



QUESTAR III
PUTTING STUDENTS FIRST

Bethlehem Central School District:

FY 2018/19 HR Audit - Final

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January 18, 2019

Board of Education
Bethlehem Central School District
700 Delaware Avenue
Delmar, NY 12054

We have completed the review of controls for the Bethlehem Central School District. Our engagement was designed to evaluate the adequacy of internal controls over the Human Resources Hiring and Termination Practices to ensure they are appropriately designed and operating effectively and efficiently. And, to provide a report with recommended changes for strengthening controls and reducing identified risks.

The purpose of the review was to evaluate the internal controls that the District has in place to prevent errors, detect fraud and ensure that financial reporting is accurate and that the District assets are safeguarded.

RELIABILITY OF INFORMATION

In performing our engagement, we obtained a sample from the population of new hires, and a sample from the population of recent terminations to test the accuracy and reliability of information provided by District personnel.

As noted, the purpose of our engagement was to assist you in improving the process by which you monitor and manage the risks that face the District. Any comments and recommendations in the attached report are the responsibility of the district to implement, accept the risk as identified, or implement alternative controls that will mitigate the risk to a level that is acceptable by the District. Ultimately, it is your responsibility to assess the adequacy of your risk management system.

DISTRIBUTION OF THE REPORT

This report is intended solely for the information and use of the Board of Education and management of Bethlehem Central School District and should not be used for any other purpose.

We appreciate the opportunity to serve you and thank the individuals in your organization for their cooperation. Over time, it will be necessary to reassess your risks to ensure that they have not changed and to ensure that your risk management system is functioning properly. Through our ongoing involvement with you as a client and our knowledge of your district and its processes, we are in a unique position to assist you with that process. Please contact us at any time should you desire such services.

Sincerely,

Mark Beaudette

Mark Beaudette, CPA
Questar III

REPORT TO THE BOARD OF EDUCATION

ENTITY NAME	Bethlehem Central School District
REPORT DATE	November 16, 2018
PROCESS REVIEWED	Human Resources – Hiring and Termination Practices
PERSONNEL INTERVIEWED	Amy Baluch, Director of Human Resources Ray Nardelli, Director of Information Technology Tina McKay, Personnel Assistant Nancy Clark, Support Staff Clerical Assistant
SCOPE OF WORK	<p>Reviewed the District’s policies and conducted interviews with relevant personnel to assess the efficiency and effectiveness of Human Resource operations.</p> <p>Tested the hiring documentation of the District’s new hire list that was extracted from the payroll records in the nVision system for the period from July 1, 2017 thru October 31, 2018. We selected a sample of 30 from the population of 106 non-substitute new hires for testing. We also selected a sample of 10 substitutes from the population of 158 new hire substitutes for testing.</p> <p>Tested documentation related to termination and retirements, on a sample basis, from the District’s termination list extracted from the payroll records in the nVision system. We selected a sample of 15 from a population of 123 non-substitute terminations.</p>
SCOPE RESTRICTIONS	No restrictions were noted.
AUDIT OBJECTIVES	<ul style="list-style-type: none"> • Evaluate the efficiency and effectiveness of Human Resource operations; • Determine the existence and effectiveness of the system of internal controls; • Evaluate compliance with laws, regulations, and policies; and, • Provide recommendations to help mitigate any identified risks.
KEY PROGRAM CONTROLS	<p>The District created the following key program controls designed to meet business obligations, provide accountability, and promote operational effectiveness & efficiencies:</p> <ul style="list-style-type: none"> • Each non-substitute employee hired by the District is required to be approved by the Board of Education. • The District utilizes the OLAS Online Application System for Educators to receive applications from candidates in the instructional class. • The District obtains fingerprint clearance from the New York State Education Department Office of School Personnel Review and Accountability for all new hires by printing these clearances off the TEACH system.

