



Patchogue-Medford Union Free School District

Leave Accruals

Report of Examination

Period Covered:

July 1, 2014 – April 30, 2016

2016M-236



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

August 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 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 were \$173 million, which were funded primarily with State aid, real property taxes and grants. District employees earn leave time accruals based on collective bargaining agreements (CBAs) 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' accruals 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.

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

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 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 accruals 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 provides 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 (HR) Department credits the leave accrual 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. The HR Department then sends balance confirmation letters to the employees that must be signed and returned. The HR Department 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:

- 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 23 10-month employees covered by this CBA and the clerical CBA five personal days instead of the prorated four days as 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 will not be 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 of the maintenance of leave accrual records to ensure their accuracy.
4. Develop a procedure to ensure employees do not approve their own absences.

¹ See Appendix B for our sampling methodology.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

The District officials' response to this audit can be found on the following pages.



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

/s/
Enclosure

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

The Patchogue-Medford School Community's Mission is to provide diverse pathways and varied enrichment opportunities that will lead to meaningful learning experiences for all students.

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 [REDACTED] 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>

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 CBAs 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 CBAs: 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.

APPENDIX C

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