

**Pelham Union Free School District
Independent Accountant's Report On
Applying Agreed-Upon Procedures**

May 5, 2020

**INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES**

To the Board of Education and Audit Committee
Pelham Union Free School District
Pelham, New York

We have performed the procedures described in the following pages, which were agreed to by the Pelham Union Free School District (District), regarding purchasing and staff attendance recordkeeping activities areas for the period July 1, 2018 through October 31, 2019.

The District's management is responsible for administering these areas.

This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the District. Consequently, we make no representation regarding the sufficiency of the procedures either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are described in the following pages.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the District's purchasing and employee attendance areas. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We would like to express our appreciation for the cooperation and assistance that we received from the District's administration and other employees during our engagement.

This report is intended solely for the information and use of the District and is not intended to be and should not be used by anyone other than the specified parties.

Cullen & Danowski, LLP
May 5, 2020

PELHAM UNION FREE SCHOOL DISTRICT
Report on Applying Agreed-Upon Procedures
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Introduction:

This report is categorized by function (i.e., Purchasing and Staff Attendance), and there are four sections under each function consisting of:

- Background information
- Procedures performed during our detailed test-work
- Findings as a result of our review
- Recommendations to further strengthen internal controls or improve operational efficiency.

Some of the recommendations may require a reassignment of personnel duties within the District and/or a monetary investment. However, any enhancement of controls should be done after a careful cost-benefit analysis.

Corrective Action Plan:

Commissioner of Education Regulation §170.12(e)(4) requires that a corrective action plan (CAP), approved by the Board of Education, must be filed within 90 days of issuance with the New York State Education Department (NYSED).

The District should submit the CAP along with the respective Internal Audit Report via the NYSED portal system.

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PURCHASING

Background:

Purchasing is a highly specialized activity in school administration. It is a process that seeks to obtain maximum value from each educational dollar spent for equipment, supplies and contracted services. Prudent purchasing practices help upgrade the quality of programs as well as control cost. The District's Assistant Superintendent for Business is appointed by the Board of Education to perform the duties of the Purchasing Agent. These responsibilities include reviewing and approving purchase requests to ensure that all legal requirements are met, that goods and services are purchased only after a full review of the requisition, and at an appropriate cost. The Purchasing Agent has been with the District for several years and is assisted by a Clerk whose responsibilities include reviewing purchase requisitions prior to review by the purchasing agent. The same Clerk reviews the vendor invoices and enters all invoices into the nVision system for payment. This one clerk cannot enter a requisition, thereby improving segregation of duties. In all instances, in addition to the review by the Clerk, there is an authorization to pay (either by a receiving report or by an approved invoice) by someone independent of the Clerk.

Additionally, the District has a Claims Auditor who reviews all disbursements.

Section 104-b of the General Municipal Law (GML) requires local governments to adopt written policies and procedures governing the procurement of goods and services when competitive bidding is not required. This statute also requires local government personnel to document certain purchase-related decisions. In addition to provisions to ensure compliance with the GML Section 104-b, the adopted policies and procedures should identify authorization limits, the use of requisitions and Purchase Orders (POs) and the process to follow when purchasing goods and services.

The District migrated from Finance Manager to nVision as its financial accounting system in 2018. nVision is a powerful, integrated financial system that is tailored to support New York state school systems. The Purchase Requisition Manager module and the PO Manager module are fully integrated into the financial accounting and budget management systems. The nVision system provides certain levels of user controls and certain processing controls, which substantially reduce the likelihood of error in the processing of purchase requisitions and/or POs. One of the key controls is that the system is set up to forward purchase requisitions along a pre-established hierarchy of employees for review and approval depending on the type of expenditure and the department requesting the purchase. Only after the appropriate employees have approved a purchase requisition, will the request be able to be processed and approved as a PO by the Purchasing Agent.

The nVision system does not allow a Purchase Requisition to be entered unless there are adequate budget funds available in that budget code.

There are authorized District employees (requisitioners) who are responsible for acquiring the needed goods or services for the staff working in their respective building or department. The requisitioners are given the appropriate access to the nVision system to enter purchase requests into the system that, in turn, require proper approval by an administrator prior to submission to the Purchasing Agent for review and approval. In addition, the requisitioners are given access to only their specific budget codes based on the responsibility of their respective administrator.

