

Clinton County

Separation Payments

JUNE 2018



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Clinton County

Audit Objective

Determine whether the County accurately paid employees' separation payments.

Key Findings

- The County lacked effective procedures to ensure employees were accurately paid separation payments.
- We reviewed 30 separation payments totaling \$512,693 made during the audit period and found that seven payments (23 percent) were not accurately calculated. As a result, four former employees were overpaid a combined total of \$10,089 and three former employees were underpaid a combined total of \$403.

Key Recommendations

- Implement an independent review and approval of separation payments.
- Direct the County's legal counsel to review the identified overpayments and take appropriate action to recover those funds and reimburse identified underpayments.

County officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

Background

Clinton County (County) is located in northeastern New York State and encompasses 14 towns, three villages and a city. The County is governed by the County Legislature (Legislature), which is composed of 10 members, one of whom serves as the Chair. The Legislature is responsible for the general oversight of County financial affairs and safeguarding its resources. The elected County Treasurer (Treasurer) is the chief fiscal officer.

The County Administrator is responsible for the general supervision and coordination of the activities of all County departments. Personnel Department staff determine the eligibility of employees to receive a separation payment and these payments are processed by the payroll clerk in the Treasurer's office.

Quick Facts

Population	82,000
2018 Appropriations	\$167.5 million
2016 – 2017 Separation Payments	\$1.3 million

Audit Period

January 1, 2016 – December 31, 2017

Separation Payments

The County's three collective bargaining agreements (CBAs) in effect during the audit period stipulated the terms and conditions of employment and benefits for employees.¹ All CBAs included provisions for eligible employees to receive a payment for unused leave when they left County employment.

Employees who retired were eligible to be paid for any accrued unused vacation, holiday or compensatory leave time and accrued unused sick leave time up to 165 days, based on their respective CBA's provisions. Employees who resigned or otherwise left County employment were eligible to be paid for accrued unused vacation, holiday or compensatory leave time based on their respective CBA's provisions. Separation payments were to be made at the employee's hourly rate of pay at the time of separation, except for payments for unused sick leave for certain employees.²

How Should Separation Payments Be Accurately Paid?

The Legislature approves the terms and amounts to be paid for separation payments through Board resolutions and CBAs. County officials establish procedures to ensure employees are paid separation payments according to the terms and amounts authorized by the Legislature. A well-designed system requires procedures that provide guidance and oversight for employees who calculate and process separation payments. Adequate supporting documentation should be attached to payment calculations and the payments should be independently reviewed and approved before payments are made to employees to help ensure they were accurately calculated.

Separation Payments Were Not Accurately Paid

County officials did not ensure employees were accurately paid separation payments. When an employee retired, resigned or otherwise left County employment, the employee's department was required to submit a personnel change report to the Personnel Department notifying them of the employee's intent and the date they were leaving employment.

One of two designated senior personnel associates (associates) in the Personnel Department determined employees' unused leave balances. The associates obtained sick and vacation leave balances from the financial software and holiday and compensatory leave balances by contacting the employee's department when these balances were not provided on the personnel change form. Holiday

¹ On May 11, 1988, the Legislature adopted a resolution authorizing management/confidential employees to be entitled to all benefits afforded union employees as set forth in the general unit CBA.

² Unused sick leave for general unit CBA employees who were hired on or after January 1, 1996 and corrections CBA and Deputy Sheriff CBA employees who were hired on or after January 1, 2000, are paid at the hourly rate of pay in effect when the days were accrued.

and compensatory balances were not maintained in the financial software, but instead were maintained at the department level. The departments were not required to submit any supporting documentation to Personnel Department staff for these leave balances (i.e., leave accrual records). Instead, the Personnel Department staff relied solely on the leave balances provided by the departments' designated timekeepers.

The associates recorded the unused leave time the employee was entitled to be paid, on a final paycheck authorization form. In addition, for retirees whose accrued unused sick leave was paid at the hourly rate of pay when the days were accrued, the associates prepared a spreadsheet containing the corresponding calculation for the payment of accrued unused sick leave.

The associates then provided the final paycheck authorization form and a printed copy of the sick leave payout spreadsheet, if applicable, to the payroll clerk, who calculated and processed the payments. We found that neither of these documents were reviewed by someone independent from the associate who prepared them to ensure they were accurate before being provided to the payroll clerk.

In addition, when these documents were submitted to the payroll clerk no documentation was attached to support the recorded balances, such as leave accrual records. Instead, the payroll clerk relied solely on the balances provided by the associates. Payments were also not reviewed and approved by someone independent of the payroll clerk before the payments were made.

We reviewed 30 separation payments totaling \$512,693 made to former employees during the audit period to determine whether they were accurately calculated in accordance with the terms of each respective CBA. County employees did not accurately calculate separation payments made to seven former employees (23 percent of payments reviewed). As a result, one former employee was overpaid \$10,000 and three former employees were overpaid a combined total of \$89. In addition, one former employee was underpaid \$334 and two former employees were underpaid by a combined total of \$69.

