



# **Patchogue-Medford Union Free School District**

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## **Review of Human Resources**

**February 2018**



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The Board of Education  
Patchogue-Medford Union Free School District  
241 South Ocean Avenue  
Patchogue, NY 11772

Board of Education:

We have been retained to function as the internal auditor for the Patchogue-Medford Union Free School District (hereinafter, "the District"). Our responsibility is to assess the internal control system in place within the District, and to make recommendations to improve upon possible control weaknesses or deficiencies. In doing so, we hope to provide assurance to the District's Board, management, and residents that the fiscal operations of the District are being handled appropriately and effectively.

### **PURPOSE**

As part of the risk assessment performed at the District during the 2014-2015 school year, we recommended performing a review of the District's Human Resources (HR) department. The HR department plays a crucial role in a school district as it is responsible for providing administrative services, recruitment, job analysis, and employee relationship management. The HR department acts as the gatekeepers of information, providing both management and staff with support during their daily business activities. The purpose of this review was to assess whether the District has implemented sufficient internal controls within HR to ensure that relevant information is ascertained by the HR department and that necessary information is distributed to the appropriate departments in an effective and efficient manner.

### **SCOPE**

To perform the review, we gained an understanding of the HR operations and the policies and procedures governing the HR department. In addition, we reviewed the procedures in place for entering, updating, and deleting employee data by HR. We selected a sample of 40 active/newly-hired employees and 15 terminated/resigned/retired employees, and 8 employees on leaves of absence (LOA) from HR's Board Agenda and performed procedures to determine that:

- Each employee's file contained a copy of the Board Agenda to support the hiring, request for leave, the change in pay or position, or the separation of the employee from the District;
- The District's financial system, nVision, was updated appropriately and timely;
- Changes were communicated efficiently and effectively to other departments; and
- Each personnel file contained a resignation letter, if applicable.

Although the District has established internal controls within the HR department, we noted areas where controls could be improved. The results of our review are documented below.

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**A. TERMINATED/RESIGNED/RETIRED EMPLOYEES:**

The HR department documents all types of exiting employees (terminations, resignations, and retirements) on a Board Agenda which is then sent to other relevant departments (e.g. Payroll) that are responsible for updating their records (e.g. removal from payroll). Should a change require immediate attention, HR will notify the appropriate departments via email. In addition, HR utilizes a Tech Request to terminate access permissions for exiting employees. Lastly, HR obtains resignation letters and assurance letters from employees leaving the District, if applicable.

**Issue 1:** We noted 1 instance where an employee who resigned from the District was still listed as HR active and Payroll active. In addition, we noted 1 instance where a resignation letter wasn't available in a personnel file for another employee who resigned. However, it should be noted that the employee's file contained a copy of the letter sent from the District to the employee acknowledging the resignation.

**Risk:** Necessary changes can go unnoticed and/or terminated employees may continue to receive payroll from and/or benefits from the District.

**Priority:** Moderate - High

**Recommendation:** HR is responsible for communicating changes in employee status to all the relevant departments. When employees are terminated/resign/retire from the District, it is essential that this communication derive from HR. We recommend that the District implement a Personnel Action Form (PAF) to document changes in employee status (i.e. terminations, resignations, retirement). The form should be generated by HR and forwarded to the appropriate departments such as payroll, attendance, technology, and benefits for sign-off. The completed PAF should then be returned to HR to ensure appropriate actions were taken in a timely manner. Lastly, HR should continue to obtain and maintain resignation letters in the personnel files, as applicable.

**Management's Response:** *Human Resources utilizes the personnel agenda to communicate changes to payroll and other relevant departments. In an effort to provide redundancy, Human Resources will look to implement a Personnel Action Form (PAF). We will investigate the different formats and look to effectuate a process that includes a sign-off in the next 3-6 months.*

**B. NEW HIRES AND CHANGES IN EMPLOYMENT STATUS (Position, Location, Salary, Leaves of Absence):**

The District has established internal controls to ensure that new hires complete and provide all required documents prior to their start date, and that all hired employees have been Board approved. The current process for new hires involves HR providing paperwork to and gathering paperwork from new hires. Once all the documentation is received by HR, the appropriate documents and Board Agenda are sent to the Payroll and an appointment is set up with the Benefits department.