The District has several Board of Education policies related to purchasing activities as follows:

- 5410 Purchasing
- 5411 Contracting for Professional Services
- 5320 Expenditure of District Funds

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- 5321 Employee Use of Credit Card
- 5322 Employee use of Cellular Phones
- 5323 Meals and Refreshments at District Events

Procedures:

Purchasing

We performed a review of the operations of the purchasing and disbursements activities as follows:

- Reviewed Board policies and District procedures related to the purchasing and disbursement functions.
- Interviewed Business Office personnel regarding policies, procedures and systems in effect related to purchasing and disbursements.
- Interviewed the employees responsible for purchase requisitions in the Facilities Department, IT Department, Special Ed Department and the Athletics Department to determine if the procedures followed by the staff are standardized and consistent within the District.
- Reviewed the current requisitioning and purchasing processes to identify the strengths, weaknesses and key control attributes for testing.
- Reviewed the financial system user accounts and respective permissions related to the purchasing area to ensure that users have the appropriate level of access based on their job responsibilities.
- Reviewed the purchasing related activity for vendor accounts during the time period as follows:
 - Accounts with disbursements greater than \$100,000 – select a sample of 10 accounts.
 - Accounts with disbursements between \$20,000 and \$100,000 – select a sample of 10 accounts.
 - Accounts with disbursements between \$10,000 and \$20,000 – select a sample of 10 accounts.
 - Accounts with disbursements between \$300 and \$10,000 – select a sample of 10 accounts.
 - For each of the 40 accounts selected we reviewed the nature and frequency of transactions with the vendor and examined the purchasing and disbursement records for up to 2 judgmentally selected invoices to determine whether the applicable policies and procedures have been followed.

Findings:

- Upon review of certain board policies and District procedures, it is noted that the “2019-2020 Purchasing Procedures: Administrative Regulations” appear to be well thought out and set clear and effective procedures to facilitate board policy implementation.
- Interviews with the accounts payable clerk, together with the purchasing agent, noted that there may not be a clear procedure to verify insurance related to independent contractors providing on-site services. It is important to clarify that supporting documentation be identified before a payment is made by the District.
- Interviews with the accounts payable clerk, together with the purchasing agent, noted that there is an inconsistency related to follow-up procedures for “confirming purchase orders” across departments. For example, the Purchasing Department does not formally follow up with the Facilities Department, as it does with Special Education and Athletics.

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- The purchasing agent takes corrective action for problematic POs to prevent reoccurrence of the problematic PO, and to identify the issue, cause, and check for policies and procedures compliance. However, overall, “confirming Purchase Orders”, untimely (estimated) encumbrances, as well as POs that do not include a relevant contract or that include an unsigned contract, occur (relative to the sample size) on a semi-regular frequency. Regulation 5411 stipulates that executed contracts be included with the requisition. Further, PO packets and/or invoice packets are often missing other key backup information. The information is generally located elsewhere. It is unclear how the claims auditor is able to thoroughly and accurately perform his/her review.
- We noted one instance in which a PO was issued to the wrong vendor. The PO was manually adjusted, instead of being cancelled and re-written.
- Interviews with Custodial staff noted that staff may on occasion make a purchase using a “house” account at a store, such as Home Depot, after the employee has clocked out for the day. Goods will then be kept overnight with the custodial staff, presenting a risk of loss and/or theft of the purchase.
- There were no errors found in the purchasing selections we reviewed. Some of the selections did deviate from internal policies and/or highlighted an area that warrants evaluation for potential changes in procedures. In summary, there were 14 “confirming Purchase Orders”. There were 9 instances where an estimated encumbrance or a more accurate estimate could have been booked at the start of the fiscal year. There were 9 selections where the information contained in the PO packet/invoice could have been more complete and standardized; this includes but is not limited to, voucher packets that contained unsigned contracts, incomplete invoices used to issue vendor payments and missing packing slips.
- There are no procedures to monitor 12 month aggregate purchases from a single vendor to ensure compliance with General Municipality Law (‘GML’) §103 that states “...in determining whether a purchase is an expenditure within the discretionary threshold amounts established by this subdivision, the officer, board or agency of a political subdivision or of any district therein shall consider the reasonably expected aggregate amount of all purchases of the same commodities, services or technology to be made within the twelve-month period commencing on the date of purchase.”

