



Aloma D. Johnson Charter School

Leave Accruals

Report of Examination

Period Covered:

July 1, 2015 – February 24, 2017

2017M-218



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	1
INTRODUCTION	2
Background	2
Objective	2
Scope and Methodology	2
Comments of School Officials and Corrective Action	3
LEAVE ACCRUALS	4
Recommendations	6
APPENDIX A Response From School Officials	8
APPENDIX B Audit Methodology and Standards	12
APPENDIX C How to Obtain Additional Copies of the Report	13
APPENDIX D Local Regional Office Listing	14

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

December 2017

Dear School Officials:

A top priority of the Office of the State Comptroller is to help charter school officials manage school financial operations efficiently and effectively and, by so doing, provide accountability for money spent to support school operations. The Comptroller audits the financial operations of charter schools outside of New York City to promote compliance with relevant statutes and observance of good business practices. This oversight identifies opportunities for improving financial operations and Board governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard school assets.

Following is a report of our audit of the Aloma D. Johnson Charter School, 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 Section 2854 of the New York State Education Law, as amended by Chapter 56 of the Laws of 2014.

This audit's results and recommendations are resources for school officials to use in effectively managing operations and in meeting the expectations of the taxpayers, students and their parents. 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

A charter school is a public school financed by local, State and federal resources that is not under the control of the local school board and is governed under Article 56 of New York State Education Law. Charter schools generally have fewer legal operational requirements than traditional public schools. Most of the regulations for a charter school are contained in Article 56 and its bylaws, charter agreement and fiscal management plans.

The Aloma D. Johnson Charter School (School) is located in the City of Buffalo and is governed by a five-member Board of Trustees (Board). The Board has final authority for School policy and operational decisions and is responsible for the general management and control of financial and educational affairs. The Board appoints a Chief Financial Officer (CFO) who is responsible, along with the Business Manager, for the day-to-day financial management, which includes recording and reporting leave time accruals under the Board's direction.

The School's 2015-16 fiscal year operating expenses totaled approximately \$3.9 million. These expenses were funded primarily with revenues derived from billing area school districts for resident pupils. As of June 2016, the School had approximately 300 enrolled students and 62 employees.

Objective

The objective of our audit was to review the School's leave accrual activities. Our audit addressed the following related question:

- Did School officials maintain accurate and supported leave accrual records for employees?

Scope and Methodology

We examined the School's leave records for the period July 1, 2015 through February 24, 2017.

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 the relevant population size and the sample selected for examination.

**Comments of
School Officials and
Corrective Action**

The results of our audit and recommendations have been discussed with School officials, and their comments, which appear in Appendix A, have been considered in preparing this report. School officials generally agreed with our findings and indicated they planned to initiate corrective action.

The Board has the responsibility to initiate corrective action. We encourage the Board to prepare a plan of action that address the recommendations in this report and forward the plan to our office within 90 days. 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. We encourage the Board to make this plan available for public review in the Board Secretary's office.

Leave Accruals

Charter schools should document the compensation and benefits, including leave time, provided to their employees in individual contracts negotiated with employees and collective bargaining agreements. To ensure employees receive the intended leave benefits, it is important school officials maintain accurate leave accrual records so employees and officials are aware of leave accrual use and available balances at any point in time. The Board can accomplish this by adopting a written policy and School officials can further assist by developing detailed day-to-day procedures and performing periodic reviews of leave accrual records.

Full-time administrative and maintenance employees earn vacation, personal and sick leave and receive cash payments for unused vacation leave when they end School employment. Full-time instructional employees earn paid time-off leave in lieu of vacation, personal and sick leave. While employees did not complete individual timesheets, the Board-adopted policy requires that all employees sign in on a manual log at the front desk when they arrive at work and sign out when they leave for the day.

School officials told us that they considered the sign-in and sign-out sheets as employee time sheets. Additionally, employees are required to submit a leave request form when they plan to use leave or after they have done so. The Business Manager told us that she records leave use in the employees' records based on the request forms.

School officials did not maintain accurate, complete and supported leave accrual and use records. We reviewed leave records for all 13 full-time administrative and maintenance employees, including three employees who left School employment during our audit period,¹ and five instructional employees. We found discrepancies with nearly all these leave records. The sign-in and sign-out sheets did not agree with the leave request forms, leave time records or related leave reports. As a result, we question the accuracy, completeness and reliability of these records.

We compared the sign-in sheets to a list of active employees and identified 235 days when employees appeared to be absent because they did not sign in. We compared these absences to the leave request forms provided by the Business Manager and found 22 instances when an employee did not sign in at the front desk but had properly

¹ No employees were paid for unused leave upon leaving School employment during our audit period.

submitted a leave request form. However, the Business Manager did not record these absences in the employee leave records. As a result, leave records for these employees and the recorded leave balances were inaccurate.

