



Marion Central School District Tuition Reimbursements

Report of Examination

Period Covered:

July 1, 2012 – January 6, 2016

2016M-11



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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

April 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 Marion Central School District, entitled Tuition Reimbursements. 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 Marion Central School District (District) is located in the Towns of Arcadia, Marion, Ontario, Palmyra, Sodus, Walworth and Williamson in Wayne County. The District is governed by the Board of Education (Board) which is composed of five 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 day-to-day management of the District under the direction of the Board.

The Board appointed a Director of Finance and Technology¹ who is responsible for accounting for the District's finances, maintaining accounting records, preparing financial reports and supervising all functions within the Business Office, including overseeing the Administrative Assistant to the Director (Administrative Assistant) who oversees tuition reimbursements and the accounts payable clerk who processes tuition reimbursements.

The District operates two schools (an elementary school and a junior/senior high school at different locations) with approximately 790 students and 145 employees. The District's budgeted appropriations for the 2014-15 fiscal year were \$17.8 million, funded primarily with State aid and real property taxes. The District's budgeted appropriations for the 2015-16 fiscal year are \$17.9 million.

Objective

The objective of our audit was to examine the District's tuition reimbursements and supporting documentation. Our audit addressed the following related question:

- Do District officials ensure that tuition reimbursements are adequately supported and calculated correctly in accordance with collective bargaining agreements (CBAs), individual employment contracts and Board resolutions?

Scope and Methodology

We examined the District's tuition reimbursement process and supporting documentation for the period July 1, 2012 through January 6, 2016. We extended our audit scope back to July 1, 2010 to review the recapture provision for tuition reimbursement.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such

¹ The current Director of Technology and Finance was appointed in August 2015.

standards and the methodology used in performing this audit are included in Appendix B of this report.

**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 plan 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.

Tuition Reimbursements

In addition to wages and salaries, school districts often provide tuition reimbursements to encourage employees to further their education. These payments are an employment benefit generally granted in negotiated CBAs, individual employment contracts or board resolutions and can represent significant expenditures for a district. District officials should follow written procedures to ensure that each payment is accurate and employees are paid only the amounts to which they are entitled. Each tuition reimbursement should include supporting documentation that has evidence of review. These expenditures should be specifically authorized by CBAs, individual employment contracts or board resolutions or, if they differ from those in the employment contracts, be specifically approved by the board prior to payment. When appropriate, District officials should recapture tuition reimbursements from employees that do not fulfill their employment obligations.

The District has three CBAs, one non-union contract and two individual employment contracts that stipulate the terms and benefits for its employees. All of these contracts include provisions for eligible employees to receive tuition reimbursements from the District. Additionally, some CBAs include recapture provisions if specific post-reimbursement employment obligations are not met.

Although the District has written procedures regarding the tuition reimbursements process, they were inadequate. Specifically, the Superintendent approves the courses that an employee has applied for and the Administrative Assistant tracks employees and the courses that have been approved for reimbursement. Once the employee completes the course and is eligible for tuition reimbursement, the Administrative Assistant submits a requisition form to the accounts payable clerk for payment. However, there is an inadequate segregation of duties because no other employee makes a final review of the tuition reimbursement before payment is made to the employee. Additionally, the District's written employment separation process procedures do not contain steps to verify that employees have fulfilled any post-reimbursement employment obligations.

We identified 10 employees who received approximately \$49,050 in tuition reimbursements during our scope period for 45 courses² taken. Due to a lack of segregation of duties, we found multiple instances where the supporting documentation was inadequate. One reimbursement for \$510 lacked a preauthorization form and

² Totaling 148 credit hours

10 reimbursements totaling \$12,842 were lacking student billing forms or invoices. Further, the District made overpayments to two employees. Based upon the contract, one employee was authorized to be reimbursed for nine credit hours of tuition per fiscal year, but was instead reimbursed for 15 hours in 2013-14 and 12 credit hours in 2014-15, for a total overpayment of \$3,762. Additionally, one employee received a tuition reimbursement of \$1,170 even though the employee did not attain the appropriate grade level as required by the CBA. There was no evidence that the Board approved any exceptions to the CBAs.

However, District officials did enforce the tuition reimbursement recapture provision for employees who did not continue employment with the District for two years as required by their CBAs. We identified 45 employees whose employment with the District ended during our audit period that would have been eligible for tuition reimbursement. We found one former employee that received a tuition reimbursement but did not continue employment with the District for two years as required. We did verify that the District recaptured the full tuition reimbursement from the former employee.

Although, District officials have written procedures for tuition reimbursement, they do not provide for an appropriate segregation of duties. As a result, District officials made 11 payments totaling \$13,352 that lacked either a preauthorization form or a student billing form or invoice. This lack of proper documentation increases the risk that overpayments could occur. Furthermore, District officials made two payments totaling \$4,932 that we confirmed to be overpayments because the employees failed to meet the credit hour or grade level requirements necessary for reimbursement.

Recommendations

District officials should:

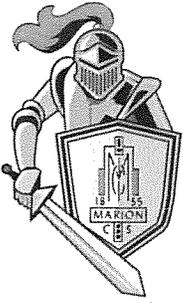
1. Develop written procedures that require an independent review of tuition reimbursements before they are made. This review should ensure that calculations comply with contracts and that payments are made only after receiving proper documentation.
2. Ensure written employment separation procedures include steps to verify that employees have fulfilled any post-reimbursement obligations.
3. Research tuition reimbursements lacking sufficient supporting documentation for legitimacy and seek recovery of payments where entitlement to the reimbursement is unsubstantiated.

4. Seek recovery of the \$4,932 in tuition reimbursement overpayments.

APPENDIX A

RESPONSE FROM DISTRICT OFFICIALS

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



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March 30, 2016

Donald Bavis
Marion Central School District
4034 Warner Rd
Marion, NY 14505

Dear Mr. Grant,

This letter is in response to the recent comptroller's audit conducted for the district that spanned from an initial entrance interview on November 18, 2015 to an exit interview on March 16, 2016 regarding an audit on the district's tuition reimbursement policy and practices to eligible employees from a period of July 1, 2012 to January 6, 2016.

The district appreciates the depth of service the comptroller's office provided. After an extensive risk assessment on financial condition, reserve fund management, technological security, and employee separation payments, the audit focused on tuition reimbursements. The district values this breadth of review.

In general, the district agrees with the audit's findings and recommendations outlined in the report. Steps have already gone into effect to alleviate any gaps that exist in current policy language or operational practice.

The district will develop a formal corrective action plan based on the recommendations of the audit findings and will present it to the board of education for approval. Thank you again to your office and its representatives on-site for the thoroughness and professionalism exhibited throughout the audit.

Sincerely,

Donald Bavis
Superintendent of Schools

We engage all students to achieve their fullest potential today and to be prepared for tomorrow's opportunities.

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 staff to gain an understanding of the District’s processing and approval of tuition reimbursements and controls over the computerized financial software.
- We reviewed the negotiated CBAs and individual employment contracts to identify terms authorizing tuition reimbursements.
- We reviewed Board minutes, analyzed District employee listings, reviewed computerized financial software reports and inquired with District officials to determine all employees who were eligible for tuition reimbursement and the tuition reimbursements made during our audit period.
- We examined the supporting documentation for all 10 employees who received tuition reimbursements to determine if the payments were supported and made in accordance with the tuition reimbursement procedures, Board-approved CBAs and individual employment contracts.
- We identified and reviewed all 45 payments to employees that were eligible for tuition reimbursements who left District service during our audit period to determine if they received a tuition reimbursement and if the recapture provisions were enforced.

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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