

Eastern Suffolk BOCES
Independent Accountant's Report On
Applying Agreed-Upon Procedures
August 8, 2018

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

Board of Education and Audit Committee
Eastern Suffolk BOCES
Patchogue, New York

We have performed the procedures described in the following pages, which were agreed to by the Board of Cooperative Educational Services First Supervisory District of Suffolk County (ESBOCES), on the administration of benefits and the administration of security during the period of April 1, 2017 through March 31, 2018.

ESBOCES' management is responsible for administering these functions.

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 ESBOCES. 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 on ESBOCES' administration of benefits and administration of security. Accordingly, we do not express such an opinion. 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 ESBOCES' administration and other employees during our engagement.

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

Cullen & Danowski, LLP

August 8, 2018

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Introduction:

This report is organized as follows, categorized by function (i.e., administration of benefits and administration of security), 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 ESBOCES 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).

ESBOCES should submit the Corrective Action Plan (CAP) along with the respective Internal Audit Report via the NYSED Portal.

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ADMINISTRATION OF BENEFITS

Background:

ESBOCES has obligations to fully or partially fund varying employee insurance benefits based upon collective bargaining units with various employee groups. There are several insurance plans that are paid by ESBOCES including health, vision, dental, life, supplemental life and long-term disability (LTD). ESBOCES also provides non-insurance related benefits that include Medicare reimbursements and the Teachers' Legal Plan (TLP). These benefits are either mandated (NYS Teachers' Retirement System, NYS Employees' Retirement System, etc.), or are required by either collective bargaining agreement or individual contract (e.g., senior administrators). The most significant employee benefit related to costs and activity is health insurance coverage. Employees make contributions towards their health insurance coverage. The amounts of these contributions is governed by the collective bargaining unit agreements between the Board and the various employee groups or by individual contracts with unaffiliated staff (e.g., senior administrators).

The proper administration of benefits is an important function of ESBOCES. ESBOCES has several staff who are assigned responsibilities for the employee benefits administration and it appears they fully understand their roles and responsibilities related to these tasks. Additionally, there are account clerks that handle payroll, accounts receivable and accounts payable/cash disbursements related to the benefits activities. These employees have been at ESBOCES for a number of years and are experienced in their roles and responsibilities. The employee benefits administration activities are overseen and monitored by designated administrators. ESBOCES utilizes the WinCap financial system, which is a sophisticated product that has been tailored to meet the requirements of the BOCES throughout New York State.

Health Insurance Plans

Employees are provided health insurance under terms of collective bargaining unit agreements and or individual contracts for the unaffiliated employees. Each contract contains language that details the allocation of costs between ESBOCES and the employee. ESBOCES offers four health insurance plans to employees and retirees: (1) New York State Health Insurance Program (NYSHIP), also known as the Empire Plan, (2) East End Health Plan (EEHP), (3) Vytra plan and (4) Health Insurance Plan (HIP). As per the enrollment reports dated April 3, 2018, the number of participants in NYSHIP was 2,738, EEHP was 255, Vytra was 13 and HIP was 8, resulting in NYSHIP being the primary plan of ESBOCES, with a lower number of enrollees in EEHP and very few participants in Vytra and HIP. In addition, as per the terms of the agreements with the bargaining units and individual contracts, employees have the option of receiving a payment in return for declining health insurance coverage that would otherwise be paid for by ESBOCES. This is known as a "buyout" option that needs to be monitored to ensure that employees electing this option are not also covered under the health insurance plan.

Our review of employee benefits administration included reviewing documentation, meetings with staff, testing a sample of 25 participants in each insurance plan, reviewing the ESBOCES' reconciliation of the monthly invoices and reviewing the billings and collections related to insurance benefits, as per the engagement letter dated February 6, 2018. During our fieldwork, we gained an understanding of the past practices, current initiatives and any planned changes related to employee benefits administration. As we performed our procedures, the objectives were to check for errors, identify opportunities to strengthen internal controls, improve operational efficiencies, ensure proper oversight and verify supporting documentation related to benefits administration.

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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 ESBOCES 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 an opportunity to further improve operations as a result of our engagement. This item is described in detail in the findings and recommendations sections below. We recommend that ESBOCES implement this recommendation to further strengthen internal controls and/or improve operational efficiencies related to the administration of benefits.