The remaining 213 days² of absence were not supported by leave request forms. However, School officials subsequently provided supporting documentation showing that employees worked but did not sign in on 99 days.³

Because of poor recordkeeping, School officials were unable to provide supporting documentation for the remaining 114 days.⁴ We encountered various deficiencies with the School's records and were unable to fully perform our procedures. For example, officials told us that they were unable to provide detailed employee leave records before January 1, 2016 due to transitioning to a new payroll software. As a result, we were unable to review the 54 days when employees did not sign in and submit a leave request form for the period July 1, 2015 through December 31, 2015 because these records no longer existed. Consequently, officials could not determine whether the leave balances were reduced for the absences that occurred from July 1, through December 31, 2015.

We reviewed employee leave records that were available as of January 1, 2016 and found 60 days where employees did not sign in and did not submit a leave request form. Additionally, the leave records for these employees did not reflect any leave used on these days. School officials told us that these employees worked these days, but that due to the deficiencies with the leave accrual process and related documentation, they were unable to provide us with further supporting documentation.

We also compared the 2015-16 leave balances for all 62 employees to the 2016-17 beginning leave balances recorded in the employee leave records. We found that 12 of these employees' leave carryover amounts were overstated by 47 days. Specifically, eight instructional employees paid time-off leave was overstated by 39 days, two administrative employees' sick leave was overstated by five days and two additional administrative employees' vacation leave was overstated by three days.

² 156 days occurred during 2015-16 and 57 days occurred from July 1, through December 31, 2016.

³ 72 days from January 1, through June 30, 2016 and 27 days from July 1, through December 31, 2016.

⁴ 54 absences occurred from July 1, through December 31, 2015 and 60 absences occurred from January 1, through December 31, 2016.

School officials told us that they could not explain the differences and contacted the vendor that provides the School's payroll software to learn how to generate these leave reports as they had not previously done so. At the conclusion of our audit fieldwork, officials indicated they planned to further review the leave time discrepancies we identified and adjust leave balances as needed. If necessary, they will seek to recover any money that may have been improperly paid as a result of inaccurate leave records.

These exceptions occurred because the Board did not ensure that School officials consistently enforced the existing policy and the proper use of leave request forms and conduct periodic reviews to ensure that employee leave records are complete and accurate. Furthermore, the CFO did not ensure that the Business Manager properly maintained employee leave records.

School officials also did not implement a time and attendance system, which includes the use of time sheets, to provide accountability over employee attendance and absences. As a result, the School could incur unnecessary costs, such as improper payments for unused leave when employees end School employment or unnecessary substitute teacher personnel costs.

Recommendations

The Board should:

1. Work with the CFO and Business Manager to develop and adopt a comprehensive system of controls over leave time and ensure School officials and employees comply.
2. Consult with legal counsel and seek to recover any money that may have been improperly paid as a result of inaccurate leave time records.

The CFO should:

3. Properly monitor the Business Manager to ensure leave records are complete, accurate and updated in a timely manner.

The Business Manager should:

4. Maintain a cumulative and up-to-date record of leave balances for each employee and periodically review it to ensure accuracy and completeness.
5. Adjust employee leave balances when leave request forms are submitted to the business office.

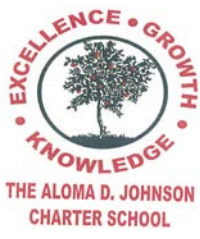
The CFO and Business Manager should:

6. Conduct a thorough review of leave records to ensure they are accurate and complete, review any discrepancies and report the results to the Board for its review and approval of any adjustments to leave records, as appropriate.
7. Develop and implement procedures to compare leave accrual and attendance records to ensure they are complete, accurate and updated in a timely manner.

APPENDIX A

RESPONSE FROM SCHOOL OFFICIALS

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



Aloma D. Johnson Charter School

15 Jewett Parkway
Buffalo, New York 14214

December 19, 2017

Mr. Jeffrey D. Mazula
Chief Examiner of Local Government and School Accountability
Office of the State Comptroller
110 State Street
Albany, New York 12236

Dear Mr. Mazula:

We are in receipt of your letter of November 28, 2017 and the accompanying Draft Audit concerning Leave Accruals (2017M-218) at the Aloma D. Johnson Charter School. We have had an opportunity to meet with your staff about the audit and to review its findings. We are in agreement with all the recommendations contained in the audit except for one, as noted below, and hereby submit our response to the audit. At this time we are also incorporating our Corrective Action Plan as part of this response.

