



Enlarged City School District of Troy

Leave Accruals

Report of Examination

Period Covered:

July 1, 2012 — February 28, 2014

2014M-144



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

July 2014

Dear School District Officials:

A top priority of the Office of the State Comptroller is to help school district officials manage their district 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 Enlarged City School District of Troy, 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 General Municipal Law.

This audit's results 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 Enlarged City School District of Troy (District) is located in the City of Troy and the Town of Brunswick in Rensselaer County. The District is governed by the Board of Education (Board) which comprises nine 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 chief executive officer of the District and is responsible, along with other administrative staff, for the day-to-day management of the District under the direction of the Board.

There are eight schools in operation within the District, with approximately 4,000 students and 700 employees. The District's budgeted appropriations for the 2013-14 fiscal year are \$97.4 million, which are funded primarily with State aid, real property taxes and grants.

Approximately 620 full-time employees are eligible to accrue and use leave time, as outlined in employment contracts and collective bargaining agreements (CBAs). The District's human resources department and payroll clerk are jointly responsible for maintaining the leave accrual records. The human resources department is primarily responsible for maintaining the time records and recording leave time taken for full-time employees, while the payroll clerk is responsible for crediting employees with leave accruals earned.

Objective

The objective of our audit was to determine if District employees received and used leave accruals in accordance with employment contracts and CBAs. Our audit addressed the following related question:

- Have District employees received and used leave accruals in accordance with contracts and CBAs?

Scope and Methodology

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard District assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: financial oversight, cash management, cash receipts and disbursements, purchasing, claims processing, payroll and personal services and information technology. Based on that evaluation, we determined that controls appeared to be adequate and limited risk existed in most of the financial areas we reviewed. We did determine that risk existed in

the leave accrual area and, therefore, we examined internal controls over leave accruals for the period July 1, 2012 through February 28, 2014.

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.

**Comments of
District Officials**

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

Leave Accruals

Leave accruals represent time off earned by employees. The accumulation and use of leave time is generally addressed in collective bargaining agreements (CBAs), individual employment contracts and Board approved policies, which should clearly stipulate each employee's entitlement to leave benefits.¹ A good system of internal controls ensures that employee leave accruals are granted in accordance with applicable employment contract provisions and that records are kept of each employee's accrual and use of leave time to ensure employees only accrue and use leave time to which they are entitled. Periodic independent reviews of leave time accrual records and balances throughout the year provide additional assurance the accrual and use of leave time is accurate and in accordance with the applicable guidelines.

We found that District officials established adequate internal controls over leave accruals. District officials implemented specific controls to ensure employee leave accruals were earned in accordance with the employee's employment contract or CBA. We also found District officials established controls to ensure the accrual and use of leave time were recorded accurately.

The District has various control procedures that provide adequate supervision and oversight. The payroll clerk is responsible for crediting employee's leave accruals, including the amount of leave time earned each year and the amount of unused leave time carried over from one year to the next. The amount of leave time earned each year and the maximum amount of unused leave time employees are allowed to carry over are automatically posted and carried over in the District's financial software. In addition, employees receive leave accrual summaries on their pay stubs which allow them to monitor their leave accrual balances throughout the year. When leave time is taken, each instance of leave used is marked on the building's daily attendance sheet and input into the leave accrual records by a central office secretary on a daily basis. The human resources department completes a secondary review of select leave records and timesheets to ensure leave accruals used are recorded accurately.

We tested leave accrual records, payroll records and personnel files to determine if District employees received and used leave accruals in accordance with contracts and CBAs. We found only minor exceptions which we discussed with District officials. Establishing and adhering to a sound system of internal controls over the accrual

¹ Types of leave include vacation, personal, sick and holiday leave time.

and use of leave time decreases the risk that errors or irregularities could occur and go undetected and uncorrected.

We commend District officials for designing and implementing an appropriate system of controls for leave accruals.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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



ENLARGED CITY SCHOOL DISTRICT OF
TROY

TODAY'S STUDENTS. TOMORROW'S LEADERS.

John Carmello
Superintendent of Schools

475 First Street
Troy, New York 12180

(518) 328-5052

July 1, 2014

Jeffrey P. Leonard, Chief Examiner
NYS Office of the State Comptroller
Division of Local Government and School Accountability
One Broad Street Plaza
Glens Falls, NY 12801

Dear Mr. Leonard:

We have reviewed the Report of Examination issued at the conclusion of the Office of the State Comptroller's audit of the Enlarged City School District of Troy. We are pleased to note that the audit found adequate controls in the areas of financial oversight, cash management, cash receipts and disbursements, purchasing, claims processing, payroll and personal services and information technology. Further, we are grateful for your commendation on our design and implementation of an appropriate system of controls for leave accruals, after your determination that risk existed in that area.

As the audit did not contain any adverse findings and did not recommend any improvements to our system of controls, no corrective action plan is required.

On behalf of the school district, I extend our appreciation to those involved in this audit.

Sincerely,

John Carmello
Superintendent of Schools

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls put in place by officials to safeguard District assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. Our initial assessment included evaluations of the following areas: financial oversight, cash management, cash receipts and disbursements, purchasing, claims processing, payroll and personal services, and information technology.

During the initial assessment, we interviewed appropriate District officials, performed limited tests of transactions and reviewed pertinent documents, such as District policies and procedures manuals, Board minutes, and financial records and reports. After reviewing the information gathered during our initial assessment, we determined where weaknesses existed, and evaluated those weaknesses for the risk of potential fraud, theft, and professional misconduct. Based on that evaluation we determined that controls appeared to be adequate and limited risk existed in most of the financial areas we reviewed. We then decided on the reported objective and scope by selecting for audit the area most at risk. We selected leave accruals for further audit testing.

To accomplish the objective of this audit and obtain valid audit evidence, our procedures included the following:

- We interviewed District officials and employees to obtain an understanding of leave accrual process.
- We used a random number generator to select 50 employees from the February 28, 2014 payroll and we judgmentally selected an additional 10 employees who either had access to the leave accrual records or had the ability to grant access to another employee to verify only employees entitled to leave accruals were receiving leave accruals.
- We used a random number generator to select 20 employees who earned leave accruals during the 2012-13 and 2013-14 school years and we judgmentally selected an additional five employees from the risk assessment where the leave balances did not carry over properly to verify leave accruals earned in the 2012-13 and the 2013-14 school year were accurate. In addition, we verified unused leave accruals were correctly carried over from the 2012-13 school year to the 2013-14 school year.
- We reviewed all separation and leave accrual buyback payments during the audit period to determine whether separation payments and leave accrual buybacks were paid at the correct rate, the leave accrual balances paid were correct and leave accruals bought back were correctly deducted from the employee's leave accrual balances.
- We used a random number generator to select 50 employees from the February 28, 2014 payroll and 50 employees from the leave accrual records who took leave during the February 28, 2014 payroll to verify leave taken was correctly recorded in the leave accrual records.

- We selected the 25 greatest negative leave accruals balances for employees at the end of the 2012-13 school year and determined if the negative balances should have resulted in a payroll reductions and if the employees' pays were reduced.

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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