



Fairport Central School District

Payroll and Employee Benefits

2023M-118 | December 2023

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Report Highlights

Fairport Central School District

Audit Objective

Determine whether Fairport Central School District (District) officials accurately paid employees and properly calculated employees' leave accruals.

Key Findings

District officials generally paid the 33 employees we tested accurately and properly calculated their leave accruals. However, we found one of the five employees that received a retirement incentive should not have been paid \$2,000 because they retired prior to the end of the school year, a requirement for this incentive.

Key Recommendations

- Consult with legal counsel to ensure retirement payments are disbursed in accordance with the CBA.

District officials generally agreed with our recommendations and have initiated or indicated they planned to initiate corrective action.

Background

The District serves the Town of Perinton in Monroe County. The seven-member Board of Education (Board) is responsible for the general management and control of education and financial affairs.

The Superintendent of Schools is the 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 Assistant Superintendent for Business oversees the District's business operations. The Payroll Supervisor is responsible for payroll processing. The Board authorizes the Assistant Superintendent for Human Resources and Labor Relations to certify payrolls.

Quick Facts

Employees Paid During Audit Period	1,837
2021-22 Wages	\$64.1 million
Total Reviewed	
Wages	\$3.3 million
Employees	33
CBAs and Individual Contracts	10

Audit Period

July 1, 2021 – April 30, 2023

We extended our audit period forward to June 30, 2023 to review wages paid to certain employees.

Payroll and Employee Benefits

How Should District Officials Ensure That Wages and Leave Benefits Are Accurately Paid?

Payroll and employee benefits make up a significant portion of a school district's operating costs. A school district's board (board) should establish and approve all wages as part of a CBA or individual employment contract. The terms and conditions of all employment agreements should be clearly communicated to those responsible for payroll processing. School district officials should then establish procedures to ensure that employees are paid the wages authorized by the board.

Furthermore, accrued leave represents time off earned by employees, pursuant to a CBA or individual employment contract and provides eligibility criteria for employees to earn vacation time, sick time, personal time and, in some circumstances, receive payment for unused vacation leave in lieu of carrying it forward to the following school year.

School district officials are responsible for ensuring that employee leave benefits are accurately accounted for, and employees only use the leave to which they are entitled. School district officials also should ensure employees receiving unused leave and separation payments are paid the amounts to which they are entitled and that each payment is accurate, adequately supported and authorized pursuant to a board-approved CBA or individual employment contract. Adequate supporting documentation, such as accrual balance reports and contracts, should be attached to payment calculations and the amounts should be independently reviewed and approved before payments are made to ensure they were accurately calculated and eligibility requirements were met. If not specifically authorized by a CBA or contract, a school district generally should not make separation payments or payments for unused leave accruals.

District Officials Generally Paid Employees Accurately and Properly Calculated Leave Accruals

We examined annual gross wages totaling \$2.7 million, and supplemental payments totaling \$141,844, paid to 20 employees from July 2021 through April 2023, to determine whether employees were paid accurately based on authorized rates in accordance with CBAs and/or individual contracts. We also examined leave accruals for the same 20 employees to determine whether leave benefits were accurately accrued and authorized in accordance with their respective CBAs and/or contracts. These 20 employees were paid accurately, and their leave benefits were properly accrued and recorded.

In addition, we reviewed 33 employees' payroll records, including the 20 tested above, for unused leave and separation payments and identified 32 payments. These included five payments for retirement incentives totaling \$145,000, 16 separation payments for unused leave totaling \$248,910, and 11 payments for unused vacation leave in-lieu of carrying forward to the next year, totaling \$62,944. Except for a minor discrepancy that we communicated to officials, 30 of these payments were made in accordance with their respective CBA and/or individual contract. One employee received a \$2,000 retirement "incentive" payment that was inconsistent with the language set forth in their CBA.

The CBA states that an employee must submit an irrevocable letter of retirement by February 1 indicating they will retire at the end of that school year. However, the employee who received the retirement payment retired six months prior to the end of the school year. The Assistant Superintendent for Human Resources and Labor Relations told us that the employee was unable to complete the school year due to unforeseen circumstances and that the situation was discussed with the Board. However, regardless of circumstances, this payment was inconsistent with the language of the CBA.

When the District provides benefits that are not supported by contract terms, it can undermine financial operations transparency and increase the risk that employees are paid benefits to which they are not entitled, or the Board did not intend to provide.

What Do We Recommend?

The Board should:

1. Ensure retirement incentives and/or separation payments are in accordance with a CBA or individual employment contract.
2. Consult with legal counsel regarding the retirement incentive paid to the former employee.

Appendix A: Response From District Officials

Quality Learning & Caring...