Our response is as follows:

Recommendations

The Board should:

1. *Work with the CFO and Business Manager to develop and adopt a comprehensive system of controls over leave time and ensure School officials and employees comply.*

The Board will do this with periodic reporting on the management of the controls and full compliance with the policies.

Implementation Plan of Action(s):

Board will require CFO and Business Manager to prepare written procedures and will require periodic reporting to the Board on the status of the leave time system.

Implementation Date:

February 28, 2018.

Persons Responsible for Implementation:

Board President and the Chair of the Board's Finance Committee.

2. *Consult with legal counsel and seek to recover any money that may have been improperly paid as a result of inaccurate leave time records.*

The Board does not consider the administrative problems identified in the audit to have resulted in any loss of school funds, so we see no reason to employ legal counsel to seek repayment of money; potential legal expenses would also be an issue. To the extent that an employee was paid for an absence without proper leave approval, we see the remedy to that situation to be an adjustment in the employee's leave time accruals. For former employees identified in the audit who had not documented their time, we see that as an administrative responsibility that was not carried out, not the former employee's. The employees in question who left the School had leave time remaining on the books that exceeded the amount of undocumented leave time in question.

Implementation Plan of Action(s):

The Board is satisfied that no School funds were lost as the result of the record keeping issues identified by the audit and that there are administrative means to resolve any discrepancies concerning leave balances, so no legal consultation will be pursued.

Implementation Date:

Not applicable.

Person Responsible for Implementation:

Not applicable.

The CFO should:

- 3. Properly monitor the Business Manager to ensure leave records are complete, accurate and updated in a timely manner.*

On at least a quarterly basis the CFO will work with the Business Manager to review leave balances of all employees who earn leave time to ensure that the previous quarter's leave balances, minus approved leave time, matches the leave balances at the beginning of the ensuing quarter.

Implementation Plan of Action(s):

The CFO and the Business Manager will prepare written procedures and will provide periodic reporting to the Board on the status of the leave time system.

Implementation Date:

February 28, 2018.

Person Responsible for Implementation:

CFO.

The Business Manager should:

- 4. Maintain a cumulative and up-to-date record of leave balances for each employee and periodically review it to ensure accuracy and completeness.*

The Business Manager will work with the CFO to prepare and maintain a leave balance report that will note balances at the end of a quarter and the leave time requests that have been submitted with each eligible employee.

Implementation Plan of Action(s):

The Business Manager will maintain cumulative and up-to-date records of leave balances for all employees eligible for such benefits and will provide the CFO with appropriate documentation of same.

Implementation Date:

February 28, 2018.

Person Responsible for Implementation:

Business Manager.

- 5. Adjust employee leave balances when leave request forms are submitted to the business office.*

The Business Manager will enter leave information into the School's payroll system, which is set up to deduct leave time that is used in each pay period.

Implementation Plan of Action(s):

The Business Manager will ensure that: (1) all employees on a daily basis enter their attendance information on forms provided for such purpose; (2) any use of leave time by a School employee is documented and approved on the appropriate form; and (3) the School's payroll system will on a pay period basis properly reflect employee leave balances.

Implementation Date:

February 28, 2018.

Person Responsible for Implementation:

Business Manager.

The CFO and Business Manager should:

- 6. Conduct a thorough review of leave records to ensure they are accurate and complete, review any discrepancies and report the results to the Board for its review and approval of any adjustments to leave records, as appropriate.*

The CFO and the Business Manager will review leave time records for all current employees eligible for leave time, identify discrepancies, and report to the Board no later than its February 2018 monthly meeting any adjustments that should be made to leave balance records.

Implementation Plan of Action(s):

CFO and Business Manager will review all current leave records, review any discrepancies and report to the Board with appropriate recommendations for adjusting leave balance as necessary. Board approval will be suggested if appropriate.

Implementation Date:

March 31, 2018.

Persons Responsible for Implementation:

CFO and Business Manager.

- 7. Develop and implement procedures to compare leave accrual and attendance records to ensure they are complete, accurate and updated in a timely manner.*

The CFO and the Business Manager will, by no later than February 28, 2018, develop and implement written procedures that will provide that the School's leave accrual, approval of the use of leave time, and time and attendance records are accurate and updated every payroll. The procedures will be submitted to the Board.

Implementation Plan of Action(s):

Written procedures will be prepared for the management of leave accrual and use. Methods for reviewing and confirming time and attendance will be included in the procedures. The procedures will be submitted to the Board.

Implementation Date:

March 31, 2018.


Persons Responsible for Implementation:

CFO and Business Manager.