Recommendations:

We recommend that the District consider implementing the following items to further improve internal controls and operational efficiencies related to purchasing activities:

1. **Confirming POs** - We recommend that the District consider a procedure to track confirming POs. Many Districts use a standard form that the purchaser is required to prepare to document the reason for the confirming PO.
2. **Facilities materials** - The District should consider whether making purchases at the end of the day and leaving materials in personal vehicles overnight is an acceptable practice.
3. **Contract Support** - Many contracts require that the vendor provide proof of insurance or other supporting documentation. We recommend that the District consider developing procedures (using checklists or other means) to help ensure these required documents are in place prior to services being performed.
4. **Aggregate Purchases** - We recommend that the District consider implementing procedures to review aggregate purchases that exceed the bid guidelines to help ensure compliance with GML §103.
5. **Wrong Vendor Name** - We recommend that the District consider requiring cancellation of Purchase Orders with incorrect vendor names and issuing a correct purchase order.

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STAFF ATTENDANCE

Background:

The recording and monitoring of employee attendance is an important administrative responsibility in any school district. There are two significant activities associated with attendance:

- The authorization, recording and monitoring of day-to-day activities.
- The award of benefit time to individual employees.

The District uses nVision as the ultimate repository of staff attendance recordkeeping data. Both the award and usage of benefit time are recorded in nVision. To our knowledge, individual employees do not have access to view benefit time balance information.

There are several clerical staff that enter day to day activity into nVision. Due to the different nature of the departmental needs, the systems used to get the information to the respective clerk vary. Most activity is recorded in nVision by a personnel clerk in the central office (Personnel Clerk). Facility Department activity is entered by the Facilities Clerk and Business Office activity is recorded by a clerk in the Business Office.

The award of benefit time is defined by collective bargaining agreements and individual employee contracts.

After the annual award of benefit time is made, a statement of total time available is sent to each employee to review. Total time available consists of time awarded for that fiscal year as well as any amount of time allowed to be carried forward from prior fiscal years. Staff are instructed to review and advise of any potential discrepancy. After review, the Personnel Clerk will make any adjustments necessary. Our understanding is that last year, there were only 6 employees who questioned their accrued benefit time.

For custodial and Business Office staff a similar process is followed.

We performed a review of the District's staff attendance activities that included meetings, discussions and test-work to determine the effectiveness of the function. The District has Board policies, formal procedures, standard forms and designated employees related to staff attendance recordkeeping. As it relates to building staff absences, the high school (HS), middle school (MS), and elementary schools (ES) maintain daily sign-in sheets that require substitutes, but not employees, to sign-in each day at their respective coverage location. There are clerical staff at each school who are responsible for maintaining the daily sign-in sheets. A time-off request form is required for all absence related activity for all school building staff and, together with a corresponding absence report produced monthly by the clerk, the signed and authorized forms are then submitted to the Personnel Clerk. The quality and completeness of the submittal packages from the various schools varies.

The Personnel Clerk is then responsible for posting the staff attendance activities into nVision. The Personnel Clerk in the Central Office manually enters the attendance information into nVision based on the summary spreadsheets and time off request forms. The District utilizes AESOP (now Frontline Education), a web-based program to coordinate class coverage for teachers who are absent with substitute teachers, but is not used by the school clerks to facilitate tracking teacher attendance. In addition to the report packages from the schools, there are similar transmittals provided by departments to the Central Office. Calendars are maintained for time-off entries for the Business and Central Offices. nVision entries are then made based on reports, calendars and time-off forms.

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For facilities staff, a designated staff member handles a similar process for custodial, grounds and maintenance related staff. Absence and time tracking is recorded by utilizing "Timepiece". Timepiece, is an integrated time and attendance management software module within the Finance Manager suite of products. Attendance data is then transferred/uploaded to nVision after several steps of reconciliation and approvals are performed. Head custodians ensure all time off entries are booked into Timepiece and associated paperwork submitted. Paperwork is then approved by both the head custodians and the Director of Facilities.