FAIRPORT CENTRAL SCHOOL DISTRICT

Brett Provenzano
Superintendent of Schools

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November 27, 2023

Dina M.L. Thompson
Chief of Municipal Audits
State Office Building - Suite 1702
44 Hawley Street
Binghamton, NY 13901-4417

Dear Ms. Thompson:

The Fairport Central School District has received and reviewed the draft audit report concerning payroll and benefits between July 1, 2021 and June 30, 2023 (Report of Examination 2023M-118). On behalf of the Board of Education and administration, we appreciate the opportunity to respond to the findings and to provide you with our responses to the audit recommendations.

During the course of the audit, the Comptroller's Office conducted a comprehensive examination of the District's financial practices and internal controls. The Board of Education and administration are pleased to know that no fraud, waste, or abuse was identified by this examination. Further, we appreciate the courteous and professional manner in which the auditors worked with us during the audit as well as the thoroughness of their audit procedures.

This letter includes the District's responses to the audit recommendations.

Response to Audit Recommendations:

1. *Ensure retirement incentives and/or separation payments are in accordance with the CBA or individual employment contract.*

District Response:

The District acknowledges that one employee received a retirement incentive payment that was inconsistent with the language set forth in the applicable CBA. The CBA states that an employee must submit an irrevocable letter of retirement by February 1 indicating that he/she will retire at the end of that school year. The employee who received the retirement payment retired six months prior to the end of the school year because the employee was unable to complete the

school year due to unique and unforeseen circumstances that forced the employee into retirement earlier than anticipated.

2. *Consult with legal counsel regarding the retirement incentive paid to the former employee.*

District Response:

The District consulted with legal counsel regarding the retirement incentive paid to the former employee. The recommendation from legal counsel is to do a one-time, non-precedent setting memorandum of agreement, authorizing the retirement incentive payment to the former employee due to the unique and unforeseeable circumstances that forced the employee into retirement earlier than anticipated.

The District appreciates the hard work, effort, transparency and communication with the auditors throughout the process. We have great respect for our fiduciary responsibility to safeguard taxpayer resources and appreciate the Comptroller's insight into our already sound practices.

Respectfully,

Erica Belois-Pacer
President, Board of Education

Brett Provenzano
Superintendent of Schools

Appendix B: Audit Methodology and Standards

We conducted this audit 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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We reviewed Board meeting minutes and policies, CBAs, individual employment contracts, and memorandums of agreement (MOA) and interviewed District officials to gain an understanding of the payroll and leave accrual processes.
- We reviewed the District's Human Resources and Payroll permissions reports to determine whether user access rights were segregated.
- Using our professional judgment, we selected 20 employees District-wide to determine the accuracy of compensation paid from July 1, 2021 through April 30, 2023. We selected two employees in each CBA, all employees with individual contracts, one part-time payroll clerk based on user permission rights, and three non-collective bargaining employees. We recalculated the compensation, including any unused vacation leave payments, for each employee based on source documents, including employee wage notices and relevant CBAs, contracts, and MOAs.
- We reviewed the leave records for the 20 employees selected for payroll testing to determine whether leave accruals were properly earned, credited and carried forward up to the maximum accumulation. We compared leave requests and/or attendance sheets to the leave documented on each employee's electronic leave records. We also reviewed leave records for proper accrual balances.
- Using our professional judgment, we randomly selected nine employees from a population of 47 employees who left District employment during our audit period and received compensation for unused vacation leave, without expectation of greater or lesser results. We determined that the employees' separation payments, including unused sick leave, were made in accordance with CBAs or employment contracts.
- Using our professional judgment, we randomly selected one employee from a population of 35 employees who retired during our audit period, without expectations of greater or lesser results, and determined whether the employee should have received any separation payments, including unused vacation or sick leave, and if those payments were made in accordance with CBAs or employment contracts.
- Using our professional judgment, we selected a sample of five employees, including two that were previously tested for separation payments, from the population of 14 employees who retired from the District and received retirement incentive (non-leave) compensation, totaling \$145,000, during

our audit period. We selected the five individuals based on those with the highest retirement payment. We determined whether the retirement incentive payments were in accordance with CBAs or employment contracts and determined whether they were appropriate.

- We reviewed employees' personnel files to verify hire dates and education certifications when determining longevity requirements for separation payments and other compensation.

We conducted this performance audit in accordance with generally accepted government auditing standards (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.

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.

The Board has the responsibility to initiate corrective action. 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, 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. 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 CAP should be posted to the Districts' website for public review.

Appendix C: Resources and Services

Regional Office Directory

www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.ny.gov/local-government/publications

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.ny.gov/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.ny.gov/local-government/publications

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.ny.gov/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.ny.gov/files/local-government/publications/pdf/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.ny.gov/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.ny.gov/local-government/publications

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.ny.gov/local-government/academy

Contact

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