

Central Valley School District

Separation Payments

SEPTEMBER 2018



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

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Report Highlights

Central Valley School District

Audit Objective

Determine whether District officials accurately paid employees' separation payments.

Key Findings

- We reviewed all 37 separation payments totaling \$516,017 made to eligible employees during the audit period and found that, except for minor discrepancies, the payments were accurately paid in accordance with Board-approved contracts and agreements.
- District officials did not ensure an independent review of separation payment calculations was performed for all payments processed in the payroll system during the audit period, totaling \$113,064.

Key Recommendation

- Establish procedures to provide an independent review of all employee separation payments to ensure they are calculated according to the terms and amounts authorized by the Board.

District officials generally agreed with our recommendation and indicated they planned to initiate corrective action.

Background

The Central Valley School District (District) serves the Towns of Columbia, Frankfort, German Flatts, Herkimer, Litchfield, Little Falls and Schuyler in Herkimer County. A seven-member Board of Education (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 Business Manager determines the eligibility of employees to receive separation payments and supervises all functions in the Business Office. A payroll clerk and accounts payable clerk process separation payments.

Quick Facts

Students	2,271
Employees	397
2017-18 Appropriations	\$45 million

Audit Period

July 1, 2016 - March 31, 2018

Separation Payments

During our audit period, the Board approved compensation and benefits for employees through two collective bargaining agreements (CBAs) and for the Superintendent through an individual employment contract. All these contracts included provisions for eligible employees to receive a separation payment upon leaving District employment.

How Should Separation Payments Be Accurately Paid?

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 employee retires or otherwise leaves district employment. A district may also provide other retirement incentives to employees that are not based on remaining leave balances (e.g., lump sum payment based on years of service). These can represent significant expenditures, so boards should approve the terms and amounts to be paid for separation payments through CBAs and individual employment contracts.

District officials should establish procedures to ensure employees are paid separation payments according to the terms and amounts authorized by the board. Adequate supporting documentation should be attached to payment calculations and the amounts should be independently reviewed and approved before payments are made to employees to help ensure they were accurately calculated.

Separation Payments Were Accurately Calculated and Paid

After the Board's acceptance of an employee's request to retire or resign, the Business Manager reviews the applicable CBA or individual employment contract to determine whether the employee is eligible for a separation payment. The Business Manager then calculates the separation payment and provides it to the payroll or accounts payable clerk to process the payment.¹ Although the claims auditor independently reviews the separation payment calculations processed by the accounts payable clerk, there is no independent review of separation payment calculations processed by the payroll clerk in the payroll system. While the Superintendent reviews (certifies) the biweekly payrolls, neither the Business Manager nor the payroll clerk forward the separation payment calculations to the Superintendent for his review.

¹ The accounts payable clerk processes check payments to employees' 403(b) investment accounts, while the payroll clerk processes separation payments made to employees' through the payroll system.

We identified 37 eligible² employees who received separation payments totaling \$516,017 during the audit period.³ To determine whether all payments were accurate per the applicable CBA or individual employment contract, we recalculated the separation payments using available calculations performed by the Business Manager and other supporting documentation, including leave records and Board-approved pay rates and salaries. Except for minor discrepancies which we discussed with District officials, we found that the separation payments were accurately paid in accordance with Board-approved agreements and the contract.

What Do We Recommend?

1. District officials should establish procedures to provide an independent review of all employee separation payments to ensure they are calculated according to the terms and amounts authorized by the Board.

2 See Appendix B for our Methodology

3 \$402,953 was processed in the accounts payable system, while \$113,064 was processed in the payroll system.

Appendix A: Response From District Officials

BUSINESS OFFICE

Kenneth A. Long *Business Manager*
Lisa Van Winkler *Treasurer*
Nicki Bailey *Payroll*

Central Valley School District

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Phone: 315-894-9934 • Fax: 315-894-2716

ADMINISTRATION

Jeremy M. Rich, *Superintendent of Schools*
Kathleen A. Carney, *Dir. Curriculum & Instruction*
Lisa G. Hoffman, *Dir. Student Services*
James Humphrey, *Dir. Secondary Ed.*
Frances C. LaPaglia, *Dir. Elem. Ed. & Human Resources*

September 7, 2018

Via electronic mail to: caps@osc.state.ny.us

Office of the State Comptroller
Attn: Rebecca Wilcox, Chief Examiner
Syracuse Regional Office
State Office Building, Room 409
333 East Washington Street
Syracuse, NY 13202-1428

***Re: Central Valley School District Separation Payments Audit Report – 2018M-153
and Corrective Action Plan***

To Whom It May Concern:

The Central Valley CSD at Ilion-Mohawk has reviewed the final audit report listed above. This letter should serve as both our audit response and Corrective Action Plan.

The report made one recommendation:

- 1.) District officials should establish procedures to provide an independent review of all employee separation payments to ensure they are calculated according to the terms and amounts authorized by the board.***

The District will establish a procedure to provide an independent review of the calculations made for separation payments. That review will be performed by our Director of Human Resources. We will implement this new procedure effective with our next separation payment. This recommendation will be made at our next board of education meeting to be held on September 19, 2018.

The District would like the Comptroller's Office to know that it will use this audit as a tool to guide it in its ongoing efforts to improve all processes and further protect the taxpayers. The District wishes to thank the Comptroller's Office and in particular the staff member who conducted the audit, who was always polite, courteous and professional in his dealings with our staff.

Sincerely, _

Jeremy M. Rich
Superintendent of Schools

cc: Central Valley CSD Board of Education
Kenneth A. Long – Business Manager

Via electronic mail to: OAS@mail.nysed.gov

New York State Education Department
Office of Audit Services, Room 524 EB
89 Washington Avenue
Albany, NY 12234

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 District officials and staff to gain an understanding of the approval process for separation payments.
- We reviewed the negotiated CBAs and individual employment contract to determine the terms authorizing separation payments.
- We reviewed Board minutes, inquired of District officials and reviewed electronic payroll and accounts payable data from the computerized accounting system along with a list of employees who separated from the District maintained by the payroll clerk to identify a total of 85 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 identified 37 eligible employees who received a separation payment during our audit period.
- We reviewed the supporting records for all 37 separation payments totaling \$516,017 during the audit period to determine whether they were supported and accurately calculated in accordance with the terms of Board-approved contracts and agreements.

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.

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 2116-1(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 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. We encourage the Board to make the CAP available for public review in the Clerk'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#lgmg

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

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