

Glen Cove City School District
Independent Accountant's Report On
Applying Agreed-Upon Procedures
December 6, 2017

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

To the Board of Education and Audit Committee
Glen Cove City School District
Glen Cove, New York

We have performed the procedures described in the following pages, which were agreed to by the Glen Cove City School District (District), on payroll and human resources for the period July 1, 2016 through September 30, 2017.

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 payroll and human resources 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

December 6, 2017

GLEN COVE CITY SCHOOL DISTRICT
Report on Applying Agreed-Upon Procedures
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Introduction:

This report is categorized by function (i.e., payroll and human resources), and there are five sections under each function consisting of:

- Background information
- Summary of the engagement
- Procedures performed during our detailed testwork
- 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, 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 send the Corrective Action Plan (CAP) along with the respective Internal Audit Report via the NYSED Portal. The report needs to accompany the CAP to allow the Office of Audit Services (OAS) to reconcile the District's CAP to the report to ensure all items have been addressed (i.e., CAP is not missing any recommendations).

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PAYROLL

Background:

Good business practice requires that the District establish proper segregation of duties and adequate controls over the payroll function. These controls should ensure the completeness and accuracy of payroll related transactions (e.g., salaries, claims forms, stipends, separation payouts, etc.), changes to salaries, user account revisions, and the retention of proper documentation supporting the activities, to name a few.

As in all school districts, payroll is the largest expenditure at the District. The Business Office has 2 full-time employees: a Payroll Supervisor and a Payroll Clerk working in the Payroll Department (Department) who handle all of the District's payroll activities. The District utilizes the Finance Manager (FM) financial system to process payroll. This is a powerful, sophisticated product that has been tailored to meet the requirements of New York State school districts. The payroll module is fully integrated into the financial reporting module, which is very efficient and significantly reduces the likelihood of processing errors.

We performed a review of the District's payroll processing that included meetings and testwork, as per the engagement letter dated July 1, 2017, to determine the effectiveness of the payroll function. During the fieldwork, we gained an understanding of the past practices, current initiatives and any planned changes related to payroll. As we performed our procedures, the objectives were to identify opportunities to strengthen internal controls, improve operational efficiencies, ensure proper oversight and verify supporting documentation related to payroll processing activities.

Summary:

We note that the oversight and review of transactions is appropriate, the internal controls designed to mitigate the inherent risk within the payroll process are adequate and the Department understands the need to have proper controls in place. We also found that the employees we interviewed demonstrate a positive attitude towards improving procedures and are knowledgeable about the requirements related to their responsibilities.

We found some opportunities to further enhance operations as a result of our engagement. These items are described further in the findings and recommendations sections below. We recommend that the District and the Department implement these recommendations to further strengthen internal controls and/or improve operational efficiencies.

Procedures:

Our procedures, as per the engagement letter dated July 1, 2017, were as follows:

- Review Board of Education (Board) policies and District procedures related to the payroll function.
- Review all collective bargaining agreements and a sample of individual employment agreements to understand the terms and conditions.
- Interview Business Office personnel regarding policies, procedures and systems in effect and document the payroll procedures.
- Review the current payroll cycle process and identify the strengths, weaknesses and key control attributes for testing.
- Perform a payroll reconciliation from 1 cycle to the next during the period under review. On a test basis, review supporting documentation for all activities in 1 of the payrolls.

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- Review payroll related activity for the period under review as follows:
 - For contractual payments - select a sample of 50 payments to ensure amount paid agrees to employee records and contract (if applicable) and compare all amounts withheld for taxes, benefits, etc. to supporting documentation.
 - For non-salary payments (i.e., hourly, stipend, overtime) - select a sample of 50 payments to ensure proper approval and amount.
 - For separation payments - select a sample of 5 payments to ensure final amounts are correct (i.e., retirement incentives; accumulated unused time), proper documentation is on file (i.e., retirement or resignation letter from employee, Board resolution) and compliance with specifications in the respective contract.
 - For disbursements to third parties as a result of withholdings (i.e., union dues, taxes, etc.) - select all third party payments from the 2 payroll cycles selected for the reconciliation test work and ensure all monthly payments are captured.
 - For changes to the payroll module data - select a payroll change report for 2 payrolls to ensure all edits are appropriate as well as properly approved and supported (i.e., Board approval).
 - For substitute teacher payments - review and document the procedures and select these payments from 1 pay cycle during the period to ensure accuracy and completeness, as well as reconcile these payments to the permanent teachers' absences and ensure the absences are recorded. Based on the results, determine if a reconciliation process needs to become a regular procedure.
 - For 1 recent pay cycle - obtain confirmation from the administrative staff that the employee payroll expenses are charged to the correct budget codes.
 - For any retroactive pay - review the calculation and payment for accuracy.