Procedures:

Our procedures related to the administration of benefits, as per the engagement letter dated February 6, 2018, were as follows:

- Review all collective bargaining agreements and individual employee agreements to gain an understanding of the benefit related obligations of ESBOCES.
- Interview ESBOCES personnel to determine that the processes and procedures in place comply with laws and regulations, and that there are adequate internal controls in place regarding benefit activities.
- Compare the benefits and amounts withheld from employees and confirm they are appropriate. We will do this by selecting 25 participants in each insurance plan and verify that the billings from the vendor and the deductions from employees are proper. If the benefit program includes retiree participation, we will select 25 retirees, verify their eligibility, and ensure the accuracy of the payment.
- Review ESBOCES' reconciliation of the monthly invoices for each benefit program to the ESBOCES' employee and payroll records. In the event that the reconciliation was not prepared, we will assist ESBOCES in performing the reconciliation.
- Review billings and collections related to insurance benefits to ensure proper segregation of duties and identify opportunities for operational efficiencies within the benefits function.
- Compare the insurance benefits provided to employees to the respective bargaining unit contract requirements.
- Compare the provider invoices to the payroll records to ensure accuracy of payroll deductions.

Findings:

Review of all collective bargaining agreements and individual employee agreements to gain an understanding of the benefit related obligations of ESBOCES noted:

- The agreements with the collective bargaining units and individual employees include language covering the benefit related obligations of ESBOCES, which facilitated our testwork when reviewing the selected participants in the various insurance plans.
- ESBOCES has been active with setting up electronic files to facilitate the storage of documents including the collective bargaining unit contracts and individual agreements, as well as, the employee files. We found that there are still some older employee records that are maintained in paper form by the Human Resources Department.

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Interviews with ESBOCES personnel to determine that the processes and procedures in place comply with laws and regulations found:

- There are adequate internal controls in place regarding benefit activities based on the procedures and tasks performed by the ESBOCES employees.

Comparison of the benefits and amounts withheld from employees based on our selection of 25 participants in each insurance plan to verify that the billings from the vendor and the deductions from employees are proper, and our selection of 25 retirees to verify their eligibility and ensure the accuracy of the payment noted:

- There were no exceptions related to the selection of 25 participants from each insurance plan (i.e., health, vision, dental, life, supplemental life and LTD), as we were able to verify their eligibility, the billings from the vendors, the deductions from the employees and the accuracy of the payments.

Review of the ESBOCES' reconciliation of the monthly invoices for each benefit program to the ESBOCES' employee and payroll records found:

- ESBOCES created an insurance invoice review checklist to facilitate the monthly reconciliation process and began using this checklist at the start of the 2017-18 year. However, we noted that there had been 3 instances when the reconciliation documentation excluded the checklist.

Review of the billings and collections related to insurance benefits to ensure proper segregation of duties and identify opportunities for operational efficiencies within the benefits function noted:

- There were 2 instances where the retiree did not pay ESBOCES in a timely manner. Therefore, the payment was received after the due date, which is 30 days from the invoice date. Further review found that the retirees' payments had been collected in the following month after the due date.
- The retirees who are enrolled in EEHP are billed directly by EEHP, so we were unable to determine if the billings and collections regarding those transactions were accurate or timely. Further review noted that EEHP invoices ESBOCES a net amount for these retirees, which is based on the coverage costs less the respective retiree's contribution towards their health insurance. Thus, the accounts receivable activities are handled by EEHP (i.e., billings, collections and outstanding balances).

Comparison of the insurance benefits provided to employees to the respective bargaining unit contracts found:

- The bargaining unit contracts supported the insurance benefits that are provided to the employees.

Comparison of the provider invoices to the payroll records to ensure accuracy of payroll deductions noted:

- There were no exceptions noted as our comparison of the invoices to the payroll records found that the payroll deductions were accurate.

Recommendations:

We recommend that ESBOCES consider implementing the following item to further improve internal controls and operational efficiencies related to the administration of benefits:

1. Develop procedures to ensure that the insurance invoice checklist is completed to facilitate the monthly reconciliation process.

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ADMINISTRATION OF SECURITY

Background:

We performed a review of ESBOCES' security activities that included meetings with staff, visiting selected locations, reviewing the recordings of selected cameras and testing a selection of payments to determine the effectiveness of the administration of security in complying with policies and procedures. ESBOCES has Board policies, formal procedures, documented plans, standard forms and designated employees related to security.

Safety and security at the buildings has been an important topic at ESBOCES. There has been a significant investment related to improvements and initiatives to strengthen and improve the security and safety at the buildings. This includes contracting with a security firm, Summit Security Inc., to provide experienced security personnel at the various locations and to provide a full-time Security Manager who supervises the security workers, provides training to ESBOCES staff, manages the surveillance cameras, serves as a liaison with ESBOCES administrators and provides insight related to security measures, as well as, the following initiatives:

Vestibules and Raptor System

ESBOCES has setup vestibules at the majority of locations to serve as enclosed waiting areas for visitors at the respective buildings. There are also exterior cameras and intercoms that are in place at the locations to be used by the greeters, plus a driver's license scanning program called the Raptor system that provides the ESBOCES' greeters with any sexually related violations against such visitors.