These errors occurred because the payroll clerk made a calculation error and the associates used inaccurate hourly rates and accrued unused sick leave balances when calculating the payment of employees' accrued unused sick leave. In addition, the associates provided the payroll clerk with inaccurate leave balances used to calculate payments.

For example, the payroll clerk accurately calculated one former employee's separation payment for unused sick leave and unused vacation leave, but when combining these amounts he mistakenly added an additional \$10,000. As a result, the former employee received a separation payment totaling \$42,996 instead of the \$32,996 to which she was entitled.

Another former employee was underpaid \$334 because the associate who calculated this employee's payment for accrued unused sick leave used inaccurate hourly rates and unused sick leave balances when performing her calculation.

While the other three overpayments and two underpayments were immaterial, the fact that errors occurred and were not detected is further support for the need to amend the system of controls to prevent such errors.

Because County officials did not establish adequate procedures and oversight over separation payments, former employees were both overpaid and underpaid. The number of errors we identified indicates the County's procedures for separation payments require improvement to ensure future separation payments are accurate.

What Do We Recommend?

County officials should:

1. Review the remaining separation payments made during the audit period to determine whether they were accurate.
2. Ensure adequate supporting documentation is attached to the separation payment calculations.
3. Implement an independent review and approval of separation payments to ensure they are accurately calculated in accordance with the terms of CBAs.

The Legislature and County officials should:

4. Direct the County's legal counsel to review the identified overpayments and take appropriate action to recover those funds and reimburse identified underpayments.

Appendix A: Response From County Officials

CLINTON COUNTY LEGISLATIVE OFFICE

Clinton County Government Center
137 Margaret Street, Suite 208
Plattsburgh, New York 12901

MICHAEL E. ZURLO
County Administrator
mike.zurlo@clintoncountygov.com

RODNEY L. BROWN
Deputy County Administrator
rodney.brown@clintoncountygov.com



TELEPHONE
518-565-4600

FAX
518-565-4616

June 7, 2018

[REDACTED]
NYS Office of the State Comptroller
Division of Local Government and School Accountability
One Broad Street Plaza
Glens Falls, NY 12801

Re: Separation Payments 2018M-44

Dear [REDACTED]

Please accept this correspondence as Clinton County's formal written response to the draft audit report titled "Separation Payments" received by the County on May 9, 2018. It is worth noting, for the record, that this audit occurred without incident and New York State Comptroller personnel performed their work in a professional and courteous manner.

County officials have reviewed the draft audit report and agree with the findings contained therein. To this end, Clinton County has taken all necessary steps, including requiring supporting written documentation and implementing secondary reviews, to ensure the accuracy of all calculations and payments to individuals when they separate from the Clinton County Workforce.

Further, the County Legislature has directed the County Attorney to begin the process of seeking reimbursement for a single overpayment identified in the draft audit and has also approved reimbursement for underpayments. All reimbursements for underpayments were issued on May 25, 2018.

In conclusion, I would like to thank you for taking the time to thoroughly examine the finances of Clinton County and am very pleased that the Comptroller's extensive review of all County Departments did not yield any instances of malice, fraud or systemic deficiencies.

Sincerely,

Michael E. Zurlo
County Administrator

MEZ/tm

cc: Clinton County Legislature
Kimberly Davis, County Treasurer
James Coffey, County Attorney

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 interviewed County officials and employees and reviewed CBAs and various financial records and reports to gain an understanding of the County's procedures related to separation payments and documented any associated effects of deficiencies in those procedures.
- We reviewed 30 separation payments of approximately 250 payments (approximately 50 to employees who retired and 200 to employees who resigned) made to former employees during the audit period to determine whether they were accurately calculated in accordance with the terms of each respective CBA. We randomly selected 20 payments made to employees who retired and 10 payments made to employees who resigned.

We conducted this performance audit in accordance with GAGAS, generally accepted government auditing standards. 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 relevant population size and the sample selected for examination.

A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and provided to our office within 90 days, pursuant to Section 35 of General Municipal Law. 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. We encourage the Legislature to make the CAP available for public review in the Clerk of the Legislature's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

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

www.osc.state.ny.us/localgov/costsavings/index.htm

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

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

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

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

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

www.osc.state.ny.us/localgov/planbudget/index.htm

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

www.osc.state.ny.us/localgov/lgli/pdf/cybersecurityguide.pdf

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

www.osc.state.ny.us/localgov/finreporting/index.htm

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

www.osc.state.ny.us/localgov/researchpubs/index.htm

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

www.osc.state.ny.us/localgov/academy/index.htm

Contact

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

www.osc.state.ny.us/localgov/index.htm

Local Government and School Accountability Help Line: (866) 321-8503

GLENS FALLS REGIONAL OFFICE – Jeffrey P. Leonard, Chief Examiner

One Broad Street Plaza • Glens Falls, New York 12801-4396

Tel: (518) 793-0057 • Fax: (518) 793-5797 • Email: Muni-GlensFalls@osc.ny.gov

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