Findings:

Review of Board policies, District procedures, collective bargaining agreements and individual employment agreements and interviews with District personnel responsible for payroll noted:

- The Human Resources (HR) Confidential Secretary enters all new hire demographic information into FM and the Payroll Supervisor enters payroll information for the new employees as per an Excel spreadsheet from the HR Confidential Secretary, which is a summary of the approved Board minutes. However, there is no review by a second employee of the entry made by the Payroll Supervisor and the Department does not receive the personnel section of the Board minutes, instead the HR Confidential Secretary retypes any Board actions related to payroll and provides this information on an Excel spreadsheet.
- The procedures related to hourly workers (i.e., food service workers, teacher aides and school monitors), overtime hours, and per diem substitute cleaners could be improved because these transactions are handled manually using timesheets. Currently, only the employees in the buildings and grounds department are using a time management system. The utilization of a time management system for all hourly workers would enhance operational efficiencies and reduce potential manual errors associated with paper timesheets.

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Review of the current payroll cycle process and performing a payroll reconciliation from 1 cycle to the next during the period under review found:

- The Payroll Supervisor uses an Excel spreadsheet to reconcile the payroll from 1 payroll cycle to the next payroll cycle, then this documentation is filed in the Department. We noted that there were no exceptions or findings as a result of our review of the selected payroll cycle.

Review of the selected 50 contractual payments noted:

- There were no exceptions or errors related to our testing of the selected 50 contractual payments.

Review of the selected 50 non-salary payments found:

- There is 1 employee who is paid a stipend for holding a bachelor's degree as per the Statement of Benefits. We reviewed the employee's personnel file and noted that there were no college transcripts in the file to support that the employee achieved a bachelor's degree.
- There was 1 instance where an employee was docked for 2 sick days (April 3, 2017 and April 4, 2017), since there were no more days available in their sick day bank. We were informed that there was a subsequent approval to reimburse the employee for these 2 docked days and charge the absences as vacation days, and the employee was reimbursed for the two days. However, the 2 vacation days were never deducted from the employee's balance. We understand the benefit time for this employee was corrected accordingly after we communicated this finding to the District.
- There was 1 instance where 1 employee was overpaid by 5.9 hours for a total of \$91.80 based on our review of the timesheet.
- There was 1 instance where 1 employee was underpaid by 6.17 hours for a total of \$120.13 based on our review of the timesheet.

Review of the selected 5 separation payments noted:

- The form used for separation payouts related to civil service employees includes a space for the proper approvals of the HR Senior Clerk, the Payroll Supervisor and an administrator. However, there is no space for these approvals on the form used for incentive payments and sick time payouts to the certified employees (i.e., teachers and administrators). Although these approvals were not on the form, we were informed that the Payroll Supervisor and the Assistant Superintendent for Business review the calculations prior to processing these separation payouts. After informing the Business Office about this finding, the Assistant Superintendent for Business has revised the form used for separation payouts to the certified employees (i.e., teachers and administrators) to include the names, titles and signatures of the employees responsible for approving these payments prior to processing (i.e., HR Senior Clerk, Payroll Supervisor and Assistant Superintendent for Business).

Review of the selected disbursements to third parties as a result of withholdings found:

- There were no exceptions or errors related to our testing of the selected third party disbursements.

Review of the changes to the payroll module data based on the selected change report for 2 payrolls noted:

- We noted that the payroll comparison report, which lists all of the contractual changes between the current and the prior pay cycles, is printed and reviewed by the Payroll Supervisor each payroll period. The report is then sent to the Superintendent for review and approval.
- There were no exceptions noted related to our review of the payroll changes between the 2 payrolls.

