

Northern Adirondack Central School District

Leave Accruals

SEPTEMBER 2020



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

Contents

- Report Highlights 1**

- Leave Accruals 2**
 - How Should Leave Accruals Be Maintained? 2
 - Leave Accrual Records Are Not Accurate 2
 - Payments of Unused Accruals Are Not Supported. 3
 - What Do We Recommend? 4

- Appendix A – Response From District Officials 5**

- Appendix B – OSC Comments on the District’s Response 7**

- Appendix C – Audit Methodology and Standards 8**

- Appendix D – Resources and Services. 9**

Report Highlights

Northern Adirondack Central School District

Audit Objective

Determine whether the District accurately maintains employee leave records.

Key Findings

- Employees are allowed to earn vacation leave accruals that exceed the amount allowed in Board-approved contracts.
- Errors occurred in the leave records maintained for 24 of the 33 (73 percent) employees tested.
- The District overpaid seven employees \$29,686 for unused leave accruals.

Key Recommendations

- Ensure employees do not use leave time they are not entitled to.
- Update accrual balances to reflect Board-approved contracts.
- Discuss overpayments with the District's legal counsel and take appropriate action to recover funds.

Except as specified in Appendix A, District officials generally agreed with our recommendations and indicated they planned to take corrective action. Appendix B includes our comments on issues raised in the District's response letter.

Background

The Northern Adirondack Central School District (District) serves the Towns of Altona, Beekmantown, Chazy, Clinton, Dannemora, Ellenburg, Mooers and Saranac in Clinton County and the Town of Belmont in Franklin County.

The 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 for budget development and, along with other administrative staff, its day-to-day management. The Business Executive oversees the business office staff including the payroll clerk. The payroll clerk is responsible for updating accrual balances when they are earned and used.

Quick Facts

Enrollment	827
Employees	137
2018-19 Payroll Expenditures	\$9,456,936
2019-20 Appropriations	\$22,572,125

Audit Period

July 1, 2017 – October 31, 2019

Leave Accruals

How Should Leave Accruals Be Maintained?

Leave accruals represent time off earned by employees. The board is responsible for ensuring that employee leave benefits are accurately accounted for so that employees use only the leave to which they are entitled. To ensure accuracy, there should be written procedures and a review of all data input into the district's electronic records.

The District has three collective bargaining agreements (CBAs) and two individual contracts that stipulate the terms and benefits for all employees, including provisions related to earning and using vacation leave accruals.¹ Two of the CBAs and both individual contracts allow for the payment of accrued unused vacation leave upon separation from the District. The individual contracts also allow for the payment of a portion of employees' unused vacation leave at the end of each year.

Leave Accrual Records Are Not Accurate

The payroll clerk receives approved absence request forms when employees use accrual balances, and deducts the used accruals in the electronic payroll system. On an annual basis, he reconciles his data with department supervisors and building principals to ensure all accruals used have been deducted properly. Except for this reconciliation, there is no additional review and approval of the payroll clerk's data entries into the payroll system. Employees are provided with a statement of their prior year's accrual usage and their current balances at the beginning of the school year.

We tested all 33 employees who received vacation leave during the audit period and found that the payroll clerk appropriately deducts leave as it is used. However, we also found that, as a result of a lack of controls in the electronic payroll system, 16 employees (48 percent) had errors resulting in overstated vacation leave balances of 221 days with a potential cost of \$35,800. An additional eight employees (24 percent) were allowed to use 33.75 days above the maximum contractual entitlement, costing \$3,960.

These errors were able to occur because the electronic payroll system allows employees to carry vacation leave balances that exceed the entitlement allowed in their contract. An independent review of the data entries in the payroll system may have caught these discrepancies. When District officials do not have an adequate internal control system, employees are able to earn and use more time than allowed.

¹ Collective Bargaining Agreements (CBAs) are for support and clerical staff, including custodians and mechanics, supervisors and teachers. Individual contracts are for the Superintendent and Business Executive. The CBA with the teachers association does not allow for the earning and usage of vacation leave.

Payments of Unused Accruals Are Not Supported

The payroll clerk receives notification that an employee is separating from the District and is seeking payment of unused accruals. Additionally, on an annual basis, the former Superintendent would request payment of her unused vacation leave as allowed in the contract. The payroll clerk reviews the accrual balances to be paid, calculates the payment of unused leave accruals and forwards the calculation to the Business Executive for approval. Once the payment has been approved, the payroll clerk disburses the payment through payroll or to an employee's 403(b) investment account.

During our audit period, the District disbursed \$133,272 to seven employees including a payment of unused vacation leave accruals. We identified discrepancies with all the payments reviewed and determined the District overpaid \$29,686 (Figure 1).

Figure 1: Identified Overpayments

Former Title	Overpayment
Maintenance Mechanic	\$6,123
Clerk	\$5,926
Director of Facilities	\$5,774
Cleaner	\$4,484
Automotive Mechanic	\$3,693
Superintendent	\$2,451
Custodial Worker	\$1,235
Total Overpayments	\$29,686

All the employees we reviewed had their final salaries calculated incorrectly because the District assumes 12-month full-time employees work 240 days per year when they actually work 260 days. This error resulted in the entire overpayment to the former Superintendent. Except for the Superintendent, all other employees received a payment of leave accruals that exceeded the amount allowed to be paid according to their respective CBAs. Finally, the payroll clerk incorrectly credited most of these employees (except for the Superintendent and director of facilities) for vacation days that would have been earned in the ensuing year.

Due to the calculation errors identified, the District overpaid employees for unused leave accruals. Additionally, due to the noted control weaknesses in the District's maintenance of leave accruals, the District risks overpaying future payments of unused leave accruals.

