



Sherburne-Earlville Central School District

Employee Benefits

2024M-67 | October 2024

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Report Highlights

Sherburne-Earlville Central School District

Audit Objective

Determine whether Sherburne-Earlville Central School District (District) officials properly calculated employees' leave accruals and accurately paid employees' separation payments.

Key Findings

Officials did not always properly calculate employees' leave accruals, accurately pay employees' separation payments, reduce leave balances when leave buybacks were processed or record leave in the District's leave tracking system. In addition, procedures were not in place for maintaining leave accrual records or to ensure that separation payments were made in accordance with appropriate collective bargaining agreements (CBAs) or contracts. As a result:

- 60 employees were credited with either more leave days (209) or less leave days (143) than what they were entitled to.
- Three employees' vacation accruals were not properly reduced by a total of 18 days, valued at \$8,640.
- 16 employees used 34 days of leave that were not recorded in the leave tracking system.
- Nine employees had leave balances that exceeded end-of-school-year allowances by 18 days.
- Five employees were overpaid 55 days totaling \$7,154.

Recommendations

The audit report includes six recommendations to help the Board and District officials improve their practices over employee benefits.

Audit Period

July 1, 2022 – December 31, 2023

Background

The District is located in Chenango and Madison Counties.

The elected 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 chief executive officer and is responsible, along with other administrative staff, for the District's day-to-day management under the Board's direction.

In July 2023, the District appointed a Director of Finance and Personnel (Director), replacing the Assistant Superintendent who retired. The Director oversees the District's business operations, including the Payroll Clerk (Clerk), who is responsible for maintaining leave accrual records.

Quick Facts

Employees Who Earned Leave in the Audit Period	385
CBAs and Contracts	9

Employee Benefits

What Are Properly Accounted For Leave Accruals?

Accrued leave refers to the amount of leave, such as vacation, sick and personal days, that an employee has earned but has not yet taken. An employee's CBA or contract defines the eligibility criteria for earning leave and in some circumstances, to receive payment for unused vacation leave (often referred to as a "buyback") in lieu of carrying it forward to the following school year.

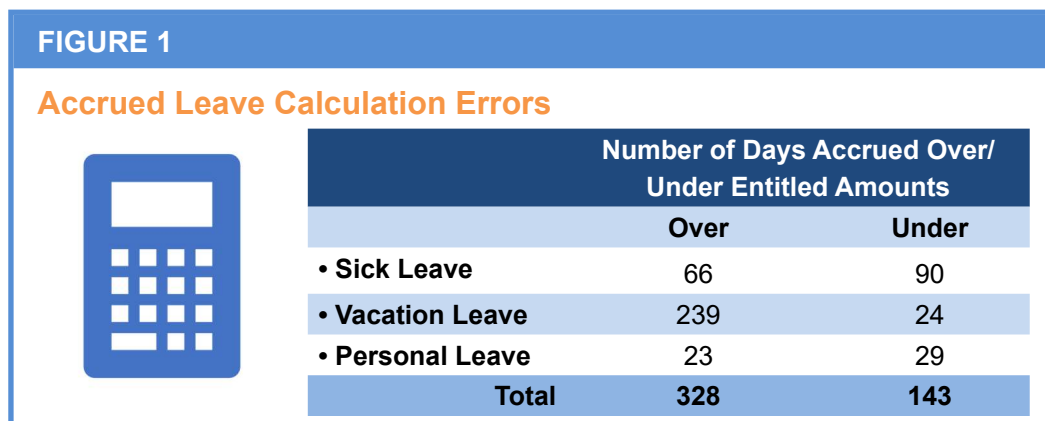
A school board and school district officials are responsible for ensuring that employee leave benefits are accurately credited and accounted for, employees only use the leave to which they are entitled, and that employees receiving unused leave and separation payments are paid only the amounts to which they are entitled and that each payment is accurate, adequately supported and authorized pursuant to a board-approved CBA or contract. Adequate supporting documentation, such as accrual balance reports and contracts, should be attached to payment calculations, and the amounts should be independently reviewed and approved before payments are made to ensure they were accurately calculated and eligibility requirements were met.

Leave Accruals Records Were Not Always Accurate

The District entered into four CBAs and five contracts during our audit period, with each CBA and contract stipulating the terms and benefits for its respective employees. Included within the terms of each of the CBAs and contracts are provisions relating to the earning and use of leave time, as well as carryovers of certain leave accruals at the end of the school year.

We reviewed all employees' leave earnings to determine whether leave accruals were properly earned, credited and carried forward up to the maximum accumulation. Additionally, we reviewed the supporting records for all eight payments of vacation leave buyback totaling \$24,856 during the audit period to determine whether they were authorized, supported, accurately calculated and paid in accordance with the terms of the CBAs and contracts. Finally, we reviewed a sample of 44 employees' leave records to determine whether leave time used was properly recorded in the leave tracking system.