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Review of the selected substitute teacher payments from one pay cycle found:

- The secretaries in the main offices of the schools compare the sign-in sheets to teacher absences recorded in Absence Management (formerly Aesop), a system to facilitate the filling of teacher absences with substitutes. The HR Senior Clerk records all absences in FM based on the sign-in sheets. However, we note that there is no comparison from the substitute teacher timesheets to the teacher absences recorded in Absence Management or FM.
- There is no download or interface of attendance data from Absence Management to FM. We found that many Districts have set up a periodic interface from Absence Management to FM resulting in efficiencies and reduction of errors from manually posting the data into FM. After informing the Business Office about this finding, the Assistant Superintendent for Business contacted the vendor and learned that FM interfaces with Aesop to systematically upload the attendance data. We understand that the District will train an HR employee during the implementation of the new version of FM (nVision) and will start using this interface process.
- There were instances where an absence for attendance at a conference or a meeting was not entered into FM in accordance with the District's practice. In Absence Management, employees are able to enter an absence as conference attendance, staff development or school business. In FM, the HR Senior Clerk enters "CF" for Conference attendance or "O" for other with a description of either staff development or school business depending on what the teacher records on the sign-in sheet. Additionally, we noted 1 instance where the wrong absence date was recorded on the substitute timesheet, but the correct absence date was recorded in FM and Absence Management.

Review of a recent pay cycle related to employee payroll expenses and budget codes noted:

- There is no formal review of budget codes related to employee payroll expense.

Review of any retroactive pay found:

- Memorandum of Agreements (MOA) note the salary increase percentages; however, there are no salary tables included in the MOA. The Payroll Supervisor prepares the salary tables, but there is a lack of a second review and approval of the salary tables prior to payment to employees based on an MOA. However, in our review, the tables and subsequent payments were calculated properly.
- The testing of the selected 5 retroactive payments related to the United Public Service Employees Union (UPSEU) based on the MOA dated May 31, 2017, found that the calculations and payments were accurate.

Recommendations:

We recommend that the District consider implementing the following item to further improve internal controls and operational efficiencies related to payroll:

1. Establish procedures to provide the personnel section of the Board minutes directly to the Department, instead of the HR Confidential Secretary preparing an Excel spreadsheet that contains the same information. This would reduce the potential for manual errors and enhance efficiencies.
2. Develop procedures to have 2 staff involved in entering new hires in FM. One employee would enter the payroll data and a second person should verify the accuracy of the information. The verification process should include confirming the salary amount to the Board approval.
3. Consider implementing a time management system (e.g., Timepiece) after the implementation of the new FM system (i.e., nVision). The installation of a biometric time management system would strengthen internal controls and enhance operational efficiencies related to recording, tracking and reporting employees' time. A biometric system records the employees' exact arrival and departure times, provides

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a vastly improved solution to the current timesheets and reduces potential errors resulting from manual processes. Although there were no found occurrences of abuse, a biometric time management system eliminates the common and potential abuse related to time entry (e.g., incorrectly entering time or the "buddy system" concern). The biometric system would also enhance payroll processes by systematically calculating the overtime hours worked by employees to replace the current manual process.

4. Obtain transcripts related to any stipends paid to an employee holding a bachelor's degree or master's degree and file the transcript in the respective employee's personnel file.
5. Establish procedures at each school to reconcile the substitute timesheets to attendance records in Absence Management to ensure that the teacher absences are properly recorded. Additionally, all absences should be recorded in FM including time that the employee is absent due to a meeting, training, field trip or other school business.
6. Develop procedures to require the administrative staff to review the employee payroll expense to ensure that the salary related expenditures are charged to the correct budget codes. This process should be documented and performed periodically during the year.
7. Include salary tables in future MOA and ensure that the language in the MOA agrees with the salary tables. Also, establish procedures to have the salary tables entered into FM and ensure they are reviewed and approved by a second employee.

HUMAN RESOURCES

Background:

The HR Department is composed of 2 administrative assistants: HR Confidential Secretary and HR Senior Clerk. There was an Assistant Superintendent for HR in prior years; however, this position has not been filled since the last administrator separated from the District. Both of the administrative assistants are involved in procedures regarding recruitment, new hires, separations, leaves of absence and transfers of staff.