	<ul style="list-style-type: none"> • New hires are required to complete a Form I-9 and present the required identification. • The District utilizes a new employee checklist as a means to monitor completion of certain on-boarding processes. • The District conducts a new teacher orientation session annually. All new District employees meet with the HR director prior to start of employment for an on-boarding information and paperwork session. • The District's personnel files for non-instructional employees are kept in the Business office. Files for instructional staff are housed in the superintendent's office. Both are under the supervision of the staff during business hours and are locked all other times.
<p>OBSERVATIONS AND RECOMMENDATIONS</p>	<p><u>Observation 1:</u> During our review of 40 personnel files of employees hired and 15 files of employees terminated between July 1, 2017 and October 31, 2018 we noted the following conditions that were due to the District's practices not being well communicated and enforced:</p> <ul style="list-style-type: none"> • The District utilized a New Employee Checklist, but it was not used for onboarding substitutes. Additionally, for the 30 non-substitutes in our sample, we found 14 files did not contain the checklist. • The District utilizes application forms to be completed by perspective candidates. An initial employment application was missing from 5 of the files. 3 of these were files of Continuing Education employees. • The District utilized a worksheet which contained a new hire salary calculation, but it is not used for substitutes. Additionally, the worksheet was not present in 10 of the 30 non-substitute files. Three of the 10 were for coaches, 3 more for Continuing Education employees, 2 for bus drivers, and 2 for noon hour aides. • The District did not obtain fingerprint clearance for Continuing Education employees. For the other 37 employees in our sample, there was one clearance that was dated after the employee's start date. • Form I-9 was missing from one of the files. Another I-9 form was not signed by the employee. • The Board appoints all new hires. 9 files did not contain a letter of board appointment or a letter of intent to employ a substitute. • The District has created an employee handbook which includes policies such as the District's acceptable use of technology policy. The District has created an acknowledgment form related to the handbook which new employees are asked to sign. However, the form was not present in the files of 36 of the sample of 40. • The District placed evidence of Board termination in many of the files. 5 of the files in the sample did not have evidence of Board termination. • The District placed a resignation letter, e-mail or memo in many of the files. 4 of the files in the sample did not have a resignation letter or e-mail or memo.

- Only 1 of the files had an Employee Exit Checklist that the District has created. The checklist was only partially completed. Utilization of such a checklist would help ensure that all of the necessary steps relating to termination/retirements have been completed.

Recommendation: The District should define which documents are required for each class of new hires and seek to ensure that these are completed and retained in the files. The District should ensure that all of the information that the District requires in the termination process is documented in the personnel files. The District should consider developing a system of tracking candidates from their initial application through hiring. Additionally, the District should develop a written internal operating procedure manual for all its HR processes. This should be updated as needed for any changes in the process, organization, systems, and regulatory guidelines. Written procedures are beneficial for the training of current and new employees and are a valuable resource in the event that an employee leaves the department. The procedures should include sufficient information to permit an individual who is unfamiliar with HR department operations to perform the necessary activities. The lack of such documented procedures poses the risk that the processes are performed inconsistently, which can result in undesirable outcomes.

Observation 2: Civil Service Law Section 62 requires every person employed by New York State or any of its civil divisions, except an employee in the labor class, prior to the discharge of his or her duties, to take the oath required by the New York State Constitution. In lieu of the oath, a state employee may execute and file the statement prescribed by Civil Service Law Section 62. The District is not currently requiring employees in any class to sign the required statement.

Recommendation: The District should implement the practice of obtaining a signed statement in lieu of oath for all employees not in the labor class and retain this in the personnel files.

Observation 3: The District's practice does not include fingerprint clearance for instructors hired for the Continuing Education program. While this is a common practice among NYS school districts; it should be noted that the brochures for the program state that "Courses are open to all persons' ages 16 or over in the Capital District." Because the District's literature allows for school age youth to register for continuing education courses; the instructors would be subject to New York State Education Department fingerprinting requirements as described below if:

- the term of employment is greater than five days,
- the employment involves direct contact with students under the age of 21, as determined by the employer, and
- the employee is not otherwise exempt.

Recommendation: The District should consider either requiring fingerprint clearances for the Continuing Education instructors or changing the age requirements to exclude school age children.