Crisis Management Plans and Safety Drills

There are crisis management plans for all locations at ESBOCES that include detailed procedures for dealing with various types of emergency situations including lockdowns, lockouts, evacuations and fire drills at each school building. There is also an app that allows ESBOCES staff to include the crisis management plan for their respective building on their handheld devices. In addition, there are procedures to have the ESBOCES school buildings (i.e., locations with students) comply with the 12 safety drills that are required annually as per the NYSED, which includes lockouts, lockdowns, fire drills and bus drills. ESBOCES has recently developed a standard "Report of Mandated Drills" that must be completed by the principals at the school buildings and submitted to the Facilities Office. In addition, the Chief Executive Officer must submit an acknowledgement to the SED annually that states ESBOCES has complied with the safety drills requirement.

Access Card Reader System

There is an access card reader system where there are terminals at specific exterior doors at the locations for staff to gain entry to their respective buildings. There is a standard form that is prepared by the Security Manager and submitted to the Office of Technology Integration (OTI) to manage the access cards of the ESBOCES staff. The cards are programmed to provide access to the buildings based on the employee's work schedule and locations. The procedures include disabling the cards upon separation of the employees.

Surveillance Cameras

ESBOCES has over 320 surveillance cameras located throughout the agency's buildings, the majority of which are exterior cameras with some of the cameras placed internally. ESBOCES appropriately limits the number of staff who have access to view the recordings of these devices, which is properly restricted to the Security Manager, designated senior administrators and principals at their respective buildings. There are designated servers for maintaining the surveillance cameras and procedures to retain approximately 30 days of

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recording time for each device. This timeframe depends on the amount of activity that is recorded by the surveillance cameras maintained on each server. In order to maximize the amount of recording time, ESBOCES has set these devices up to record activity based on motion detection instead of continuously recording.

Summary:

We noted that ESBOCES has been active with addressing and improving security measures throughout the agency. This includes conducting periodic meetings, enhancing the Board policies and revising ESBOCES procedures related to the administration of security. We found that there are opportunities for additional enhancements based on the results of our engagement. Refer to the findings section below for more details. We recommend that ESBOCES consider implementing the recommendations noted below to further strengthen internal controls and/or improve operational efficiencies related to security.

Procedures:

Our procedures related to the administration of security, as per the engagement letter dated February 6, 2018, were as follows:

- Review ESBOCES Board policies and written procedures related to security administration, including safety plans, access to the buildings, protocols for security breaches, emergency response plans, employee/student handbooks and management of security cameras.
- Interview staff regarding processes and procedures in effect related to building security, use of cameras, and security staff.
- Visit 5 locations and review entrance procedures and examine the perimeter of the building. Have ESBOCES staff provide a tour of the building to review the condition of the cameras and other security devices.
- Select 25 surveillance camera locations and choose 2 days each to determine if recordings are viewable and available in accordance with ESBOCES retention procedures.
- Select 1 month and review all invoices and payroll costs associated with security and review supporting documentation.

Findings:

Review of Board policies, ESBOCES procedures related to security administration noted:

- There are specific Board policies (e.g., 4530, 4534, 4535, etc.), Board regulations, and numerous written procedures related to security and safety. This includes emergency and crisis management plans for each ESBOCES location.
- ESBOCES is very active in reviewing, revising and/or adding new Board policies or written procedures, as necessary, to address ongoing impacts related to security and safety at the agency.
- There are procedures to record the activity of the surveillance cameras and to communicate any security issues with the appropriate personnel. Although ESBOCES does not have a command center where a designated person reviews the live footage of the surveillance cameras, the Security Manager reviews the recordings of various surveillance cameras daily.

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Interviews with 12 staff regarding processes and procedures in effect related to security found:

- The procedures related to the surveillance cameras include email notifications to the Security Manager when a device goes offline via the Health Monitoring System and alerts while the user is logged into the website informing them that a device went offline. This actually occurred during our interview with the Security Manager while we were reviewing the surveillance cameras.
- There are procedures to have the greeters swipe each visitor's driver's license into the Raptor system and enter the person as a "guest" into the Raptor system upon their arrival. However, we found that there is no process to update the Raptor system when the guest leaves for the day, which provides assurance that all "guests" have signed out of the building upon their departure.
- The process related to checking the visitor's driver's license in the Raptor system could be improved. We had been informed that there are instances when someone with the same name as the guest (e.g., John Smith) comes up in the system, which may create an incorrect alert if that person has any sexually related charges on their record. In addition, the processing of common names results in lengthy waits for the visitors while the Raptor system processes their name.