We determined that leave was not always calculated correctly, leave balances were not reduced after leave buyback and leave was not recorded in the leave tracking system. As a result, employees ended up with either more (328 days total) or less (143 days total) accrued leave than they were entitled to (Figure 1).



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- From our review of all 385 employees' leave earnings, we determined that there were errors in approximately 16 percent of District employees' accrued leave calculations, resulting in 60 employees' leave balances being credited in total, either for 209 days over what they were entitled to or 143 days less than what they were entitled to.
 - Although vacation buyback were accurately calculated, authorized, supported and paid in accordance with the applicable CBA or contract, accrual balances were not properly reduced after the buyback. We identified three employees' vacation accruals were not properly reduced by a total of 18 days, valued at \$8,640.
 - From our review of all employees' year-end leave balances, we identified nine employees with vacation, sick or personal leave balances that exceeded contract limits totaling 18 days. This includes four employees with excess vacation leave totaling 7.5 days and five employees with excess personal leave totaling 10.5 days. Furthermore, six employees did not use a total of 49 rolled over vacation days from the 2021- 22 school year before the end of the 2022-23 school year as required.
 - Based on our review of the sample of 44 employees' leave records, we determined that 16 employees had taken 34 days of leave that were not recorded in the leave tracking system. This occurred because the Clerk used leave requests to record leave in the tracking system, without first reconciling those leave requests with employee timesheets.
 - There were 43 instances (22 employees) where a different type of leave was recorded in the leave tracking system than was recorded on leave requests.

In general, these errors occurred because there were no written procedures for maintaining leave accrual records to provide guidance and expectations to staff. This would help ensure that accurate accruals were maintained and monitored. Furthermore, the Clerk maintained leave records with no independent review of the calculations, including manual and software calculations. For example, the Director or the former Assistant Superintendent did not verify that the leave tracking system had the correct rules applied in the software or verify the Clerk's manual calculations. This was especially important given that certain CBAs and contracts, when renewed, had different leave accrual and buyback provisions.

Consequently, employees were credited with more or less leave time than they were entitled to. Moreover, if authorized by a CBA or contract, leave accrual errors could result in an employee receiving excess payment for leave at the end of the school year or upon separating from service. When the District provides benefits to employees that are not supported by contract terms, it undermines the transparency of financial operations and increases the risk that employees could be paid for benefits to which they were not entitled, or the Board did not intend to provide to the employees.

What Are Proper Separation Payments?

Pursuant to a CBA or contract, school districts generally have the authority to make payments of the monetary value for all, or a portion, of an employee's earned, but unused, leave accruals when the employee separates from service. Officials should ensure all separation payments are paid at the

amounts to which employees are entitled, and that each payment is accurate, adequately supported and authorized pursuant to a board-approved CBA or contract.

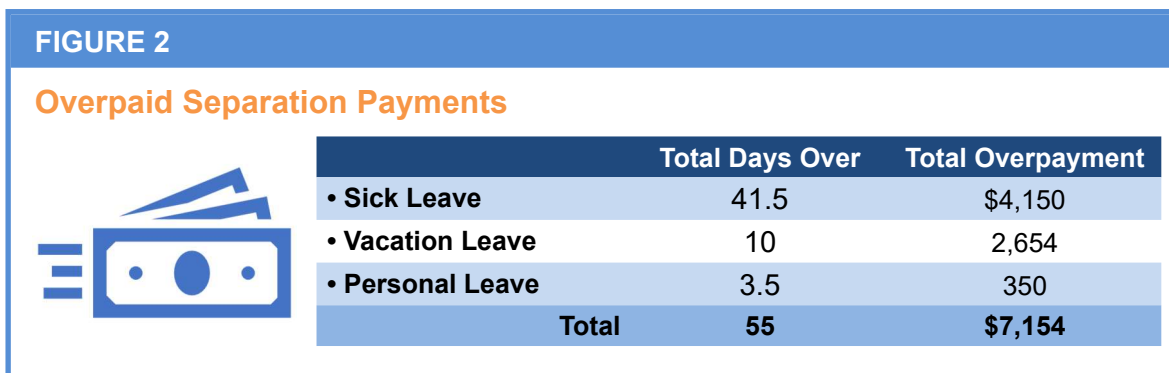
Furthermore, to avoid uncertainty about payments and benefits, officials are responsible for communicating the terms and conditions of applicable CBAs and employment contracts clearly to those responsible for payroll processing. Officials and staff who are responsible for payroll processing must maintain and review leave accrual records to help ensure that records are accurate. Also, they should ensure that employees receive separation payments for leave accruals only to which they are entitled, according to a CBA or other agreement.

Because separation payments can represent significant expenditures for a school district, the amounts should be independently reviewed and approved before payments are made to employees to help ensure they were accurately calculated, and eligibility requirements were met.

Separation Payments Were Not Always Accurate

Three of the four CBAs and three of the five contracts included a vacation proration procedure which allow employees to receive payment for accrued unused sick and vacation leave upon separating from service.

