



Patchogue-Medford School District

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August 16, 2016

Mr. Ira McCracken, Chief Examiner
Office of the State Comptroller
NYS Office Bldg, Room 3A10
Veterans Memorial Highway
Hauppauge, New York 11788-5533

Dear Mr. McCracken:

We are in receipt of the draft findings of the recent audit of the Patchogue-Medford School District entitled Leave Accruals. The purpose of this letter is to provide a response to recommendations identified in the report.

On February 19, 2016, we were notified that the District was selected for an audit of policies and procedures related to internal controls. We provided your office with all documents required in order to conduct the necessary fieldwork. After responding to all inquiries from the assigned auditors, we were advised that the scope of the audit was changed from "Policies and Procedures Related to Internal Controls" to "Leave Accruals". The draft findings that we received focused on leave accruals as opposed to the original scope.

In spite of our perplexity regarding the change in scope of the audit, we were very appreciative of the high level of professionalism that we received from the auditors. We found the auditors to be courteous, considerate and reasonable with regard to their requests.

The draft audit provided recommendations for areas of improvement regarding the accounting of leave accruals. We have carefully reviewed the recommendations and find them to be reasonable measures that would certainly strengthen the process for tracking leave accruals within the District.

We have attached a table which notes recommendations and our responses to each of the recommendations. We intend to implement each of the recommendations within ninety days.

On behalf of the Board of Education and Central Office Administrators, I would like to extend my appreciation to your office for conducting a highly professional audit which provided useful guidance for our School District. The recommendations will strengthen our internal controls and ultimately minimize any inherent risks in our reporting processes.

Respectfully submitted,

Michael J. Hynes, Ed.D.
Superintendent of Schools

/r/
Enclosure

cc: D. Jones, Ed.D.
Board of Education

Recommendations and Responses to Comptroller's Audit of Leave Accruals

	Recommendation	Response
1.	<p>The District should develop and implement written policies documenting the type of leave accruals to be maintained and procedures to follow.</p>	<p>The District will develop a policy, and a procedure that documents the process for submission, approval, accounting and review of leave accruals. The policy will be shared with all administrative staff as well as Payroll, Personnel, and Business Office employees in order to effectively implement the new procedure.</p>
2.	<p>The District should award personal days in accordance with individual contracts and Collective Bargaining Agreements (CBA). If the Board determines that employees should be granted more personal days than allowed by their contract or CBA, District officials should revise the agreement to increase the number of days allowed.</p>	<p>This particular finding relates to nineteen 10-month employees within the CSEA Operations Unit. The concern also impacts four members of the CSEA clerical unit, for a total of 23 district employees. When personal days are annually allocated to the 23 members in question, a formula is used to determine the actual time earned. The formula yields an exact allocation of 4.3 days earned for each of the 23 employees. Historically, the district has allocated five days as opposed to the 4.3 actually earned. It will be recommended that the Collective Bargaining Agreements for the CSEA operations and 3.clerical units be modified to provide five annual personal days instead of the pro-rated amount currently allocated in order to rectify the problem.</p>
3.	<p>Provide oversight over the maintenance of leave accrual records to ensure their accuracy.</p>	<p>Checks and balances will be implemented to ensure that all attendance that is entered into Finance Manager is verified for accuracy by an employee other than the employee inputting the attendance data.</p>
4.	<p>Develop a procedure to ensure employees don't approve their own absences.</p>	<p>The concern raised related specifically to developing a process wherein administrators would not approve their own absences. It is important to note that administrators have historically requested prior approval for personal or vacation time from their immediate supervisors. In addition, weekly attendance reports are not prepared by administrators. Clericals have historically prepared the weekly attendance report and administrators have approved the report. Nevertheless, the District agrees with the recommendation and will modify the procedures. A procedure will be developed whereby administrative leave will be approved by the respective immediate supervisor. In the event that the superintendent takes vacation, sick or personal days, said time will be approved by the Board president. Administrative procedures for reporting attendance will be reviewed and updated as necessary. Moreover, a memo will be sent to all administrators advising them of the new process once it has been fully developed.</p>



