

Scarsdale Union Free School District
Independent Accountant's Report On
Applying Agreed-Upon Procedures
June 9, 2016

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

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

We have performed the procedures described in the following pages, which were agreed to by the Scarsdale Union Free School District (District), solely to determine the effectiveness related to the Human Resources and Payroll Departments in complying with policies and procedures of the District during the period July 1, 2015 through March 31, 2016.

The District's management is responsible for administering this area.

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 audit, the objective of which would be the expression of an opinion on the District's effectiveness related to the Human Resources and Payroll Departments in complying with policies and procedures of the District. 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 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 those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purpose.

Cullen & Danowski, LLP
June 9, 2016

SCARSDALE UNION FREE SCHOOL DISTRICT
Report on Applying Agreed-Upon Procedures
For the Period Ended March 31, 2016

Introduction:

This report has five sections 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.

The District should send the Corrective Action Plan (CAP) along with the respective Internal Audit Report via mail or email to the addresses listed below. 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).

Submission Information – Mail & Email

New York State Education Department (NYSED)
Office of Audit Services (OAS)
89 Washington Avenue
Room 524 EB
Albany, NY 12234
Fsanda133@mail.nysed.gov

Contact

Office of Audit Services
(518) 473-4516

SCARSDALE UNION FREE SCHOOL DISTRICT
Report on Applying Agreed-Upon Procedures (Continued)
For the Period Ended March 31, 2016

HUMAN RESOURCES AND PAYROLL

Background:

We were engaged to perform a review of the Human Resources (HR) Department and the Payroll Department to follow up on our prior detailed review of these departments and to assist the District as noted in the procedures section below. (Refer to the *Independent Accountant's Report On Applying Agreed-Upon Procedures Report* dated June 2, 2014 for details related to the prior engagement.) We found that the HR Department experienced significant staff turnover since the 2014-15 year. The Assistant Superintendent for HR retired after being with the District for approximately 30 years. An interim replacement was hired for a one-year term ending June 30, 2016. Also, key positions within the HR Department experienced turnover. The HR Department staff includes 4 employees: Assistant Superintendent for HR, HR Manager, HR Assistant and HR Secretary. Generally, the HR Manager handles the certified staff and the other 2 employees handle the non-certified staff.

The HR Department has made significant changes related to several key procedures that include utilizing more technology to allow the staff to perform these procedures more efficiently and effectively, since many processes were performed manually. In addition, there have been improvements related to the communications and interactions between the HR Department and other departments in the District. The District utilizes a financial system (CSI System) that is quite robust and powerful. We noted in our prior report that the District was active with entering data for all employees (i.e., teachers, administrators, clerical, custodians, secretaries, etc.) to utilize the position controls for all full-time staff and to use the salary guides in the CSI System resulting in efficiencies. The District is evaluating whether to use position controls for hourly employees such as teacher aides and bus drivers. They are also evaluating an alternative of implementing a new time clock system with the possibility of using a biometric system, which would allow for additional controls and efficiencies. In addition, the District is working with the CSI staff to enhance the system's functionality to view daily and hourly rates of pay on-screen within the CSI System. The Data Services Department has tailored reports in the CSI System to the needs of the HR Department to be able to run a report by bargaining unit with all members' payroll information.

We found that the District has decided to implement My Learning Plan and the plan is to have this program in place during the 2016-17 school year. My Learning Plan will be used to approve all requests for professional development based upon course offerings in an online catalog; the District would also use it to approve any travel costs associated with conferences. The request would be routed for approval, which creates an absence and triggers the new substitute placement program (Aesop) to search for a substitute, if required. The District is also looking to utilize My Learning Plan to track teacher credits and possibly upload the professional development hours directly to the New York State Education Department (NYSED). Additionally, the District would like to use this as a method to track when a teacher should be paid for professional development based on contract language. This would also be routed for proper approvals and then electronically sent to the Payroll Department for processing.

The District worked with the CSI staff to properly add long-term substitutes to the CSI System. We understand that the District plans to continue working further with the CSI staff to automate the process of charging the correct rate of pay related to the substitute teachers to systematically move the respective substitute teacher after they have worked a certain number of days that entitles them to a higher rate of pay as per the bargaining unit contract.

Summary:

We found that the District has continued progress with utilizing the CSI System to further improve processes. There has been significant enhancements related to the use of technology to replace manual procedures including placement of substitute teachers, teacher evaluations, tracking teacher credits, position controls and

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salary guides. 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 worked collaboratively with District staff to develop several written, formal procedures related to key processes performed by the employees. We have noted a few 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 implement these recommendations to further strengthen internal controls and/or improve operational efficiencies.