Procedures:

Staff Attendance

We performed a review of the operations of staff attendance activities as follows:

- Reviewed Board policies, District procedures, collective bargaining agreements and employee contracts related to the employee attendance functions.
- Interviewed Business Office and other personnel regarding policies, procedures and systems in effect.
- Reviewed the current attendance related processes and identify the strengths, weaknesses and key control attributes for testing.
- Reviewed attendance recordkeeping related activity for the applicable time period, as follows:
 - For each school and/or department which administers attendance recordkeeping, we selected two pay periods during the period under review and compared attendance reporting to supporting documentation. On a test basis, traced entries into the nVision (or other) system.
 - Selected 40 entries identified from the nVision (or other) system, made during the period under review and traced to supporting documentation.
 - Determined the systematic and/or manual procedures to reconcile the attendance logs to the financial (or other) system records and to ensure the completeness of the records.
 - Reviewed the annual roll-over from June 30, 2019 to July 1, 2019 for accuracy and compliance with contractual obligations. Reviewed any unusual variances.
 - For any monthly award of benefit time, selected 1 monthly accrual and tested 25 entries to ensure compliance with contractual obligations. Note – during our review we learned that there are no monthly awards of any benefit time with the exception of custodial staff reaching a 1 year anniversary. Selections were limited to 2 employees. Anniversary date (5 year and 10 year) benefit awards handled outside of the fiscal year-end were also observed for custodial staff and were thus reviewed.

Findings:

- Clarifications are needed in relation to incremental or partial day attendance and benefit time awards. The collective bargaining contracts do not address partial day increments, other than 0.5 or 1 being allowed for sick days. However, past and current practice allow other increments, such as 0.3
- Facilities staff have been awarded benefit time based on anniversary dates. However, the mechanics of the amount of vacation and sick days to be awarded does not appear to agree to the contract language. The contract is ambiguous and creates a scenario in which employees may be disadvantaged or advantaged depending on hire date relative to the fiscal year end.

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- With the exception of facilities staff, interviews with clerical personnel who process school building staff attendance and benefit related items (new benefit awards, recording time and processing year end entries) noted that a substantial part of the process is manual.
- We noted that there are no written procedures related to the processes used by the Personnel Clerk to record attendance.
- We noted no errors or discrepancies related to the recording of benefit time of the facilities staff. All paperwork was accurate and properly reviewed and approved.
- Related to attendance recordkeeping at the schools, we noted several errors and discrepancies. Although teachers record absences in AESOP (which the District uses to help ensure class coverage), AESOP reports are not used to verify attendance records.
 - We noted three instances in which teachers were absent according to AESOP, but were not recorded as absent on the spreadsheet prepared at the school and used by the Personnel Clerk to identify absences. As a result no absence was recorded.
 - In addition, we noted one instance in which a teacher recorded a development day in AESOP but this was not recorded in the spreadsheet prepared at the school and was therefore not recorded in nVision. The procedure is that these development days are to be recorded in nVision.
 - We identified 9 instances in which an absence form was either not present or was not approved. However, an absence was recorded in nVision because the absence was listed on the spreadsheet prepared at the school.
 - We noted one instance in which a “vacant teacher” entry was recorded in AESOP. This allows potential payment for a substitute but no teacher is recorded as absent.
- Related to the Central Office recordkeeping, we noted 2 instances, in which a person was listed as on vacation on the departmental calendar, but there was no paperwork prepared and no entry made to nVision to record the absence.

Recommendations:

1. **Benefits Award** - We recommend that the District review the award of benefit time to the custodial staff to ensure it complies with the collective bargaining agreement and/or consider clarifying the contract.
2. **Use of AESOP** - We recommend the District consider how to efficiently utilize AESOP and departmental calendars to help ensure all benefit time used is ultimately recorded in nVision. This should include a reconciliation at the schools and departments prior to submission to the Personnel office so that the full complete package is provided to Personnel.
3. **Use of Timepiece** - We recommend that the District consider how to utilize the functionality of Timepiece to record partial days off.
4. **Manual Adjustment** - We recommend that the District consider a procedure in which manual adjustments for time awarded and regular time absence recording is reviewed by a second clerk. Criteria should be set regarding the frequency and timing of these reviews.

