

**Eastern Suffolk BOCES
Corrective Action Plan**

Independent Accountant's Report on Applying Agreed-Upon Procedures Cullen & Danowski, LLP Report dated August 4, 2017			
Findings and Recommendations	ESBOCES Response/Corrective Actions	Responsible Person(s)	Status
Reportable Conditions: None			
Category: RIC Operations			
Findings:			
<p>Review of the Board policies and ESBOCES procedures, collective bargaining agreements and employee contracts and interviews with employees related to RIC financial operations noted:</p> <ul style="list-style-type: none"> • There are numerous Board policies and formal procedures related to the financial operations of the RIC covering budgets, purchasing, vendor payments, payroll, district billings, inventories and staff attendance. Some of the policies include Policy 4100 - <i>Program Development and Management</i>, Policy 4110 - <i>Budget Planning and Preparation</i>, Policy 4120 - <i>Budget Development and Adoption</i>, Policy 4130 - <i>Administration of Budget</i>, Policy 4310 - <i>Purchasing</i>, Policy 4311 - <i>Procurement of Goods/Services</i>, Policy 4312 - <i>Approval of Contracts for Procurement of Goods/Services</i>, Policy 4411 - <i>Payroll</i>, Policy 4420- <i>Ordering of Services, Equipment, and Supplies</i>, Policy 4220 - <i>Revenues</i>, Policy 4221 - <i>Establishment of Fees</i>, Policy 4230 - <i>Revenue from Local Districts</i>, Policy 4240 - <i>Administrative Charge</i>, Policy 5150 - <i>Recruitment, Selection, and Appointment of Personnel</i>, and Policy 5154 - <i>Employee Separation</i>. • The RIC has been improving the financial operations over the past few years, which includes proper segregation of duties, appropriate reviews of records by a second employee, creating standard practices to establish consistency and defining the responsibilities of the staff, to name a few of the improvements. There are standard administrative fees that are charged to the districts for the various RIC services. We found that generally the RIC charges a 15% fee for hardware products and a 10% fee for software products. However, we noted that there were 2 			

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<p>districts being charged a discounted administrative fee for technical services related to the 15% fee for hardware products and there were 4 districts being charged a discounted administrative fee for financial and district services. We understand that these discounted fees are legacy matters based on past practice and "arrangements" that were negotiated with these districts years ago. We note that the RIC is aware of these discounts and has started to address this matter, which includes bringing 1 of the districts in line with the published fee structure in the 2017-18 year.</p> <p>Review of the actual financial results of the RIC for the 2015-16 fiscal year and comparison to the 2015-16 and 2016-17 budgets and 2016-17 year to date actual results noted:</p> <ul style="list-style-type: none"> • The RIC has procedures to perform reviews of its respective budget account codes to identify any significant variances between budget and actual results during the current fiscal year, and compare with the prior year. In addition, the Director and administrators have meetings throughout the fiscal year to review the financial activities of the RIC, and, if necessary, take appropriate action (e.g., preparing a budget transfer). • There were no significant variances or unusual differences noted during this review. <p>Selection of invoices from 5 of the 10 largest vendors (excluding equipment purchased for districts) and the other 25 invoices and review of the purchasing and bill payment procedures related to these selections found:</p> <ul style="list-style-type: none"> • There were 4 instances where the vendor invoice was not date stamped by the Accounts Payable Department. <p>Selection of 5 equipment purchases for districts and review of financing procedures and related documents for completeness and review of billings to districts for each of these purchases noted:</p>			

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<ul style="list-style-type: none"> • There are standard procedures related to agreements with districts to finance or set up a deferred payment plan (DPP) related to the purchase of equipment. This includes obtaining approvals from each district's board and the ESBOCES board, as well as, approval from the New York State Education Department (SED) for financing agreements. • ESBOCES appropriately invoices the districts semi-annually for the cost of the financing and invoices monthly for the DPPs plus administrative fees of 15% for hardware and 10% for software following the published fee structure. • The contracts related to these equipment purchases were properly approved by the districts' boards and the ESBOCES board, plus the SED when there was a financing agreement. <p>Selection of two payrolls during the period and review of a sample of payments to staff found:</p> <ul style="list-style-type: none"> • All salaries and any stipends, if applicable, were accurate and agreed to the employee contracts or collective bargaining agreements. • The administrative staff was not paid for overtime, which is appropriate based on their positions and respective employment contracts. • There were 2 instances where the employee did not include a reason or description for their overtime in the note field in WinCap when entering their overtime hours. We understand that the administrators look for this information during the approval process; however, the employees are not required to complete the note field and this is not a required field in WinCap. <p>Selection of 3 new hires during the period and review of supporting documentation noted:</p> <ul style="list-style-type: none"> • There are formal procedures, a <i>Hiring Practices Manual</i> and 			

