

Rochester Board of Education
Audit Committee Meeting
June 5, 2018

Attendance: Commissioner LeBron (Chair), Commissioners Elliott, Funchess, Hallmark, and Sheppard. Harry Kennedy, Chief HR, Everton Sewell, Chief Financial Officer, Elizabeth Cammilleri, Supervisor of Payrolls, Timothy Schmandt, Director Procurement, Deborah Manns, Supervising Claims Auditor, and Donna Rayam, Claims Auditor. Board Staff: Ms. Henry-Wheeler, Auditor General and Mr. Brown from Office of Auditor General.

Commissioner LeBron convened the meeting at 5:37 PM.

- I. Approve Minutes from the May 2, 2018 Meeting:** Motion to approve by Commissioner Elliott and Seconded by Commissioner Lebron. Approved by all present.
- II. Status of the Office of the State Comptroller (OSC) Recommendations:** Ms. Henry-Wheeler provided a summary of OSC recommendations and responsible parties for each OSC recommendation. Administration provided an update on the status of the 16 recommendations.

Recommendation 1: Develop written procedures and designate responsibilities.

Status: Mr. Sewell provided a status noting 62 process descriptions were complete and 35 were in process with a handful not yet started. He expects they will all be complete by the end of June. Commissioner Elliott commented on the lack of historical documentation and this path will hold people accountable.

Recommendation 2: Monitor payments for accuracy, support, and compliance.

Status: Mr. Kennedy summarized work that is being done in HR to improve monitoring and accuracy related to data affecting payroll. Ms. Henry-Wheeler commented on an HR training plan that provides training immediately prior to major HR activities. Mr. Kennedy reinforced that the approach is to train and then assess performance using counseling memos and or discipline, as required. Mr. Kennedy spoke about monthly meetings with Payroll to review process gaps, errors, and to implement counter measures. Commissioner Lebron inquired about progress on Emergency Teacher Substitutes (ETS). Mr. Kennedy stated that HR has worked collaboratively with the Auditor General and Chiefs noting that approximately 90% are using the process consistently while 10% require guidance. He stated that he met with Principals two weeks ago and that we are looking to automate the process in September. Commissioner Elliott shared that people don't want to be checked on but that it is necessary. Mr. Kennedy added that when manual processes occur, they look for opportunities to automate reducing manual touch points. Commissioner LeBron stated she will be looking for updates.

Recommendation 3: Ensure Salaries are accurately established, authorized and documented.

Status: This was responded to under the Recommendation 2.

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Recommendation 4: Recover overpayments and reimburse underpayments.

Status: Ms. Henry-Wheeler summarized that we needed to verify the OSC analysis and results. The biggest difference was related to TIF which made payments based on performance. The state drew conclusions based on their interpretation of vague guidance. Consequently, it was not possible to conclude with certainty. Commissioner LeBron inquired if the program was stopped and Ms. Henry-Wheeler explained it was a grant program completed in prior years. Payments were made two different ways and the methodology varied across years. Commissioner Elliott stated that because it was subjective, greater definition should have been applied. Commissioner Sheppard inquired about litigation based on the subjectivity. Ms. Henry-Wheeler stated that we will define the inconsistencies, the fact that it was subjective, and that it is a RCSD responsibility. She stated that we cannot redefine what is needed for the past.

Ms. Henry-Wheeler spoke about \$73K in unsupported payments summarized by the OSC. This occurred when they could not obtain paper support. However, the district maintains an automated approval system as the final approval for time. Commissioner Elliott inquired if the OSC obtained access to the system. Ms. Henry-Wheeler replied that the OSC requested and received paperwork from the District. There were many requests to many locations and they were not all received. Absences have management oversight and approvals in the system. Commissioner Elliott inquired if there was a centralized location on-line. Commissioner Funchess inquired about forms for absences. It was confirmed that there are forms to request time and also the final system approval. Commissioner Funchess asked why the process is so hard and are all staff aware of the process? Mr. Sewell stated we are putting improved processes in place. He gave examples of when the system is accurate regarding time off when there is no form, and when there is a form for time off but the system does not reflect it. He stated that schools are required to scan the forms so that there is central visibility. Commissioner Funchess inquired why not provide an error message unless the paperwork is attached. Mr. Sewell stated that the exposure is that vacation time is not deducted from time off. Commissioner Funchess stated we don't have centralized processes across buildings for a myriad of things. Commissioner LeBron suggested making the form an editable PDF to the Manager and HCI and then manage them on a drive in the cloud. Mr. Sewell stated we have not turned on an absence system. Commissioner Sheppard requested it be priced and discussed with the Superintendent. Ms. Henry-Wheeler stated that regardless of whether a form is being used or not, it's the manager's responsibility to manage staff time worked and to keep the time worked reconciled with the system for their staff. The system is the official record.

Recommendation 5: Revise the P-Card policy and require strict adherence.

Status: Mr. Sewell stated that many procedural things have been revised and that they are 98% complete. Completed items have been posted in multiple communication methods.

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A quick reference sheet on P-Cards was rolled out. Two features on P-Cards have been turned on. One feature ensures a direct link between receipts and purchased items. This will be implemented by the end of the week. He explained that we have communicated in more ways than just referring people to the manual. People that have not submitted their expense reports have been turned off. Forty-five cards were suspended by May 14. We will be more aggressive on timing. Commissioner LeBron inquired if there is a process when a person is shut off 3 or 4 times. Mr. Sewell stated that we plan to implement taking the card away after three times, however they will still have responsibility to complete the required report. The school will then have to use the purchase order system and process. Commissioner Elliott stated that while we have given people time, we have not held them accountable.