THOMAS P. DINAPOLI
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February 19, 2016

Michael J. Hynes, Ed.D., Superintendent of Schools
Members of the Board of Education
Patchogue-Medford Union Free School District
241 South Ocean Avenue
Patchogue, NY 11772

Dear Dr. Hynes and Members of the Board of Education:

The Division of Local Government and School Accountability of the Office of the State Comptroller has selected the Patchogue-Medford Union Free School District for an audit. The audit will focus on policies and procedures related to internal controls at the District.

We plan to begin audit fieldwork in the near future. We will contact you shortly to schedule an entrance conference and to identify those officials and staff who should attend this meeting. At the entrance conference, District officials will be able to ask questions about this audit and about the resources the examiners will need. Once the audit is underway, our audit staff will be available to meet with any District officials, including individual members of the Board of Education, at any time during audit fieldwork.

Attachment A lists some of the records and information we expect to review during the audit. We appreciate your cooperation in providing us with as much of this information as possible at the entrance conference. In addition, before the entrance conference and in advance of the audit, we will require certain electronic information from your financial accounting system as outlined in Attachment B, which can be accessed at the following web address: <http://osc.state.ny.us/localgov/audits/attachmentb.htm>. Your USERNAME [REDACTED] and your PASSWORD [REDACTED]. During the course of the audit, we may need to request other information as well. We recognize that an audit places additional demands on you and your staff, and we will do our best to minimize disruption to your day-to-day operations. Our publication, Understanding the Audit Process, which explains how we conduct our audits, is available at <http://www.osc.state.ny.us/localgov/audits/theaudit.htm>.

At the conclusion of our audit, we will report on the audit's results and provide recommendations to help improve your District's operations. As a key District official, you will have a role in monitoring any corrective actions that need to be taken as a result of this audit. Therefore, please feel free to ask questions about the audit at the entrance conference and about the audit's progress at any time during the audit engagement. If I can answer any questions you have at this time, please contact me at 631-952-6534.

Sincerely,

Ira McCracken, Chief Examiner
Division of Local Government and
School Accountability

Enclosure

cc: Donna Jones, Ed.D., Assistant Superintendent for
Business
Dennis M. Logan, District Clerk

Attachment A

Initial Request for Records and Information

- ◆ List of Board of Education members (2014-15 and 2015-16 school years).
- ◆ Organizational Chart (2014-15 and 2015-16 school years).
- ◆ Minutes of the proceedings of the Board of Education (July 1, 2014 to present).
- ◆ List of members of any financial oversight committees the district may have.
- ◆ Annual Financial Report (ST-3) for the 2014-15 fiscal year.
- ◆ Most recent interim financial reports: Treasurer's cash report, monthly bank reconciliations, budget status, extra-classroom activity funds, etc.
- ◆ Long-term financial plans for capital and operating purposes.
- ◆ Any internal reports assessing the district's internal controls.
- ◆ Any written policies concerning business practices (cash receipts and disbursements, purchasing, credit card use, cell phone use, reimbursement for travel), conflicts of interest and code of ethics.
- ◆ List of all district bank accounts.
- ◆ Access to daily cash sheets, cash receipts records, deposit slips for July 1, 2014– Current.
- ◆ List of individuals who are bonded and the respective amounts.
- ◆ Access to purchase requisitions, purchase orders, vouchers, warrants, cancelled and voided checks for July 1, 2014 – Current.
- ◆ Employee manual or handbook.
- ◆ Collective bargaining agreements.
- ◆ Key personnel employment contracts (Superintendent, Assistant Superintendents, Finance/Business officer).
- ◆ Access to payrolls, timesheets, and leave accrual records for July 1, 2014 – Current.



