

**Eastern Suffolk BOCES
Corrective Action Plan**

Independent Accountant's Report on Applying Agreed-Upon Procedures

Cullen & Danowski, LLP

Report dated August 25, 2021

Findings and Recommendations	ESBOCES Response/Corrective Actions	Responsible Person(s)	Estimated Completion /Status
<p>Reportable Conditions: None</p> <p>Category: Payroll</p> <p><u>Findings:</u></p> <p>Review of Board policies and District procedures and interviews with personnel related to payroll found:</p> <ul style="list-style-type: none"> • There are numerous Board policies that cover topics such as compensation, benefits and negotiations. In addition, ESBOCES has Board <i>Policy #4411 – Payroll</i> that addresses the computation of daily pay rates, payday schedules and salary deductions. • The Payroll Department has standard procedures related to key processes performed by the clerks with responsibilities related to payroll. The process includes a strong internal control in which the Payroll Clerks are unable to set up employees in WinCap. The Payroll Department has a comprehensive narrative which details the procedures related to the payroll procedures. • The Human Resources Department performs a thorough review of the salary changes related to the annual rollover process. This includes using WinCap system-generated payroll reports (e.g., contract and rate reports; salaried employees payroll change reports; etc.), double checking the salary tables during the annual rollover and confirming the salary amounts for the various employee "types" within WinCap. • The Human Resources Department is in the process of implementing the SchoolFront program, which has resulted in the hard copy Salary Notices no longer being provided to the Payroll Department. Although the Payroll Department will eventually have view-only access to the School Front system to verify the Salary Notices, this access has not yet been granted at the time of our fieldwork. • The WinCap Web program used by ESBOCES allows employees to make 			

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<p>entries for future dates; this feature cannot be inactivated. This functionality has resulted in the Payroll Department needing to review the entries for each payroll cycle to ensure there are no potential errors.</p> <ul style="list-style-type: none"> Although employees are required to enter a description in WinCap Web for the work performed as per practice, this entry is not a required field within WinCap Web. As a result, the Payroll Department reviews the overtime reports quarterly to ensure descriptions are included for each posting. According to the Payroll Administrator, this review process started about 2 years ago and there has been a significant reduction in lack of missing notes/descriptions. The WinCap financial system has an "Approve All" option for administrators when they are reviewing timesheets for employees. This option cannot be inactivated, resulting in a potential reduction of a diligent and thorough review performed by the administrators during their review process. We have also been informed that the system is unable to provide information on whether the approval was done specifically or done as an "Approve All". Although the use of payroll vouchers is minimal, ESBOCES still uses these items when entering another payroll payment during the same payroll cycle (i.e., additional job duties). <p>Review of the current payroll cycle process noted:</p> <ul style="list-style-type: none"> The Payroll Department performs a complete review during each payroll cycle that includes the use of the WinCap system-generated <i>Salaried Employees Payroll Change Report</i>, verifying all contractual salary changes and maintaining appropriate supporting documentation. Throughout our review of the payroll cycle there were no exceptions or errors noted. There is adequate segregation of duties and all payments tested had been supported by collective bargaining agreements and appropriate authorization and approvals. 			

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<p>Performing a payroll reconciliation from one payroll cycle to the next found:</p> <ul style="list-style-type: none"> The Payroll Department maintains the proper records related to the payroll reconciliation that the District completes for each payroll cycle. ESBOCES was able to provide the requested documentation to support the changes recorded in the WinCap system-generated <i>Salaried Employees Payroll Change Report</i>, which lists all contractual earnings variances from one cycle to the next. This included the supporting records for all employees with changes to their contract payroll code amount, the selected employees with changes to other payroll codes and explanations for variances to certain payroll codes in total. <p>Review of all collective bargaining agreements and a sample of individual employment agreements noted:</p> <ul style="list-style-type: none"> The terms and conditions in these agreements were understandable and this information was used to complete our testwork related to the selected payroll payments that we reviewed during our fieldwork. <p>Review of the selected 50 contractual payments to employees found:</p> <ul style="list-style-type: none"> There were no exceptions related to the payment amounts as we noted all of these contractual payments had been accurate based on the employee's salary amount as per their respective contract. <p>Review of the selected 50 non-salary payments (i.e., hourly, stipend, overtime, etc.) to employees noted:</p> <ul style="list-style-type: none"> There were no exceptions related to the payment amounts as we noted all of these non-salary payments had been accurate based on the earnings amount as per the employment contracts or Board approvals. There was at least one proper approval for each of the selected timecards processed in WinCap as per the respective approval hierarchy in the system. 			

