



THOMAS P. DiNAPOLI
COMPTROLLER

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER
110 STATE STREET
ALBANY, NEW YORK 12236

ELLIOTT AUERBACH
DEPUTY COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY
Tel: (518) 474-4037 Fax: (518) 486-6479

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Kevin McGowan, Superintendent of Schools
Members of the Board of Education
Brighton Central School District
2035 Monroe Ave.
Rochester, NY 14618

Report Number: 2016M-119-F

Dear Superintendent McGowan and Members of the Board of Education:

One of the Office of the State Comptroller's primary objectives is to identify areas where school district officials can improve their operations and provide guidance and services that will assist them in making those improvements. The Office also works to develop and promote short-term and long-term strategies to enable and encourage district officials to reduce costs, improve service delivery and to account for and protect their school district's assets. In accordance with these objectives, we conducted an audit of the Brighton Central School District (District) to assess separation payment processes of the District. As a result of our audit, we issued a report, dated July 1, 2016, identifying certain conditions and opportunities for the Board's review and consideration.

To further our policy of providing assistance to school districts, we revisited the District beginning in July 2022 to review progress in implementing our recommendations. Our follow-up review was limited to interviews with District officials and inspection of certain documents related to the issues identified in our report. Based on our limited procedures, it appears that the District has made progress implementing corrective action. Of the five audit recommendations related to separation payments, one recommendation was fully implemented, one recommendation was implemented with alternate corrective action, two recommendations were partially implemented and one recommendation was not implemented.

Recommendation 1 – Overpayment Recoupment

The Board and District officials should direct the District's attorney to review the identified overpayments and take whatever action is appropriate within the law to recover those funds.

Status of Corrective Action: Not Implemented

Observations/Findings: District officials stated that they were unable to recoup the overpayments noted in the audit even though the Assistant Superintendent for Administration sent letters requesting repayment to two of the three employees after consulting with their attorney and the Teacher's Association. The Assistant Superintendent for Administration could not provide a copy of the letters and stated that they did not document the recoupment effort in a satisfactory manner. By limiting their efforts to a letter, the District took only minimal steps to recoup the overpayments.

District officials stated these amounts would most likely be a write-off given one of the two individual's current financial situation. District officials did not attempt to recoup the overpayment to the third individual because they disagreed with our finding and stated the payment was made in accordance with the terms negotiated by the Superintendent at the time of this individual's employment, which were not formalized through a memorandum of agreement or Board resolution.

Recommendation 2 – Separation Payment Policy

The Board and District officials should develop and adopt written procedures to govern separation payments to ensure calculations are formally documented, adequately supported, reviewed and approved and payments are consistent with Board-adopted terms and conditions.

Status of Corrective Action: Partially Implemented

Observations/Findings: District officials developed and adopted written procedures to govern separation payments. However, the procedures were not effectively implemented because individuals identified to complete specific tasks in the procedures were not involved.

The procedures included:

- Completing a separation payout calculation form by the Director of Human Resources that verifies years of service and unused entitlements,
- Attaching appropriate supporting documentation to the form,
- Reviewing and initialing by the District Treasurer after confirmation of dates and accrual balances, and
- Final approval by the Assistant Superintendent for Administration who audits and authorizes the payment.

We selected all three employees that received separation payments totaling \$41,331 during the 2021-22 fiscal year to determine whether the procedures were implemented and found that they were not. Although all three employees had a separation calculation form included in their payout packet, the form was prepared by the payroll specialist, instead of the Director of Human Resources as required. The Director of Human Resources stated that she does not have a role in processing separation payouts and that attendance and processing is tracked in the payroll department. As noted under Recommendation 4, adequate supporting documentation was also not attached as required. In addition, there was no indication on the form that the District Treasurer verified dates and accrual balances as required. We do recognize that the Assistant Superintendent for Administration reviews and approves the separation payments.

Recommendation 3 – Separation Payment Terms

District officials should ensure that separation payments are made according to the terms of the negotiated CBAs (collective bargaining agreements) and Board-adopted benefit policies. Changes to these terms should be agreed to by all parties to the agreement and formally documented in a MOA (memorandum of agreement).

Status of Corrective Action: Fully Implemented

Observations/Findings: The Assistant Superintendent for Administration reviews and approves the separation payments to ensure they are made in accordance with the terms of the negotiated CBAs and Board-adopted policies. During our review of the three separation payments totaling \$41,331, we determined that the employees were entitled to separation payments based on our review of the applicable CBAs, which were not attached to the forms.

We recalculated the three separation payouts and found they were correct.

Recommendation 4 – Supporting Documentation

District officials should ensure that adequate supporting documentation is attached to fully documented calculations.

Status of Corrective Action: Partially Implemented

Observations/Findings: Adequate supporting documentation was not attached to the separation payment calculation form to support the calculations. The Assistant Superintendent for Administration reviewed the separation calculation form prepared by the payroll specialist that had a screenshot of the employee's leave accrual balances, years of service and daily rate from the payroll software included with the form. However, a copy of the CBA was not attached to two of the three individual's calculation forms that reference the applicable terms that supported the employee was entitled to the separation payout, the rate the employee accrued leave and the rate at which the unused accrued leave would be paid out at separation. While one employee's separation payment calculation form had a page from a CBA attached, it was unclear as to which CBA the page originated from. After our review of the applicable CBA for this individual, we found the attached page was not from the correct CBA. The Assistant Superintendent for Administration stated that he knows the terms of the CBAs and could easily look them up for reference if necessary. Without the necessary supporting documentation, an adequate review of the packet prior to authorization cannot occur.

Recommendation 5 – Claims Auditor Review

The claims auditor should review and approve all separation payment calculations prior to payment.

Status of Corrective Action: Alternate Corrective Action Taken

Observations/Findings: The claims auditor stated that they do not review contracts or recalculate separation payments because District officials did not develop procedures for the claims auditor to do so. Instead, District officials developed procedures that indicate an audit of the payout will be performed by the Assistant Superintendent of Administration. Although these procedures are acceptable, someone independent of the payroll process, such as the claims auditor, should review any future separation payments for the Assistant Superintendent of Administration. During our review of the three separation payments totaling \$41,331, we determined that the Assistant Superintendent of Administration reviewed and approved the payments.

During our review, we discussed the basis for our recommendations and the operational considerations relating to these issues. We encourage District officials to continue their efforts to fully implement our recommended improvements.

Thank you for the courtesies and cooperation extended to our auditors during this review. If you have any further questions, please contact Edward V. Grant Jr., Chief of Municipal Audits of our Rochester Regional Office, at (585) 454-2160.

Sincerely,

Elliott Auerbach
Deputy Comptroller