Procedures:

Our procedures, as per the engagement letter dated September 3, 2015, were as follows:

- Interview the HR Department staff to discuss their responsibilities related to interdepartmental activities with the Payroll Department. Identify opportunities for operational efficiencies and improvements both systematically and functionally.
- Assist the District with developing written, formal procedures in collaboration with the HR Department staff related to key processes involving communications with the Payroll Department including the annual rollover of 12 month and 10 month employees, setting up new employees, teachers' salary increases due to lane changes, leaves of absence, employee separations involving payouts, and payroll deductions for health insurance contributions.
 - In coordination with developing the written, formal procedures, work with the District to utilize technology to automate these activities including the CSI System's functionality of the position controls, salary schedules and benefits module.
- Review payroll related activity for the period as follows:
 - For changes related to the annual salary rollover – select a sample of 3 employees from each bargaining unit to ensure the accuracy of the salary amounts for the 2015-16 year.
 - For changes related to the 2015-16 mid-year salary increase – select a sample of 5 employees to ensure the accuracy of the mid-year salary change as per the teachers' contract.
- Assist the District with developing written, formal procedures related to the CSI Time Clock module, including the review and approval of system-generated time sheets, review and approval of posting any unresolved time, and review and tracking of comp time.

Findings:

Interviews with the District employees and reviews of documentation noted:

- The HR Department is not using a new hire or separation checklist to ensure that all tasks related to new hires and terminated employees are completed. We understand that the District is looking into and considering the use of software to streamline the process for new hires, separations and employee changes.
- The pink sheets that the HR Department completes to notify the Payroll Department of employee salary changes, new hires and separations could be updated to include the employee's step and level when applicable, as well as, the Board approval date.
- There are no formal procedures to perform a reconciliation related to the teacher aides unit and the number of hours that these employees are approved to work. The process should require the Payroll

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Department and the HR Department to work together to reconcile this information and then review any changes to this information each payroll cycle.

- The HR Department is tracking teacher aide information in three separate places: the CSI System, a stand-alone database and notations on employee folders. We understand that the current format of the CSI system cannot be used to store all of the required information related to teacher aides.
- The HR Department lacks a procedure to confirm the validity of the retirees' information each year. Additionally, we noted that Medicare Part B reimbursements that are for both the employee and their spouse are included on a single check; rather than the payments being divided into separate checks: one for the retiree and one for the spouse. By issuing one combined check, there is an increased risk of overpaying the retiree for this reimbursement in the event that one of the individuals is deceased.

Assisting the District with developing written, formal procedures in collaboration with the HR Department and Payroll Department staff resulted in the following:

- The creation of seven written, formal procedures related to key processes including new hires (professional staff), new hires (teacher aides), new hire procedures performed by the Payroll staff, FMLA (Family and Medical Leave Act), separation from service and study credits.

Review of payroll related activity for changes related to the annual salary rollover and for changes related to the 2015-16 mid-year salary increase noted:

- There were no exceptions noted related to the salary amounts tested.
- We were informed that an employee of the Scarsdale Principals Association (SPA) bargaining unit contacted the administrative office regarding a salary increase effective January 1, 2016, which was not included in their 1st paycheck in January 2016. The District corrected this oversight for all of the SPA members in the 2nd payroll of January 2016.

Assisting the District with developing written, formal procedures related to the CSI Time Clock module resulted in the following:

- The creation of written, formal procedures related to key processes including the review and approval of system time cards; the review, approval and posting of unresolved time; and the review and tracking of comp time.

Recommendations:

We recommend that the District consider implementing the following items to further improve internal controls and operational efficiencies, systematically and functionally, in the HR Department and Payroll Department:

1. Investigate software products to create a systematic process to streamline the procedures related to new hires, separations and employee changes. The system should route the various tasks associated with new hires, separations and employee changes to the appropriate department, including HR, Payroll and Data Services. The applicable department would be required to take action and systematically check off that the task was completed. In the meantime, we recommend that the HR Department use a new hire checklist and a separation checklist based on the requirements of the employees' position/bargaining until an automated system is implemented.
2. Revise the pink sheets to include employee step and level when applicable, as well as, the Board approval date. We further recommend that the District investigate the possibility of eliminating the pink sheets in the future to streamline the payroll change notification process. This could include using the Board

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agenda, given the appropriate information is provided, or using technology to electronically notify the Payroll Department of these changes in a timely manner.

3. Establish procedures to require the HR Department and Payroll Department staff to work collaboratively to reconcile the hours that each teacher aide is approved to work and to ensure that all changes are approved. We understand that the District is evaluating the utilization of the CSI System's position controls for teacher aides or considering a more robust time clock system to use for aides and bus drivers, which includes a biometric system to ensure that only the employee would be able to clock in and out.
4. Assess the procedures related to handling teacher track changes to determine if there are opportunities for improvement including the utilization of systematic functionality to streamline the process, possibly through the use of My Learning Plan.
5. Develop procedures to require the HR Department to confirm the validity of the retirees' information each year. We recommend that the District develop procedures to send out letters to confirm retirees' eligibility beginning in December 2016. In addition, we recommend that the District consider issuing separate checks for the retiree and the spouse when the Medicare Part B reimbursement is for both individuals. By issuing separate checks, there is a reduced risk of potentially overpaying the retiree for this reimbursement in the event that one of the individuals is deceased.