What Do We Recommend?

The Board should:

1. Discuss overpayments with the District's legal counsel and take appropriate action to recover the overpayments.

The payroll clerk should:

2. Update accrual balances to reflect Board-approved contracts.

The Business Executive and payroll clerk should:

3. Ensure payments of unused leave accruals are accurately calculated and disbursed in accordance with Board-approved CBAs and individual employment contracts.
4. Implement controls in the electronic payroll system to prevent employees from accumulating more leave time than allowed.

Appendix A: Response From District Officials



Northern Adirondack Central School District

Office of the Superintendent
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June 19, 2020

Office of the State Comptroller
Division of Local Government
And School Accountability
Glens Falls Regional Office
One Broad Street Plaza
Glens Falls, NY 12801

Dear Sirs:

Please accept this document as the Northern Adirondack Central School District's official response to the preliminary draft report of your Audit of the District, entitled Leave Accruals (2020M-50). The District will address, in this response, each of the four individual recommendations presented in your Report. We would ask that you also consider this the District's Corrective Action Plan (CAP), in regards to your Audit Findings and related Audit Recommendations. The District has a high level of respect for the Audit Process and will utilize the recommendations offered in the Report to continue to strive to improve our internal controls in this area.

1. The Board should discuss overpayments with the District's legal counsel and take appropriate action to recover the overpayments.

As will be more fully addressed in Nos. 2-4 below, the District is to a large extent not in agreement with the overpayment amounts determined during the audit process, and thus would not be seeking legal counsel regarding these amounts. The District will likely seek guidance regarding adding clarity and more precise wording to certain of our Collective Bargaining Agreements.

2. The payroll clerk should update accrual balances to reflect Board-approved contracts.

Whereas, the District interprets this recommendation as a suggestion that the accrued vacation days for employees whom are still active be updated, the District is not in agreement with this recommendation. The Collective Bargaining Agreement between the District and the CSEA unit, as well as the Salary and Benefit Policy for the Confidential Management group, both clearly state that employees are allowed to accumulate up to twenty (20) vacation days. This has been consistently applied to all employees of these two groups in prior years, whereby they have been allowed to accumulate up to the (20)

See
Note 1
Page 7

day maximum and roll them forward. To now retroactively pull those days from employees' leave accruals would be contrary to past practice and policy implementation. Further, since the employees never took those days as vacation or were paid for them, it would penalize the employees for simply following the policy as outlined to them.

Again, the District will seek guidance as to how best to revise the contract/policy wording to remove any ambiguity and provide clearer direction in these areas.

3. The Business Executive and payroll clerk should ensure payments of unused leave accruals are accurately calculated and disbursed in accordance with Board-approved CBAs and individual employment contracts.

The same general response as in No. 2 above; whereas the District believes it has followed its interpretation of the contract/policy language consistently over many years, it will seek to clarify the underlying wording of these areas.

4. The Business Executive and payroll clerk should implement controls in the electronic payroll system to prevent employees from accumulating more leave time than allowed.

This recommendation will be handled, indirectly, by the actions outlined in No. 2 and 3 above. If the contract/policy wording is revised to allow for easier interpretation of the long-standing policy and practice in these areas, the "controls" suggested would only be to avoid data entry errors in the electronic system.

See Note 2 Page 7

In summary, the District would like to thank the assigned auditors who carried out their work in as non-disruptive a manner as possible during a very busy time in the District's fiscal year. The District is appreciative of the recommendations provided and will strive to implement them to the fullest extent possible.

Sincerely,

James C. Knight, Jr.
Superintendent of Schools

Paul Gilmore
President – Board of Education

Brian Tousignant
School Business Executive

Appendix B: OSC Comments on the District's Response

Note 1

We identified instances where the District allowed employees to have accrued vacation balances that exceed the 20-day maximum. As stated in the report, 16 employees (48 percent) had errors resulting in overstated vacation leave balances of 221 days with a potential cost of \$35,800. An additional eight employees (24 percent) were allowed to use 33.75 days above the maximum contractual entitlement, costing \$3,960.

Note 2

Because the District's electronic payroll system had been set up inaccurately for accruing leave and determining the payout for unused vacation leave, a continued lack of controls in the system could result in future overpayments for leave.

Appendix C: 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 objective² and obtain valid audit evidence, our audit procedures included the following:

- We interviewed District officials to gain an understanding of how leave accruals are earned, deducted, carried forward and paid.
- We reviewed Board-approved CBAs and individual contracts to determine the terms authorizing the earning, usage and payout of leave accruals.
- We reviewed electronic payroll data and identified 33 employees who received vacation leave accruals and seven employees who received a payout that included unused vacation leave accruals.
- We reviewed leave records for all 33 identified employees to determine whether leave accruals were properly earned, credited and carried forward up to the maximum accumulation. We compared absence request cards to the leave documented on each employee's electronic leave record. We also reviewed leave records for proper accrual balances.
- We reviewed the supporting records for all payments of unused leave accruals totaling \$133,272 during the audit period to determine whether they were supported, accurately calculated and disbursed in accordance with the terms of Board-approved CBAs and individual contracts.

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 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 on the District's website for public review.

² We also issued a separate audit report, *Northern Adirondack Central School District – Financial Condition (2020M-51)*.

Appendix D: Resources and Services

Regional Office Directory

www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/regional_directory.pdf

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

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263196&issued=All

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

www.osc.state.ny.us/local-government/fiscal-monitoring

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

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263206&issued=All

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

www.osc.state.ny.us/local-government/resources/planning-resources

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

www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2020-05/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.state.ny.us/local-government/required-reporting

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

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263211&issued=All

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

www.osc.state.ny.us/local-government/academy

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