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<p>Review of the selected 5 separation payments totaling \$122,978 found:</p> <ul style="list-style-type: none"> • The separation payments were properly supported with adequate documentation that included a detailed calculation of the payout, employees' attendance calendar, payroll authorization form, employees' resignation letter and Board minutes approving the employees' separation. • The amount of the separation payments agreed to the employees' bargaining unit contract information related to the separation payouts. • There were 3 instances where the calculation of the daily rate for the payout of vacation days used the denominator of 261 or 262. Further review noted that the separated employee's respective bargaining unit contract excludes a specific number of days regarding vacation days; however, there is language that states 260 days related to sick days. Thus, the practice is to use the actual number of work days when calculating the payouts for any vacation days. • There were 2 instances where a retiree received a separation payment, but they did not provide ESBOCES with the 6 month notification of their intent to retire. Further review found that the language in the UPSEU bargaining unit contract under <i>Section I. Notice of Retirement</i> states "Employees shall provide six (6) months' notice of retirement unless it is not possible to do so." We understand that ESBOCES is unable to enforce the 6 month notification because of this language stating "shall" rather than "must" and there is no requirement for the employee to provide an explanation if they are unable to do so. This results in separations with minimal time for ESBOCES to find replacements for these positions. <p>Review of the disbursements to third parties as a result of withholdings for the selected 2 payroll cycles noted:</p> <ul style="list-style-type: none"> • The third-party payments related to withholdings had been processed correctly and timely. 			

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<p>Review of the payroll module data changes for the selected payroll change reports from 2 payrolls found:</p> <ul style="list-style-type: none"> There were no errors related to the selected payroll change amounts, as we found that these revisions had been appropriate, supported and properly approved (i.e., Board resolution). Also, the reasons for these variances are formally documented on the <i>Salaried Employees Payroll Change Report</i> that lists the changes from the current payroll cycle to the prior payroll cycle related to contractual salaries. <p>Review of the procedures related to the substitute teacher payments and review of the selected payments from one payroll cycle noted:</p> <ul style="list-style-type: none"> There were 3 instances where a permanent teachers name was not entered into WinCap Web related to the November 20, 2020 payroll cycle. <p><u>Recommendations:</u></p> <p>We recommend that ESBOCES consider implementing the following items to further improve internal controls and operational efficiencies related to the payroll function:</p> <ol style="list-style-type: none"> Reinforce the procedure that the administrators perform a diligent review of the timesheets when selecting "Approve All" function for approvals. Consider revising the collective bargaining agreements to include 260 days related to vacation days, instead of the current language that is silent with respect to the number of vacation days. The inclusion of 260 days for vacation days would be similar to the 260 days for sick days and would establish consistency and create a standard number of days regarding benefit time payouts. 	<p>Payroll will include in their biweekly timecard approval email to supervisors language that will stress the importance of reviewing all timecards for accuracy.</p> <p>HR will add this as a negotiating proposal to renewing contracts.</p>	<p>Lipponer/Koral</p> <p>Cook</p>	<p>October 2021</p> <p>Ongoing Through 2024</p>