There are formal procedures and standard forms that are used to facilitate the handling of HR activities. We also found that the HR Department staff are relatively new in their roles and looking to enhance these processes. In the absence of an HR administrator, generally the Superintendent and the Assistant Superintendent for Business oversee the administrative duties of the HR Department.

The HR Department is responsible for informing the system administrators about employee changes to ensure that the user accounts are modified timely and appropriately. Our review included testing related to the District network, the financial system (FM) and the student management system (PowerSchool).

Summary:

We noted that the 2 administrative assistants in the HR Department appear to have a good understanding of the processes and controls in place related to recruitment, hiring, separations, leaves of absence, and transfers. The HR Department appears to be successful in communicating to the Payroll and Information Technology (IT) Departments in order for all necessary changes to be processed.

We found some opportunities to further improve operations as a result of our engagement. These items are described further in the findings and recommendations sections below. We recommend that the District and the Department implement these recommendations to further strengthen internal controls and/or improve operational efficiencies.

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Procedures:

Our procedures, as per the engagement letter dated July 1, 2017, were as follows:

- Interview District personnel responsible for employee administration including recruitment, hiring, leaves of absence, separations and other key activities related to staff changes.
- Review the procedures related to employee changes (e.g., new hires, separations, transfers, leaves of absence, etc.) to ensure that these activities are adequately documented, processed timely, properly approved, communicated appropriately and, if applicable, the IT Department is notified promptly to revise the employees' user accounts and permissions.
- Review employee files for 10 randomly selected new hires, 10 leave of absences and 10 separations for completeness. Compare information contained in the HR files to the payroll records to determine if payroll changes were made accurately and timely.

Findings:

Interviews with District personnel responsible for employee administration including recruitment, hiring, leaves of absence, separations and other key activities staff changes noted:

- There is no HR administrator, so responsibilities that used to be handled by this employee are now handled by other staff. We were informed that this has caused some inefficiencies and ineffectiveness within the HR Department, particularly related to the hiring process.
- The HR Senior Clerk has developed an in-depth hiring packet that assists and aides individuals involved in the hiring process.

Review of the procedures related to employee changes (e.g., new hires, separations, transfers, leaves of absence, etc.) found:

- There is improvement required related to notifying the IT Department promptly to revise the employees' user accounts and permissions. We have been informed that the District has established procedures to include this process in the new exit checklist; however, we noted that there were instances when this form was not included in the employees' HR files during our review of separations.
- There were 3 instances where the employees with user permissions in FM were not inactivated in a timely manner upon separation from the District.
- There was 1 instance where the employee with user permissions in PowerSchool were not inactivated in a timely manner upon separation from the District.
- There were 3 instances where the employees with access to the District network were not inactivated upon separation from the District, but the separated employee password was changed so the separated employees could not log onto the District network. We were informed that these user accounts have remained active in case the replacement employee needs to access any information from the employees' files and these user accounts are to be disabled once the network administrator is informed by the Business Office.

Review of the employee files for 10 randomly selected new hires, 10 leaves of absence and 10 separations for completeness noted:

- There were 3 instances where employees were approved by the Board after their effective start date.
- There was 1 instance where the employee did not sign off on their required acceptance letter.

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- There was 1 instance where there was no letter from the employee on file requesting a leave of absence.
- There were 4 instances where the HR Confidential Secretary did not sign off on the employee's exit checklist.
- There were 2 instances where there was no indication in the HR section of the exit checklist verifying that payroll was notified.
- There were 2 instances where the HR Department section of the exit checklist was incomplete.
- There were 5 instances where there was no exit checklist included in the employee's personnel file.

Recommendations:

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

1. Assess the operations of the HR Department given the absence of an administrator in this function.
2. Establish procedures to ensure that the user accounts are inactivated timely based on employee changes.
3. Develop procedures to obtain the Board approval of all new hires before their effective start date.
4. Establish procedures to have the acceptance letter signed off on by all salaried employees.
5. Develop procedures to maintain all request letters related to leaves of absence in the employees' personnel files.
6. Establish procedures to ensure that the exit checklist is filled out completely and included in each employee's personnel file upon separation from the District.

