



Penn Yan Central School District Separation Payments

Report of Examination

Period Covered:

July 1, 2013 – October 6, 2015

2015M-258



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	1
INTRODUCTION	2
Background	2
Objective	2
Scope and Methodology	2
Comments of District Officials and Corrective Action	3
SEPARATION PAYMENTS	4
Recommendation	5
APPENDIX A Response From District Officials	6
APPENDIX B Audit Methodology and Standards	9
APPENDIX C How to Obtain Additional Copies of the Report	10
APPENDIX D Local Regional Office Listing	11

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

February 2016

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 Penn Yan 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 recommendation 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 Penn Yan Central School District (District) is located in the Towns of Barrington, Benton, Jerusalem, Milo and Potter in Yates County, Geneva and Seneca in Ontario County and Pulteney in Steuben County. The District is governed by a Board of Education (Board) that is composed of nine 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) is the District's chief executive officer and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction. The Board-appointed Assistant Superintendent for Business supervises all functions within the Business Office, including overseeing the payroll clerk.

During our audit period, the District had administrative and business office turnover. The former Superintendent resigned as of June 30, 2014, and the Treasurer retired as of August 7, 2015.

The District operates three schools with approximately 1,570 students and 360 employees. The District's budgeted appropriations for the 2015-16 fiscal year are \$33.6 million, which are funded primarily with State aid and real property taxes.

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 separation payments to former District employees paid during the period July 1, 2013 through October 6, 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.

**Comments of
District Officials and
Corrective Action**

The results of our audit and recommendation 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 recommendation and indicated they have taken 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 employees retire or otherwise leaves district employment. These payments are an employment benefit generally granted in negotiated collective bargaining agreements (CBAs) or individual employment contracts and can represent significant expenditures for a district. District officials must be sure that employees are paid only the amounts to which they are entitled by ensuring each payment is accurate and authorized by a Board-approved employment contract. When providing an early retirement incentive program, the District must define the eligibility group. This group is the set of individuals who will be offered the opportunity to participate in the program.

The District has three CBAs and three individual employment contracts that stipulate the terms and benefits for its employee. All of these contracts include provisions for eligible employees to receive a payment upon separation from District employment. After the Board approves a separation, the payroll clerk reviews the applicable employment contract to determine the payments to which the employee may be entitled. For retirement incentive payments, the payroll clerk calculated the separation payments and provided the calculations with supporting documentation to the Assistant Superintendent for Business for review and approval. However, for accrued vacation leave payments, the payroll clerk calculated the payments but did not submit them to the Assistant Superintendent for Business for review.

The District had 24 employees who retired or resigned from the District during our audit period. We reviewed the separation terms for each employee to determine those eligible for a payment and whether the payments were properly calculated according to applicable Board-approved contract terms. We found that five teachers and nine nonteaching staff were eligible for separation payments totaling \$111,336. These payments conformed to the terms of the written agreements.¹

In addition, of the nine payments made to nonteaching staff, we found that the Assistant Superintendent for Business did not approve seven

¹ The District made a \$7,000 payment to one teacher according to a memorandum of agreement (MOU) between the District and the union, which provided for a “one-time exception” to the CBA eligibility requirements. For purposes of this audit, we have assumed the legal propriety of the MOU.

payments totaling \$11,757, or 10.6 percent of all payments, because it was not standard procedure for the payroll clerk to provide them to her. Although all of the vacation payout payments were correctly calculated, a review process provides additional assurance that any errors would be detected and corrected before the payments are processed. The payroll clerk told us that, in the future, she will ensure all separation payments are reviewed and approved.

With the exception of the lack of review for vacation payments, we found that the District's separation payments were processed correctly. While we found that District officials properly paid separation payments, they could further improve the system of controls.

Recommendation

1. The Assistant Superintendent for Business should review and approve all separation payments prior to processing.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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

PENN YAN CENTRAL SCHOOL DISTRICT

District Office
One School Drive
Penn Yan, NY 14527

(315)536-3371
(315)536-0068 fax

Howard Dennis
Superintendent of Schools

February 3, 2016

This letter serves as the response letter and corrective action plan.

The Penn Yan Central School District agrees with the findings from the State of New York Office of the State Comptroller's Office and has already implemented the recommended change.

When an employee separates from service, the payroll clerk figures the payment and provides the information to the Assistant Superintendent for Business to verify. The Assistant Superintendent then verifies and signs off before payment to the employee occurs.

Signed:

Howard Dennis
Superintendent of Schools

Date

2/3/16

PENN YAN CENTRAL SCHOOL DISTRICT

District Office
One School Drive
Penn Yan, NY 14527

(315)536-3371
(315)536-0068 fax

Howard Dennis
Superintendent of Schools

CORRECTIVE ACTION PLAN

Unit Name: Penn Yan Central School District

Audit Report Title: Separation Payments

Audit Report Number: 2015M-258

For each recommendation included in the audit report, the following is our corrective action(s) taken or proposed.

Audit Recommendation:

The Assistant Superintendent for Business should review and approve all separation payments prior to processing.

Implementation Plan of Action(s):

The payroll clerk figures all separation payments and then provides it to the Assistant Superintendent for Business for review. Once the Assistant Superintendent for Business has reviewed the payments, the payment is signed off on and given back to the payroll clerk for processing.

Implementation Date:

December 1, 2015

Person Responsible for Implementation

Payroll Clerk and Assistant Superintendent for Business

Signed:

Howard Dennis
Superintendent of Schools

Date

2/3/16

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

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.
- We reviewed the negotiated collective bargaining agreements and individual employment contracts to identify terms authorizing separation payments.
- We reviewed Board minutes and inquired with District officials to identify separation payments made during our scope period.
- We reviewed documentation related to all 24 employees who left District employment during our audit period to determine if they were eligible for separation payments.
- We examined supporting records for the 14 separation payments made during our audit period to determine whether 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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