Visits to the selected 5 locations to review entrance procedures, examine the perimeter of the building and perform a tour within the building to review the condition of the cameras and other security devices noted:

- There are locations where the programs have students working outside (e.g., career and technical classes [automotive, construction, etc.]), but these areas are accessible without any fencing or other barrier.
- There was 1 location where the auditor was buzzed into the building without any greeter being present and without being asked for identification, thus the auditor's driver's license was not processed in the Raptor system. We also found that there is opportunity for improvement related to greeters because we have been informed that staffing for this position has been a challenge and there appears to be a need for a backup plan when a greeter is absent or away from their post.
- There was 1 exterior door that we were able to open because it wasn't fully closed and secured in a locked position.
- There were stones on the ground outside of 2 exterior doors that are likely used to prop the door open.
- There was 1 window that was wide open after the school day ended and there was no one working in the room.
- There were 2 locations where the greeter did not swipe the auditor's driver's license through the Raptor system upon their arrival.
- The Raptor system wasn't functioning properly at 5 locations: the greeter was unable to print out the visitor badge at one location; the photo was excluded from the badge at one location; the photo was blurred at two locations; and the photo only included the top section of the head.
- The procedures allow visitors to come into the vestibule by being viewed on camera and "buzzed" in without being asked the reason for being there via the intercom system.

Selection of 25 surveillance camera locations and the review of 2 chosen days for each to determine if recordings are viewable and available in accordance with ESBOCES retention procedures found:

- There were 5 instances when the length of the surveillance camera's recording was less than 30 days, which is the general protocol for ESBOCES.
- There was a proper recording of our visits to the selected 5 locations that reflected the correct date and time of those physical inspections.

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- The review of cameras located in the area where the auditors were working while at the Bixhorn Technical Center noted that these recordings were in real time, as there was only a split second delay in the timing.
- Review of the servers and the existing 326 surveillance cameras on May 1, 2018 noted that there were only 2 cameras that were not operational at that time. Further review found that the Security Manager had properly submitted the work order request to the vendor (A+ Technologies) and these devices were subsequently repaired in a timely manner.

Selection of 1 month and the review of all invoices and payroll costs associated with security and review supporting documentation noted:

- There are appropriate procedures at ESBOCES related to the review and approval process by the designated individuals to ensure the accuracy of the vendor invoices prior to processing these payments.
- There was 1 instance where the payment to the vendor was not processed timely.

Recommendations:

We recommend that ESBOCES consider implementing the following items to further improve internal controls and operational efficiencies related to the administration of security:

1. Continue efforts with assessing and refining the safety and security protocols, Board policies and documentation, which should include the following considerations:
 - a) Restricting access to areas where the programs have students working outside (e.g., career and technical classes [automotive, construction, etc.])
 - b) Scheduling Summit Security Inc. guards to patrol additional sites
 - c) Installing additional surveillance cameras at the buildings (external or internal locations)
 - d) Creating standard practices related to the greeters (e.g., coverage during absences or breaks; handling visitors, etc.)
2. Establish procedures to have the greeters at the buildings sign-out guests upon departure within the Raptor system and review the visitor log to ensure that all guests have signed out of the building before the greeters leave for the day.
3. Consider protocols requiring the greeters to inquire with the visitor using the intercom system to ask for the name and purpose of their visit prior to allowing them access to the vestibule area.
4. Establish formal procedures related to running the visitor's driver's license through the Raptor system and printing the visitor's pass. We also recommend that ESBOCES review the Raptor system at each location to ensure that the photo process is working as designed and also ensure that all locations follow the same protocols regarding visitors to the buildings.
5. Resolve the issues related to the Raptor system that includes the printing of visitors' badges, which should be clearly visible and include the proper dimensions, and the processing of common names to eliminate potential errors with sexually related charges related to someone other than the visitor and to reduce the turnaround time. We recommend investigating the parameters for the Raptor system to ensure that the process is based on the driver's license identification number, which should only search for the specific visitor.
6. Setup card access controls at additional exterior doors where there are reasons to leave the building in those areas, so these doors can be kept closed and locked during the outside activity (e.g., CTE programs at the Technical Centers).

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7. Develop procedures to periodically review the exterior of the buildings to ensure that there are no objects in place that could be used to keep the doors open (e.g., blocks of wood, stones, etc.).
8. Assess the servers related to the surveillance cameras to determine if any adjustments are feasible to ensure that the recordings of each device last a minimum of the preferred 30 days.
9. Continue efforts with reviewing the procedures for documenting compliance by the schools with the SED required 12 safety drills including lockouts, lockdowns, fire drills and bus drills. We recommend that ESBOCES assign responsibility to an ESBOCES-wide administrator to ensure that all of the schools have submitted the standard "Report of Mandated Drills" and to document that the drills have been completed as required for completeness within the entire agency.