We reviewed all 15 separation payments made during our audit period totaling \$604,228 to determine whether the payments were correctly calculated, adequately supported and made in accordance with CBAs or contracts. We determined that five employees were overpaid for 55 days totaling \$7,154. Of these, three employees were paid for a total of 41.5 extra sick days and 3.5 extra personal days and two employees were paid for a total of 10 extra vacation days (Figure 2). The remaining payments were correctly calculated, adequately supported and made in accordance with the applicable CBA or contract.



This occurred because there were no procedures in place, such as an independent review of payout calculations, to ensure that separation payments were made in accordance with appropriate CBAs or contracts.

The Director stated that the calculations were done in error because a new CBA was being negotiated and the retirees wanted to be eligible for the updated retiree insurance benefit. The new CBA was

not finalized until the fall of 2023 (after the retirement dates); therefore, leave balances were not appropriately adjusted for actual retirement dates when the calculations were done. As a result, retirees were paid out for leave that they would accrue for the following school year. However, the CBA states retirees will be entitled to payment for unused accumulated leave upon retirement from the District, which occurred prior to the following school year.

When the District pays employees for unused leave that is not supported by CBAs or contracts, we question the District's authority to make such payments. Furthermore, such payments undermine the transparency of financial operations and increase the risk that employees are paid money to which they are not entitled. The Superintendent and the Director stated that they are currently working on procedures to ensure these types of errors do not occur in the future.

What Do We Recommend?

The Board should:

1. Ensure that all CBA and contract provisions are followed for payments of unused leave and separation payments.

The Board and District officials should:

2. Consult with legal counsel, if appropriate, to seek recovery of payments identified in this report that are inconsistent with the CBAs, contracts or any other applicable laws.
3. Ensure employees who were over-credited or under-credited with leave accruals are credited the correct amounts.

The Director should:

4. Develop and implement written procedures for maintaining leave accrual records and ensure that accurate information for accruals is maintained and monitored.
5. Provide adequate oversight of the benefits process, including ensuring the leave tracking system rules are correct to prevent employees from accumulating more leave time than allowed.
6. Review the calculation of unused leave and separation payments to ensure accuracy.

Appendix A: Response From District Officials



SHERBURNE-EARLVILLE CENTRAL SCHOOL

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Robert G. Berson
Superintendent of Schools

Antoinette Halliday
Asst. Superintendent for Instruction

September 20, 2024

Office of the State Comptroller
44 Hawley St. 17th Floor
Binghamton, NY 13901

Office of the Comptroller:

The Sherburne-Earlville Central School District is in receipt of the employee benefits report of examination for the period of July 1, 2020, to December 31, 2023. Please accept this letter to serve as the District's response to the audit findings for 2024M-67.

The District acknowledges the findings regarding employee benefits. The payroll clerk has begun the process of rectifying errors. The Director of Finance and Personnel is developing written procedures to ensure records and payments are accurate.

We strongly believe that District has acted and will continue to act appropriately in the future financial climate.

Sincerely,

Robert Berson
Superintendent of Schools
Sherburne-Earlville Central School District

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. We obtained an understanding of internal controls that we deemed significant within the context of the audit objective and assessed those controls. Information related to the scope of our work on internal controls, as well as the work performed in our audit procedures to achieve the audit objective and obtain valid audit evidence, included the following:

- We interviewed District officials and reviewed Board-approved CBAs and contracts to gain an understanding of the leave accrual process and the benefits entitled to employees.
- We reviewed leave earnings for all 385 employees to determine whether leave accruals were properly earned, credited and carried forward up to the maximum accumulation. We also reviewed leave records for proper accrual balances. Additionally, we verified that any vacation that was rolled over from one school year to the next was used within the time limit stated in CBAs and contracts.
- We used our professional judgment to select 44 employees, including employees covered by each of the different CBAs, all administrators, all employees who have individual contracts, all employees from the District Business Office, the Director and the Superintendent. We examined leave requests and leave records to determine whether leave time used was recorded accurately. If we found inaccuracies, we reviewed the payments made related to unused leave to determine whether they were accurate and proper.
- We reviewed the supporting records for all eight payments of vacation leave buybacks totaling \$24,856 and all 15 separation payments totaling \$604,228 during the audit period to determine whether they were authorized, supported, accurately calculated and paid in accordance with the terms of the CBAs and contracts.

We conducted this performance audit in accordance with generally accepted government auditing standards (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.

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.

Appendix C: Resources and Services

Regional Office Directory

www.osc.ny.gov/files/local-government/pdf/regional-directory.pdf

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/fiscal-monitoring

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/resources/planning-resources

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

www.osc.ny.gov/files/local-government/publications/pdf/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.ny.gov/local-government/required-reporting

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

www.osc.ny.gov/local-government/publications

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

www.osc.ny.gov/local-government/academy

Contact

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<https://www.osc.ny.gov/local-government>

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