We would be pleased to discuss our response and our Corrective Action Plan with you or your staff. Please contact our financial controller, Ken Kruly with any questions or comments. Mr. Kruly can be reached at 716-856-4390 x 206 or by email at kkruly@adjcharter.org.

In accordance with state procedures, we are also forwarding a copy of our response and CAP to the State Education Department.

Sincerely,


Jerry L. Linder
President, Board of Trustees

Cc: State Education Department

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

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

- We interviewed Board members and School officials, reviewed Board minutes and policies, the collective bargaining agreement and individual employee contracts to gain an understanding of leave accrual usage, recording and reporting.
- We reviewed sign-in and sign-out sheets, leave request forms and leave accrual records to determine the leave amounts used and whether leave use was accurately recorded. Our sample was judgmentally selected based on job titles and as a result, we selected the leave records for all 13 administrative and maintenance employees and five instructional employees.
- We reviewed the 2015-16 ending leave balances for all 62 employees and compared them with the 2016-17 beginning balances to determine whether the balances agreed and complied with accrued leave policy carryover thresholds.

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

HOW TO OBTAIN ADDITIONAL COPIES OF THE REPORT

To obtain copies of this report, write or visit our web page:

Office of the State Comptroller
Public Information Office
110 State Street, 15th Floor
Albany, New York 12236
(518) 474-4015
<http://www.osc.state.ny.us/localgov/>

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

BINGHAMTON REGIONAL OFFICE

H. Todd Eames, Chief Examiner
Office of the State Comptroller
State Office Building, Suite 1702
44 Hawley Street
Binghamton, New York 13901-4417
(607) 721-8306 Fax (607) 721-8313
Email: Muni-Binghamton@osc.state.ny.us

Serving: Broome, Chenango, Cortland, Delaware,
Otsego, Schoharie, Sullivan, Tioga, Tompkins Counties

BUFFALO REGIONAL OFFICE

Jeffrey D. Mazula, Chief Examiner
Office of the State Comptroller
295 Main Street, Suite 1032
Buffalo, New York 14203-2510
(716) 847-3647 Fax (716) 847-3643
Email: Muni-Buffalo@osc.state.ny.us

Serving: Allegany, Cattaraugus, Chautauqua, Erie,
Genesee, Niagara, Orleans, Wyoming Counties

GLENS FALLS REGIONAL OFFICE

Jeffrey P. Leonard, Chief Examiner
Office of the State Comptroller
One Broad Street Plaza
Glens Falls, New York 12801-4396
(518) 793-0057 Fax (518) 793-5797
Email: Muni-GlensFalls@osc.state.ny.us

Serving: Albany, Clinton, Essex, Franklin,
Fulton, Hamilton, Montgomery, Rensselaer,
Saratoga, Schenectady, Warren, Washington Counties

HAUPPAUGE REGIONAL OFFICE

Ira McCracken, Chief Examiner
Office of the State Comptroller
NYS Office Building, Room 3A10
250 Veterans Memorial Highway
Hauppauge, New York 11788-5533
(631) 952-6534 Fax (631) 952-6530
Email: Muni-Hauppauge@osc.state.ny.us

Serving: Nassau and Suffolk Counties

NEWBURGH REGIONAL OFFICE

Tenneh Blamah, Chief Examiner
Office of the State Comptroller
33 Airport Center Drive, Suite 103
New Windsor, New York 12553-4725
(845) 567-0858 Fax (845) 567-0080
Email: Muni-Newburgh@osc.state.ny.us

Serving: Columbia, Dutchess, Greene, Orange,
Putnam, Rockland, Ulster, Westchester Counties

ROCHESTER REGIONAL OFFICE

Edward V. Grant, Jr., Chief Examiner
Office of the State Comptroller
The Powers Building
16 West Main Street, Suite 522
Rochester, New York 14614-1608
(585) 454-2460 Fax (585) 454-3545
Email: Muni-Rochester@osc.state.ny.us

Serving: Cayuga, Chemung, Livingston, Monroe,
Ontario, Schuyler, Seneca, Steuben, Wayne, Yates Counties

SYRACUSE REGIONAL OFFICE

Rebecca Wilcox, Chief Examiner
Office of the State Comptroller
State Office Building, Room 409
333 E. Washington Street
Syracuse, New York 13202-1428
(315) 428-4192 Fax (315) 426-2119
Email: Muni-Syracuse@osc.state.ny.us

Serving: Herkimer, Jefferson, Lewis, Madison,
Oneida, Onondaga, Oswego, St. Lawrence Counties

STATEWIDE AUDITS

Ann C. Singer, Chief Examiner
State Office Building, Suite 1702
44 Hawley Street
Binghamton, New York 13901-4417
(607) 721-8306 Fax (607) 721-8313