

**BROOME COUNTY  
DEPARTMENT OF  
AUDIT AND CONTROL**

**EMPLOYEE FINAL CLEARANCE PAYOUT AUDIT**

**FEBRUARY 2009**

*Alex J. McLaughlin, Comptroller*

February 12, 2009

Barbara J. Fiala, County Executive:

The Department of Audit and Control performed an audit of the final payouts for employees leaving the county from July 1, 2007 through June 30, 2008. The principal objective was to verify that amounts paid to departing employees were appropriate and properly calculated.

The audit was conducted in accordance with generally accepted auditing standards. Such standards require that the Department of Audit and Control plan and perform the audit to adequately assess the accuracy of the financial records and adequacy of the internal controls, and that we examine, on a test basis, sufficient, competent and relevant evidence to afford a reasonable basis for our conclusions.

Based on the results of our examination, except for the instances noted herein, it is our opinion that amounts paid to departing employees were appropriate and properly calculated.

Sincerely,

Alex J. McLaughlin  
Comptroller

cc: Daniel D. Reynolds , Chairman of the Legislature  
Members of the Legislature  
Eric S. Denk, Clerk of the Legislature  
Michael Klein, Personnel Officer

## Background

Annually, this department performs an audit of final clearance payouts to departing employees.

The purpose of this audit is to examine a sample of all final clearance payouts, including all union codes and employee classifications, to verify that the payouts were accurately and properly calculated and paid.

For the period under examination, there were 443 employees who left County service. Applying the Institute of Internal Auditors statistical sampling matrix to this population, we determined that a sample size of 64 would be required to achieve a 95/5 confidence interval.

Accordingly, we selected a sample of 64 payouts. We calculated the amount due in accordance with the applicable rules and verified that the amount calculated and paid to the departing employee matched our expectations. In all but two cases, it did. In those two instances where the amount paid was different from what we had calculated, the differences were minor.

## **AUDIT FINDINGS, RECOMMENDATIONS AND RESPONSES**

### **FINDING 1: FINAL LONGEVITY PAYOUTS NOT CONSISTENTLY CALCULATED BASED ON PERSONNEL PROCEDURE**

During the course of reviewing our sample, we noted that the longevity portions of final payouts were not calculated using the methodology described in Personnel Directive 08-01 (dated March 20, 2008). Specifically, we noted two examples of longevity payouts that were based on days worked instead of on months worked.

Regarding calculating longevity payouts, Personnel Directive 08-01, in part, states:

“The pro-rated payment is determined by applying the number of months worked between the employee’s last anniversary date and the separation date. Employees completing more than half of the last month worked will be credited for a full month.”

Calculating the pro-rated portion of longevity based on the exact number of days, as opposed to the rounded number of months, results in incorrect payout amounts. This, in turn, could result in disputes.

### **RECOMMENDATION:**

We recommend that the Personnel Department require all departments to calculate longevity payouts consistently based on the written procedure.

### **MANAGEMENT RESPONSE:**

To address the longevity payout errors discovered in the audit, I have reissued Personnel Directive 08-01 and advised department heads to insure that their departmental staffs responsible for final calculation of payouts are provided with the correct procedure as specified in the directive.

## **FINDING 2: MATHEMATICAL ERRORS NOTED**

During the course of reviewing our sample, we noted two examples of mathematical errors.

Management should design the process so that errors are minimized and when errors do occur they are identified and corrected in a timely manner.

In both cases, we believe the mathematical errors that we identified were caused by calculating payout amounts manually.

### **RECOMMENDATION:**

We recommend that the Personnel Department develop and distribute a spreadsheet to be used by departments to calculate the payout amounts.

### **MANAGEMENT RESPONSE:**

The errors identified in the audit were caused by manual miscounts of calendar days in determining longevity payouts. Had the correct procedure been used these errors would not have been made. There are no other calculations for final payouts that require calendar day counts. As I indicated above the directive specifying the longevity calculation formula has been reissued to department heads and their payroll contacts.