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July 25, 2016

Michael J. Hynes, Ed.D.
Superintendent of Schools
Patchogue-Medford Union Free School District
241 South Ocean Avenue
Patchogue, NY 11772

Dear Dr. Hynes:

Enclosed in this mailing are the preliminary draft findings of our recent audit of the Patchogue-Medford Union Free School District entitled Leave Accruals, Report of Examination 2016M-236. An exit conference date is scheduled for Thursday, July 28 at 1:30 p.m. to be held at 241 South Ocean Avenue, Patchogue. The purpose of that discussion will be to help us ensure that the facts on which we have relied in preparing these findings are accurate and complete.

Because these findings are still subject to change, we ask that, to the maximum extent permitted by law, the information contained in this document be kept confidential until we formally release the report of examination from Albany. We also ask that by Wednesday, August 24, 2016, an appropriate official of the Patchogue-Medford Union Free School District send to our Hauppauge Regional Office a letter responding to our preliminary draft findings. Our publication, Responding to an OSC Audit Report, is available at the following web address:
<http://www.osc.state.ny.us/localgov/audits/respondaudit.pdf>.

If there are matters included in the preliminary draft findings that may be of concern to you, please feel free to contact me at (631) 952-6534.

Sincerely,

A handwritten signature in cursive script that reads "Ira McCracken".

Ira McCracken, Chief Examiner
Division of Local Government and
School Accountability

Enclosure

cc: Members of the Board of Education
Donna Jones, Ed.D., Assistant Superintendent
for Business
Dennis M. Logan, District Clerk

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**Patchogue-Medford Union Free School
District**

Leave Accruals

Report of Examination

**Period Covered:
July 1, 2014 – April 30, 2016**

2016M-236

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State of New York
Office of the State Comptroller

**Division of Local Government
and School Accountability**

[Month] 2016

Dear School District Officials:

A top priority of the Office of the State Comptroller is to help school district officials manage their districts efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support district operations. The Comptroller oversees the fiscal affairs of districts statewide, as well as districts' compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving district operations and Board of Education governance. Audits also can identify strategies to reduce district costs and to strengthen controls intended to safeguard district assets.

Following is a report of our audit of the Patchogue-Medford Union Free School District, entitled Leave Accruals. This audit was conducted 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.

This audit's results and recommendations are resources for district officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Patchogue-Medford Union Free School District (District) is located in the Town of Brookhaven, Suffolk County. The District is governed by the Board of Education (Board), which is composed of seven elected members. The 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 District operates 11 schools with approximately 7,800 students, 795 full-time employees and 543 part-time employees. The District's budgeted appropriations for the 2015-16 fiscal year are \$173 million, which are funded primarily with State aid, real property taxes and grants. District employees earn leave time accruals based on collective bargaining agreements and individual employee contracts.

Objective

The objective of our audit was to determine if leave accrual records are accurate. Our audit addressed the following related question:

- Do District officials maintain accurate records of employees' accrual and use of leave?

Scope and Methodology

We examined District leave accrual records for the period July 1, 2014 through April 30, 2016.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report. 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.

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Comments of District Officials and Corrective Action

The results of our audit and recommendations have been discussed with District officials, and their comments, which appear in Appendix A, have been considered in preparing this report.

The Board has the responsibility to initiate corrective action. 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, 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, with a copy forwarded to 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 Board should make the CAP available for public review in the District Clerk's office.

Leave Accruals

Leave accruals represent time off earned by employees. The accumulation and use of leave time is generally addressed by individual employment contracts and collective bargaining agreements (CBAs). Such documents should clearly stipulate each employee's entitlement to leave benefits including personal, sick and vacation time. Sufficient records should be kept of each employee's leave time accrual and use to ensure employees only accrue and use leave time to which they are entitled.

Independent review of leave accruals and use throughout the year provide additional assurance that leave time records and data entry in computer records are accurate. A supervisor should review and approve summary reports of employee absences to ensure accuracy prior to submitting them to the payroll department for entry into the electronic records. It is important that District officials develop written procedures that detail the records to be kept and the review requirements.