	<p><u>Observation 4:</u> The District is not conducting exit interviews with any regularity. This occurs because the District has not established a uniform process for conducting exit interviews of retiring or terminating employees. Exit interviews can provide valuable information about the current condition of the impacted department. Undertaking an exit interview can identify areas that you can improve to help retain other staff. This interview can be carried out by the employee’s immediate manager, HR, or by providing the employee a self-addressed employee form for them to fill out on their own and send back to you. Exit interviews can identify both positive and negative reasons for departure: relationship with supervisors, their perception of pay, training, career opportunities and performance appraisal systems. They should also seek to gain the departing employees’ views on the working conditions offered by the District and ask for some suggestions for improvement. If you do collect exit interview information, then ensure that there is a process in place for appropriate and timely follow-up action to be taken on that feedback.</p> <p><i>Recommendation: The District should consider setting a policy requiring exit interviews to be conducted for all retirements and terminations. In this policy the District should establish standard practices governing who conducts the interviews, what documentation is required, creation of standard exit interview questions and a checklist of final “to do” items.</i></p>
SUBMITTED BY:	Mark Beaudette and Alexa Schaefer, Internal Auditors
DATED:	November 16, 2018

Amy Baluch
Human Resource Director
abaluch@bethlehemschools.org

Bethlehem Central School District

<http://bethlehemschools.org>



TO: Jody Monroe, Superintendent
Audit Committee Members

FROM: Amy Baluch, Human Resource Director

COPY: Phyllis Albano, Treasurer/Business Administrator
Judith Kehoe, Chief Business and Financial Officer

DATE: January 8, 2019

SUBJECT: Response to Internal Audit Report- Human Resources

Observation 1:

- a. *The District should define which documents are required for each class of new hires and seek to ensure that these are completed and retained in the files.*

HR currently uses a checklist for appointed contractual staff for both the instructional and non-instructional staff. HR has drafted and will begin to use a checklist for non-contracted, itinerant, and substitute staff.

- b. *The District should ensure that all of the information that the District requires in the termination process is documented in the personnel files.*

HR will work with IT and building staff to identify property, keys, permissions and identification that needs to be collected. This will then be put on a checklist for an employee's last day of work.

- c. *The District should consider developing a system of tracking candidates from their initial application through hiring.*

The District has a decentralized hiring process whereby hiring managers in each department advertise, receive application materials, screen and interview candidates.

They collect and store any materials from interviews. OLAS is used for instructional positions as a tracking mechanism as well.

Bethlehem Central High School
Business Office
700 Delaware Avenue
Delmar, NY 12054
(518) 439-7481
(518) 478-0650

- d. *Additionally, the District should develop a written internal operating procedure manual for all its HR processes.*

The business office includes the functions of both HR and payroll. Many of the HR procedures interface with business office procedures. These procedures are regularly updated, most recently based on changes in contract, as well as a change in the version of the Finance Manager software. While one manual with all information stored in one place is not currently available, individuals with responsibilities in both the HR and payroll departments have documentation that is used on a regular basis, and which is housed with the specific documents related to the task. The HR staff will set up a Google drive folder, to include the information to be accessed by HR staff.

Observation 2:

The Civil Service Oath of Office is not in the files of employees.

The District has obtained the Civil Service form which will be used going forward for all new hires.

Observation 3:

The District's practice does not include fingerprint clearance for instructors hired for the Continuing Education program.

Judi Kehoe has asked the continuing education coordinator to revise subsequent course documents to reflect that "Courses are open to all persons ages 21 or over, with the exception of SAT review courses, drivers' education and the 5-hour course". The SAT courses are taught by Bethlehem staff, who have SED clearance, and the staff provided by the contractor to teach drivers' education and the 5-hour course are also fingerprinted.

Observation 3:

The District should consider setting a policy requiring exit interviews to be conducted for all retirements and terminations.

Employees who leave positions in the school district typically happen for the following reasons:

- retirement
- termination/non continuation after probationary period
- resignation

For retirements and terminations, a district level administrator is involved and/or the HR Director. Detailed conversations are held, typically following a lengthy process that results in the separation of the employee.

For resignations, the HR Director often has conversations with the employee who will share reasons for leaving. This information is often shared at the department level as well. There is a low percentage of staff who leave the district due to circumstances that are unfavorable. Every effort is made to have those discussions with staff who are leaving employment, and we generally feel informed about working conditions; however, should the board desire a formal policy on this, the district will draft a policy for consideration.