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<p>standard forms related to hiring new employees. The <i>Hiring Practices Manual</i> is a detailed guide that includes a listing of the forms, policies and regulations, as well as, information about ESBOCES hiring practices and general hiring practices.</p> <ul style="list-style-type: none"> • There were no exceptions or findings as a result of our review of the selected 3 new hires. The employee files included the proper documentation to support the hiring and salary amounts of these employees. <p>Selection of 3 employee separations during the period and review of supporting documentation found:</p> <ul style="list-style-type: none"> • There were no separations of RIC employees during the period. <p>Selection and testing of 50 invoices to school districts for completeness and accuracy and review of supporting documentation noted:</p> <ul style="list-style-type: none"> • ESBOCES utilizes WinCap to electronically setup service contracts related to initial commitments by the districts. However, we found that the preparation of contracts after the initial cutoff period and preparation of contract modifications require these procedures to be handled manually with standard paper forms instead of using an electronic or automated process. • There were 28 instances out of the 50 invoices where the districts' Billing Request Form included the administrative fee within the amount for services, instead of listing this fee on a separate line as it was for the other 22 instances. Thus, the amount on the Billing Request Form did not agree to the supporting documentation amount requiring the auditor to investigate the difference and to calculate the administrative fees to ensure the accuracy of the districts' billing amount. We understand that this was past practice in the RIC and the RIC administrators plan to address this item for the 2017-18 year. • There was 1 instance where we estimated the annualized billing 			

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<p>amount based on the monthly services charged to the district to be \$266,878; however, the contract amount was only \$222,870 resulting in an estimated difference of \$44,008. We discussed this matter with the administrator during our fieldwork in April 2017 and we were informed that they also found a variance at approximately the same time. This difference compared to the contract amount should have been identified earlier in the fiscal year. We understand that the RIC program acknowledged this variance and ESBOCES ended up writing off the difference, which actually totaled \$8,238.</p> <ul style="list-style-type: none"> • There was 1 instance where the QuickBooks Billing Request Form had the incorrect CoSer and description. Further review noted that this incorrect information was posted into WinCap. The Billing Request Form was charged to 601.340 - LAN Support Services, but it should have been charged to 601.630 - LAN Maintenance. • There was 1 instance where the QuickBooks Billing Request Form had 1 service incorrectly listed as CoSer 201.090.215 instead of the correct CoSer 601.090.215. Further review noted that this service was correctly posted in WinCap to CoSer 601.090.215. • There was 1 instance where the QuickBooks Billing Request Form had an incorrect description related financial services that listed the services as Finance Manager, but the actual services were for TimePiece. Further review found that the billing amount of \$2,020 was correct based on the published fee structure for TimePiece services. <p>Selection of 25 assets obtained from ESBOCES of items used within the RIC and located by staff noted:</p> <ul style="list-style-type: none"> • All of the 25 assets were tagged and safeguarded. • There were 4 assets at room locations other than the room location listed in the inventory records. Further review noted that 			

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<p>each of the assets were in a location of the respective division and the business operations sometimes involves the movement of the assets within the division.</p> <p>Selection of 25 items from the RIC and trace back to the inventory records found:</p> <ul style="list-style-type: none"> • All of the 25 items were tagged and safeguarded. • There was 1 asset selected from room locations where there was a different room location listed in the inventory records. Further review noted that this asset was located in a room of the respective division. <p>Review of staff attendance records for the periods selected for the payroll testing noted:</p> <p>The attendance was properly recorded in the WinCap records.</p> <p><u>Recommendations:</u> We recommend that ESBOCES consider implementing the following items to further improve internal controls and operational efficiencies related to the financial activities of the RIC:</p> <ol style="list-style-type: none"> 1. Analyze the financial and district services fees to address the outliers related to the administrative fee discounts offered by the RIC, similar to technical services and acquisitions services. 2. Improve the overtime process by requiring the employees to enter the reason or description into the note field when posting their hours in WinCap and having the administrator verify that the note field has been completed during the approval process. We also recommend that ESBOCES determine if the note section of WinCap could be changed to a required field before the employee can submit the overtime. 3. Improve the district billing process by including the administrative fees charged by ESBOCES as a separate line 	<p>The RIC will develop and implement a plan to address any anomalies in their fee schedule.</p> <p>Business Services will inform Agency leadership of the need to complete the notes field when staff is working overtime. Employees OT records will be reviewed by Business Services randomly to insure compliance.</p> <p>The RIC will ensure the information sent to the districts is itemized and that any</p>	<p>Roces</p> <p>Lipponer</p> <p>Roces</p>	<p>Completed</p> <p>Completed</p> <p>Completed</p>

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<p>item when applicable on the invoices sent to the districts. This would provide more transparency and an appropriate breakdown of the charges when reviewing and verifying the accuracy of the invoices.</p> <p>4. Develop procedures to review and reconcile the district commitments, vendor proposals, services and fees. Develop a process to ensure that the annualized QuickBooks Billing Request Form amounts will not exceed the contract amounts for all annual agreements with the districts. We recommend that this procedure be performed early in the fiscal year and during the fiscal year based on any contract revisions. This would provide advanced notice regarding any potential significant variances between the contract amount and the projected actual amount. If necessary, the respective RIC administrator should promptly contact the district to discuss the matter.</p> <p>5. Establish procedures to ensure that the ESBOCES asset database correctly reflects the location of the RIC assets with the proper room location or the program area if the asset is transient within the program.</p> <p>6. Establish procedures to ensure that all vendor invoices are stamped by the Accounts Payable Department upon receipt of these records.</p>	<p>administrative fee is shown as a separate line item.</p> <p>The RIC will implement procedures to review vendor proposal, contract commitments, and billing on a monthly basis to ensure all three are aligned throughout the course of the year.</p> <p>Capital Asset Management and the RIC will review their inventory records to ensure assets reflect the correct location and program area.</p> <p>Business Services will review invoice receiving procedures with staff to ensure all invoices are stamped received.</p>	<p>Roces</p> <p>Maddi/Roces</p> <p>Lipponer</p>	<p>Completed</p> <p>Completed</p> <p>Completed</p>