Although District officials have maintained accurate records of employees' leave accruals, no one reviews those records to ensure all leave accrued and used has been entered into the computerized system accurately. Furthermore, District officials have not developed written procedures documenting the type of records to be maintained or guidelines for using, approving, recording and reviewing leave accruals. We reviewed leave time accruals for 25 employees and found that the District was allowing 10-month employees to accrue five days of personal leave instead of the four days allowed by their CBA. We also found that two supervisory employees were responsible for approving their own absences. This increases the risk that absences will not be recorded accurately, resulting in employees using more leave than they are entitled to.

At the beginning of each year, an account clerk from the Human Resources Department credits the leave accruals balances with sick, personal and vacation days according to each employee's contract or CBA. The clerk also converts any unused personal days from the previous year to sick days in accordance with the agreement. Human Resources then sends balance confirmation letters to the employees that must be signed and returned. Human Resources reviews and resolves any discrepancies noted by an employee.

Throughout the year, supervisors at the building or department level approve employee leave requests. Weekly, each building and department generates an absentee report listing the employee names and titles and the length, reason and type of any absences (i.e., vacation, personal, sick). The employees' direct supervisors review and approve these reports before sending them to the Payroll Department. A payroll account clerk enters the information into the computerized system, where it is deducted from employee leave balances.

We reviewed the leave accrual and attendance records for 25 employees¹ to determine whether leave had been earned in accordance with applicable employment agreements and accurately recorded. We found that:

¹ See Appendix B for our sampling methodology.

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- One 10-month employee covered by the full-time operational CBA received five personal days instead of the CBA-authorized four days. District officials told us that it has been their practice to give all 108 10-month employees covered by this CBA five personal days instead of the prorated four days authorized. By not awarding personal days to 10-month employees in accordance with their CBAs, employees have been accruing leave time to which they are not entitled.
- Two of the 25 employees are supervisors who approve weekly absentee reports that include their own absences. By allowing employees to approve their own absences, there is an increased risk that these absences are not reported accurately. This could result in supervisory employees using leave to which they are not entitled.

Recommendations

District officials should:

1. Develop and implement written policies documenting the type of leave records to be maintained and procedures to follow for using, approving, recording and reviewing leave accrual records.
2. Award personal days in accordance with individual contracts and CBAs. If the Board determines that employees should be granted more personal days than allowed by their contract or CBA, District officials should revise the agreement to increase the number of days allowed.
3. Provide oversight over the maintenance of leave accrual records to ensure their accuracy.
4. Develop a procedure to ensure employees do not approve their own absences.

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APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

The District officials' response to this audit can be found on the following page(s).

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed District officials and employees to obtain an understanding of the leave accrual and use process.
- We reviewed employee contracts and collective bargaining agreements to determine employee leave benefits for the audit period.
- We judgmentally selected a sample of 25 employees in total, which consisted of two employees who had individual employment contracts with the District, and 23 employees representing each of the collective bargaining agreements: Clerical/Aides, Operational, Part-time Operational, Nurses Association, Administrators Association and Teacher.
- For each selected employee, we reviewed employment agreements to determine leave entitlements for sick, personal and vacation. We added prior balances to arrive at the July 1, 2014 starting balance. We then counted all absences from the weekly absentee reports and deducted them from the beginning balance to arrive at the year-end balance. We then compared these balances to the District's Employee Attendance Record to determine if they agreed.
- We reviewed all Employee Attendance Reports for approval signatures to determine if any employees approved their own absences.

We conducted this performance audit in accordance with 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.

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APPENDIX C

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110 State Street, 15th Floor
Albany, New York 12236
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APPENDIX D
OFFICE OF THE STATE COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY

Andrew A. SanFilippo, Executive Deputy Comptroller
Gabriel F. Deyo, Deputy Comptroller
Tracey Hitchen-Boyd, Assistant Comptroller

LOCAL REGIONAL OFFICE LISTING