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<p>3. Consider revising the UPSEU contract and any other collective bargaining agreement with similar language related to notices of retirement, to change the language from “shall” to “must” to enhance operations by providing ESBOCES with sufficient time to hire employees to fill the positions vacated by retirements of these staff members.</p> <p>4. Strengthen processes related to substitute teachers by ensuring compliance with the requirement that the substitute teachers include the names of the regular teachers in <i>WinCap Web</i> to ensure that each time a substitute covers for a teacher, the regular teacher’s name is recorded on the form to be verified. If no name is recorded, the electronic timecard should not be approved by the respective supervisor and returned to record the missing information prior to processing the payment.</p> <p>Category: Contract Processing</p> <p><u>Findings:</u></p> <p>Review of Board policies and ESBOCES procedures and interviews with personnel related to contract processing found:</p> <ul style="list-style-type: none"> • There are Board policies and standard procedures related to contract processing that includes having a fully executed contract in place prior to engaging the third party to provide services, using standard contract language when feasible and verifying that the provider has proper insurance coverage. • The organizational structure of the Contract Processing Unit has changed regarding the staff. Prior to 2019, there were 3 full-time employees consisting of 2 contracts examiners and 1 senior contract manager. The 	<p>HR will add this as a negotiating proposal to renewing contracts.</p> <p>Sometimes substitutes are not subbing for a specific person. It may be for a vacancy or for some other type of coverage. In an effort to account for substitutes’ time, subservice will train substitutes upon hire to include in the note field the reason/purpose of their employment each day and reinforce this step in various communications throughout the year. In addition, sub service will implement a process that includes principals and their support staff to address what to do when the note field is left blank in WinCap.</p>	<p>Cook</p> <p>Maddi</p>	<p>Ongoing Through 2024</p> <p>December 2021</p>

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<p>position of Senior Contracts Manager was replaced with a Contracts Business Manager. Following the departure of 1 contracts examiner and the promotion of the other to the position of Contracts Business Manager, but neither position was replaced as of the time of our fieldwork.</p> <ul style="list-style-type: none"> • The contracts related to Arts in Education and Professional Development (CoSer 531) are generally handled by other departments rather than being processed through the Contracts Processing Unit. • The Contracts Processing Unit maintains lists of contracts; however, the lists do not state the contract type (i.e., vendor, professional service or license renewal). <p>Review of the selected 25 contracts executed during the period and testing for compliance found:</p> <ul style="list-style-type: none"> • There was 1 instance where a Contract Submittal Form was not signed by a Program Administrator. However, all of the subsequent required approvals were present (e.g., Director, Associate Superintendent, Board, etc.). • There was 1 instance where a contract was signed and fully approved by ESBOCES, but the contract did not include the signature of the third party. Further review found that this was due to the COVID shutdown. <p><u>Recommendations:</u> We recommend that the District consider implementing the following items to further improve internal controls and operational efficiencies related to the contract processing activities:</p> <ol style="list-style-type: none"> 5. Assess the operations of the Contract Processing Unit that includes staffing, duties and organizational structure of the unit. We also recommend that this assessment include a determination regarding the contracts that are handled outside of the Contract Processing Unit (i.e., Arts in Education and Professional Development (CoSer 531)). 	<p>The contracts department develop a staffing plan and are in place make a determination about contracts processed outside the department.</p>	<p>Ruf/Eckstein</p>	<p>June 2022</p>

