily by charges to school districts for services and State and federal aid.

The Assistant Superintendent for Personnel (Assistant Superintendent) is responsible for ensuring that employee separation payments comply with contractual agreements. A payroll clerk processes and pays all separation payments, which are calculated by a personnel assistant (assistant).

Objective

The objective of our audit was to examine BOCES' calculation of employee separation payments based on Board-approved contracts. Our audit addressed the following related question:

- Were employee separation payments properly calculated in accordance with Board-approved contracts?

Scope and Methodology

We examined the calculation of separation payments paid to former BOCES employees during the period July 1, 2014 through October 31, 2015.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such

¹ As part of a rebranding effort, BOCES is also known as the Center for Instruction, Technology and Innovation (CiTi).

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 relevant population size and the sample selected for examination.

**Comments of BOCES
Officials and Corrective
Action**

The results of our audit and recommendations have been discussed with BOCES officials, and their comments, which appear in Appendix A, have been considered in preparing this report. BOCES officials agreed with our recommendations and indicated that they have implemented corrective action.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of General Municipal Law and Section 170.12 of the Regulations of the Commissioner of Education, a written corrective action plan (CAP) that addresses the 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 should 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 BOCES' Administration office.

Separation Payments

In addition to established wages and salaries, Boards of Cooperative Educational Services 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 their employment. These payments are an employment benefit generally granted in negotiated collective bargaining agreements (CBAs) or individual employment contracts and can represent significant expenditures. As such, BOCES officials must be sure that employees are paid the amounts to which they are entitled by ensuring each payment is accurate and authorized by a Board-approved CBA or employment contract.

During our audit period, BOCES officials entered into six CBAs, two employment contracts stipulating the terms and conditions of employment for those employees not covered by a CBA, and one individual employment contract stipulating the terms and conditions of employment and benefits for the Superintendent. All these contracts included provisions for eligible employees to receive a payment upon leaving BOCES employment.

After the human resources department received an employee's letter of intent to leave BOCES employment, the assistant reviewed the applicable CBA or employment contract to determine the separation payment the employee may have been entitled to receive. The assistant then calculated the separation payment and provided a memo to the Assistant Superintendent for review and approval before the payroll clerk processed the payment. The memo included the amount of unused leave time accruals, daily pay rates and the total pay-out amount. However, no supporting documentation was provided or requested for the Assistant Superintendent's review to ensure the information used by the assistant to calculate the separation payment was accurate.

BOCES had 161 employees who retired, resigned or otherwise left employment during our audit period. We reviewed the terms of separation for each employee to identify those eligible for a separation payment and to determine whether the payments were properly calculated per Board-approved contract terms. We found 28 of these employees were eligible for separation payments totaling \$336,712. While these payments generally conformed to the terms of these written agreements, BOCES officials underpaid one former employee approximately \$5,200.

BOCES officials did not use an accurate daily pay rate to calculate this former employee's payment for 31 unused vacation leave days. The assistant used a prorated six-month salary instead of this employee's² full base-year salary to calculate the daily rate. As a result, the assistant used a lower daily rate to calculate the separation payment.

After we notified BOCES officials of this error, they recalculated the employee's daily pay rate and issued a \$5,238 check to the employee for the underpaid difference. Had BOCES officials reviewed the assistant's original calculation and supporting documentation, the erroneous underpayment may have been detected and prevented.

Recommendations

BOCES officials should:

1. Develop procedures governing separation payments which include providing supporting documentation for supervisory review.
2. Ensure that separation payments are made according to the terms of negotiated CBAs and employment contracts.

² This employee was a full-time 11-month employee who retired on December 31, 2014.

APPENDIX A

RESPONSE FROM BOCES OFFICIALS

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



August 25, 2016

Dear Sir/Madam:

Please accept this letter as the Oswego County BOCES official response and corrective action plan to the Comptroller's Preliminary Draft Findings report for the period covering July 1, 2014 – October 31, 2015.

The objective of the review was to examine and determine accuracy of the BOCES' calculation of employee separation payments based on Board approved contracts. We believe that the executive summary of the Comptroller's report fairly represents the state of operations relative to calculation of separation payments within the Oswego County BOCES.

We are pleased that the audit confirmed proper practices in processing separation payments for 27 out of 28 eligible employees, and that there was only 1 instance of error, which was able to be corrected by rendering an additional amount owed to an employee of \$5,200.

Please find below the Corrective Action Plans for the recommendations provided within the report:

Recommendation #1 – Develop procedures governing separation payments, which include providing supporting documentation for supervisory review.

- i) **Implementation Plan of Action** – Relative to the discovered underpayment, during field review, the correction was made in accordance with the recommended calculation provided by the auditors, and payment was rendered to the employee. Prospectively, the following measures will be enacted to ensure proper payment in accordance with the auditor's recommendation:
 - i. Upon receipt of separation notices from an employee, the Assistant Superintendent for Personnel will review the applicable CBAs to determine what payment(s) are owed to the employee along with the per unit dollar amount for those items.
 - ii. The Assistant Superintendent for Personnel will communicate this information to the Personnel Assistant, who will verify the correct number of units, using data contained in the employee information management system, and calculate the payment owed to the employee.
 - iii. That calculation along with all supporting documentation will be provided back to the Assistant Superintendent for Personnel and also to the Coordinator of Business Administration for review to confirm the information used to calculate the separation payment, and the calculation itself, is accurate.
 - iv. Once confirmation is received from the Assistant Superintendent and the Coordinator of Business Administration, payment will be processed and all information will be placed in the personnel file of the employee.

A BOARD OF COOPERATIVE EDUCATIONAL SERVICES
179 County Route 64, Mexico, NY 13114
Christopher J. Todd, District Superintendent/Executive Officer

- ii) **Implementation Date** – This procedure was implemented immediately following the verbal notice received from the auditors upon completion of their audit field work.
- iii) **Person Responsible for Implementation** – Assistant Superintendent for Personnel.

Recommendation #2 – Ensure that separation payments are made according to the terms of negotiated CBAs and employment contracts.

- i) **Implementation Plan of Action** – As per the steps outlined in the action plan for Recommendation #1, upon receipt of separation notices from an employee, the Assistant Superintendent for Personnel will review the applicable CBAs and/or employment contracts to determine what payment(s) are owed to the employee along with the per unit dollar amount for those items and will transmit that information to the Personnel Assistant for use in calculating separation payments.
- ii) **Implementation Date** – This procedure was implemented immediately following the verbal notice received from the auditors upon completion of their audit field work.
- iii) **Person Responsible for Implementation** – Assistant Superintendent for Personnel.

The BOCES would like to recognize the courteous and professional manner in which the auditors conducted their review as well as the thoroughness of their audit process. We found the results of the audit and the recommendations provided in the report to be of value and took immediate steps to implement them.

The BOCES appreciates the Comptroller’s efforts to review functions and offer recommendations for procedural improvement. This audit report is viewed as a helpful tool in maintaining a high level of accountability to our stakeholders, and we appreciate the opportunity to work with the Comptroller’s Office to continuously improve our financial practices.

Sincerely,

Christopher J. Todd
District Superintendent

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 the negotiated CBAs and employment contracts to determine the terms for authorizing separation payments.
- We reviewed Board minutes, inquired of BOCES officials and reviewed electronic payroll data from the computerized accounting systems to identify all employees who left BOCES employment during our audit period. We identified 28 eligible employees who received a separation payment during our audit period.
- We examined the supporting records for these 28 separation payments to determine if the payments were supported and correctly calculated according to the 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 objectives. 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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