Recommendation 6: Require receipt scanning for P-Cards.

Status: This was responded to under the Recommendation 5.

Recommendation 8: Comply with competitive bidding requirements for commodities that meet or aggregate to statutory bidding thresholds.

Status: Mr. Sewell stated we have complied with competitive bidding. He explained that aggregating by commodity includes distinguishing by unique features and unique items. He gave the example of how a blue ink pen would be different commodity code from a red ink pen. He described that we don't know how to get this information yet or what codes we should use as there are differences that could include as many as 48,000 codes. He explained that our system does not have the capability for this. He intends to check with Buffalo and Syracuse. RCSD uses category codes and looks at purchases by vendor at an aggregate level. This work was described as challenging and that we need to understand if we can fulfill this requirement with other options. Commissioner LeBron stated we need an alternative plan. Commissioner Elliott inquired about the difference between lowest bidder vs. lowest qualified bidder and if competitive bidding has improved. Mr. Sewell explained it is really lowest qualified bidder. He explained that we have to get P-Card holders aware of when to bid and we need to look at the thresholds. We are working on getting monitoring in place. We are working with IM&T to have the proper system in place. Mr. Sewell stated the bids are by commodity. He explained that we should look at the top 10 commodities and thresholds.

Recommendation 9: Train P-Card users and supervisors on quote and bidding requirements.

Status: Mr. Sewell explained that we have updated the P-Card manual and that we plan on supporting professional learning and training over the summer.

Recommendation 10: Ensure P-Card policies are followed, including supervisory review and not sharing cards or card numbers.

Status: This was included within Recommendation 5 and 9.

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Recommendation 11: Review P-Card transactions, alert supervisors of violations and take action to address.

Status: This was addressed within Recommendation 5.

Recommendation 12: Develop a complete list of frequently purchased items and large dollar purchases and comply with bidding.

Status: This was addressed within Recommendation 8.

Recommendation 13: Comply with policies on RFP's and RFI's.

Status: Mr. Sewell explained that we created policy 6741 which identifies exceptions. Documentation has to be completed and retained. When we go out to bid, a decision is made on how we selected the vendor. This matrix of tabulations is kept in one place. Commissioner Elliott stated that we have not been focusing on MWBE. She requested to see more businesses of color. She added that educational resolutions identify percentages and dollars by MWBE but that she would like to see more companies as prime bidders.

Recommendation 14: Retain purchasing documentation for at least six years.

Status: Commissioner LeBron asked where we are keeping documents. Mr. Sewell stated they are on our system and file copies are retained. Email is large and we don't have to worry about size any more. Ms. Henry-Wheeler clarified that emails are retained for 7 years.

Recommendation 16: Award contracts consistent with policies and procedures and document decisions.

Status: This is addressed in Recommendations 13 and 14. Ms. Henry-Wheeler stated that the documentation history was not clear enough. Commissioner LeBron asked about RFI for consultants. Mr. Sewell stated there is a process for consulting services or exceptions to policy 6741.

Recommendations 7 & 15: Audit all P-card transactions and supporting documentation. Thoroughly audit and ensure p-card purchases, bidding, RFI & RFP requirements comply with policies.

Status: Ms. Manns stated that they review all transactions. She explained that there have been challenges at the beginning of the school year and Claims had to work through how to have documents scanned into the system. This was not being done completely and takes a lot of time to review. They are not 100% yet. Management is sent emails when expense reports are not provided. There are approximately 1,000 transactions per month where receipts have to be compared to the purchases. If Purchasing does what is needed, that will make Claims review easier. Mr. Sewell explained that there were challenges with M&T years ago and that we have worked with them to better support us.

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Now if a line does not have a receipt, it cannot be submitted. The plan is to be done with implementing changes this week. Ms. Henry-Wheeler spoke about the need to educate users on this process. Mr. Sewell reiterated that if we don't get the required information, we will report it to management and communicate the lack of compliance. In the past managers were not always checking but just rubber stamped approvals. Ms. Henry-Wheeler stated this is why there were over 20 P-Card reviews that noted so many types of errors. These were not Claims Audit issues but management issues. The managers should have supervised better and Purchasing should have reviewed the work. Ms. Manns stated we need Purchasing to work with us on this. Commissioner Elliott stated that you got the Board with you. Commissioner LeBron emphasized to kick back to the Audit Committee when you need to, and disclose these so they can be caught. Commissioner Elliott stated that she thought Claims Audit is disrespected and they need more visibility. Ms. Manns stated that Claims Audit will be at the training for the District to communicate what is required and expected. Ms. Henry-Wheeler noted that nothing goes out the door unless Claims Audit approves it. Mr. Sewell added that we are retraining and adding an additional person in Purchasing and this will save money. Commissioner LeBron requested a rollout list of people who are not in compliance.

III. Auditor General Update: Ms. Henry-Wheeler provided brief overview of the Student Activity Fund (SAF) Reports for Schools 29, 35, SOTA, and Edison. She noted that SOTA was doing an excellent job and had the cleanest SAF in the District. She spoke about some of the challenges at Edison. She noted that while some schools don't show anything on the SAF system, those schools would still be checked.

A motion was made by Commissioner LeBron to accept the reports and forward to the Board and was seconded by Commissioner Elliott.

IV. The meeting was adjourned at 7:45 PM as moved by Commissioner LeBron and approved by all present.