When employees change their location or position, HR inputs the changes into the system (nVision). However, when an employee changes his/her salary, Payroll must input the changes into the system. Currently, Payroll is notified of the changes upon receipt of the Board Agenda from HR.

The District allows employees to take a LOA for a number of reasons, including maternity leave and health issues. The current process involves HR obtaining supporting documentation from the employee who is requesting leave (i.e. a doctor's note), filling out a LOA form/checklist, and distributing that information to the necessary departments. The LOA information is also available via the Board Agenda. In addition, once the LOA has been Board approved, HR sends an LOA letter to the employee noting the timeframe the employee will be on FMLA, paid leave, and/or unpaid leave. Employees must obtain Board approval for an extension of Child Care Leave or unpaid leave. Lastly, HR sends a letter to the employee as the end of the LOA nears, confirming the employee's intent to return to work. Once the employee returns to work, HR sends an additional letter acknowledging the employee's return from LOA.

**Issue 2:** Although there is a new hire checklist, HR does not have a formal process to capture and communicate the information regarding new hires or other changes that occur during employment (i.e. position, location, salary). During testing, we noted:

- 1 instance in which an employee's effective date per the Board Agenda did not agree to the effective date noted in nVision. We confirmed this employee did not work during the period between the two dates.
- 1 instance in which an employee's pay rate was not updated timely.
- 1 instance in which the incorrect employee information (i.e. name, position title) was displayed in the Board Agenda. It should be noted that the error was caught, the Board Action was rescinded, and the correct employee was paid.

**Risk:** Changes can go unnoticed and/or not communicated to the proper departments in a timely manner which can result in overpayments/underpayments being made to employees.

**Level:** Moderate

**Recommendation:** We recommend the District implement a PAF, as noted in the recommendation for Issue 1, to document changes in employee status (i.e. position, location, and/or salary changes).

**Management's Response:** *Human Resources uses the personnel agenda as the formal process to communicate changes to payroll. As noted above, Human Resources uses the personnel agenda as the primary source of communicating changes in status to the various departments. As noted in the auditor's recommendation, we will look to develop and implement a Personnel Action Form (PAF) to sort and categorize changes to the various departments with a sign-off to ensure completion.*

### **C. SUBSTITUTE EMPLOYEES:**

Per the Department of Labor and the Unemployment Insurance (UI) Law, educational institutions must provide unemployment insurance for those regularly employed and those hired per diem (i.e. substitutes). Unemployment costs can be burdensome on a district's budget. However, teachers and other district employees generally do not qualify for UI benefits during breaks in the school year or the time between school years/terms when a contract for a similar position is in place or there is reasonable assurance of a similar position in the next school year/term. When a district provides a verbal or written

notification indicating that per diem employee will be placed on a substitute list this constitutes reasonable assurance. Reasonable assurance exists when the District has said that it will employ a worker and will make good effort to do so and offers salary and benefits similar to the prior job.

**Issue 3:** During our review, we noted that the District's current procedure is to designate a substitute's termination status as "Inactive" on the Board Agenda when the substitute does not respond to the reasonable assurance letter, or when an employee hasn't worked in the District for over a year even if the employee responded to the reasonable assurance letter requesting to be included on the substitute list. In addition, we noted that the substitute's termination status is not listed in nVision.

**Risk:** Substitute employee's termination status is not correctly documented in nVision.

**Level:** Moderate

**Recommendation:** We recommend that the HR department discontinue the use of the term "Inactive" as a termination status on the Board Agendas and instead use the term "Resigned" and "Terminated." In addition, the terminations statuses noted in the Board Agenda should be reflected in nVision.

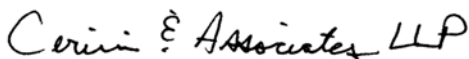
**Management's Response:** *Human Resources will refrain from using the status inactive and utilize either resignation or termination terminology when it comes to staff changes regarding the notice of assurance.*

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We would like to thank the District for its cooperation during our testing. We understand the fiduciary duty of the Board of Education, as well as the role of the internal auditor in ensuring that the proper control systems are in place and functioning consistently with the Board's policies and procedures.

Should you have any questions regarding anything included in our report, please do not hesitate to contact us at (631) 582-1600.

Sincerely,



Cerini & Associates, LLP  
Internal Auditors