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<p>6. Revise the lists of contracts maintained by the Contracts Processing Unit by stating the contract type (i.e., vendor, professional service or license renewal) to create standardization, which would facilitate the research and review process.</p> <p>Category: Transportation Activities</p> <p><u>Findings:</u></p> <p>Review of Board policies, ESBOCES procedures, collective bargaining agreements and employee contracts and interviews with employees related to the transportation activities noted:</p> <ul style="list-style-type: none"> ESBOCES has several Board policies and standard procedures that cover the appropriate areas related to transportation activities. This includes proper internal controls related to staffing, time reporting, work flow, purchasing, vendor invoice approvals, vendor payments, budget preparation, budget monitoring, district billings, managing services and ESBOCES vehicles. The Transportation Department has many standard practices related to key processes performed by the employees with responsibilities related to transportation including purchasing, receiving, payroll, overtime and billing activities. However, there are no written, formal procedures documenting the key roles and responsibilities performed within the transportation area, which would assist the designated staff and future employees in performing these transportation related duties. There is an opportunity for improvement related to the transportation vehicles, since ESBOCES does not have a formal replacement plan that would be based on the estimated useful lives of each vehicle. This would facilitate the budget process by identifying the anticipated purchases of vehicles as part of the annual budget preparation process. <p>Review of the transportation budget for the 2020-21 year and comparison to the 2019-20 budget and 2019-20 actual results noted:</p>	<p>The contracts office will update their list to include contract type.</p>	<p>Ruf/Eckstein</p>	<p>November 2021</p>

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<ul style="list-style-type: none"> • There were no unusual variances noted during our review of the transportation budget. • The Transportation Department has procedures to perform reviews of the transportation 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, and, if necessary, take appropriate action (e.g., preparing a budget transfer). <p>Review of purchasing activities and examination of the selected vendor payments to 3 of the 10 largest vendors and the selected additional 25 invoices paid to vendors found:</p> <ul style="list-style-type: none"> • There were 2 instances where the purchase order was processed after the receipt of goods or services resulting in a confirming purchase order. • There were 1 instance where the voucher packet documentation was missing the sign-off by the employee who received the goods or services on either the receiving copy of the purchase order, vendor invoice or packing slip. <p>Examination of payroll records for 2 payroll cycles of transportation personnel and our review of the selected 25 contract payments and the selected 25 non-salary (hourly and overtime) payments to employees noted:</p> <ul style="list-style-type: none"> • There were no exceptions related to the payment amounts as we noted all of these contract payments and non-salary payments had been accurate based on the earnings amount as per the employee contracts or collective bargaining agreements. 			

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<p>Review of selected 25 billings to school districts and the supporting documentation found:</p> <ul style="list-style-type: none"> • ESBOCES utilizes WinCap to electronically setup service contracts related to initial commitments for transportation services requested by the districts. • There were no exceptions related to the district billings selected for review, since the documentation supported the completeness and accuracy of the billing amounts. <p><u>Recommendations:</u></p> <p>We recommend that the District consider implementing the following items to further improve internal controls and operational efficiencies related to student transportation:</p> <ol style="list-style-type: none"> 7. Develop written, formal procedures to document the key processes that are performed by the Transportation Department employees including purchasing, receiving, approving payroll, overtime and billing activities. These documents are helpful to facilitate tasks that are performed infrequently (e.g., annually) and to assist in the event of staff changes (e.g., retirements, resignations, unexpected absences, etc.). 8. Strengthen procedures related to the transportation vehicles by creating a replacement plan based on the estimated useful lives of each vehicle. This would facilitate the budget process by identifying the anticipated purchases of vehicles as part of the annual budget preparation process. 9. Continue efforts with reducing the occurrences of confirming purchase orders. 	<p>The Transportation Office will develop formal written procedures.</p> <p>The Regional Transportation Department will develop a replacement schedule/plan for buses and work with the programs to incorporate it into their budget process.</p> <p>The Transportation Office will implement a process to reduce the occurrences of confirming purchase orders.</p>	<p>Maddi/Lesnicks</p> <p>Maddi/Taylor</p> <p>Maddi/Lesnicks</p>	<p>June 2022</p> <p>June 2022</p> <p>June 2022</p>

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10. Ensure compliance with the requirement for employees to sign-off on the receiving copy of the purchase order, vendor invoice or packing slip.	The Transportation Office will incorporate the sign off on invoices into their procedures in item #7.	Maddi/Lesnick	June 2022