

NASSAU COUNTY NEW YORK

Review of Town of Hempstead Sanitary District No. 7

**Hiring Process, Personnel Records, Payroll Processing
and Health Benefits Administration**

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**Review of Town of Hempstead
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Health Benefits Administration**

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Report Highlights

OBJECTIVES

To determine whether Town of Hempstead Sanitary District No. 7 (District) has effectively and efficiently managed its hiring process, personnel records, payroll processing and health benefits administration.

KEY FINDINGS

The District did not:

- Have formal written policies and procedures for hiring, payroll processing and health benefits administration;
- Maintain personnel files in a comprehensive, organized and uniform manner;
- Properly safeguard personnel files against inappropriate access;
- Process payroll efficiently; and
- Have internal controls over health benefits administration.

This audit did not review or identify any issues with the adequacy of the curbside garbage collection services being provided.

KEY RECOMMENDATIONS

The District should:

- Adopt written policies and procedures for hiring, payroll processing, and health benefits administration;
- Develop an employee checklist which outlines the documents to be kept in employees' personnel files and maintain personnel files in an organized manner;
- Safeguard personnel files in locked file cabinets and limit access to only authorized staff;
- Prepare payroll utilizing more efficient modern systems, segregate payroll processing and approval duties, and process payroll on a biweekly basis; and
- Perform a monthly reconciliation of employees eligible for benefits to those covered, to verify that the District is only being billed for eligible employees.

The District generally agreed with the audit findings and found the recommendations to be appropriate and important to implement.

BACKGROUND

Town of Hempstead Sanitary District No. 7 is a special improvement district. The District provides curbside garbage collection, recycling, and special pick-up services, to more than 13,000 households and 950 businesses throughout Oceanside and parts of Baldwin and East Rockaway.

District staffing consists of members from two unions. The District's current labor agreements requires minimum staffing totaling 66 employees.

Eligible District employees are provided with medical and dental insurance.

From 2018 to 2021, the District's payroll and health benefits represented on average 85% of the District operating expenses, totaling:

- \$7,605,832 in 2018;
- \$7,642,972 in 2019;
- \$8,282,950 in 2020; and
- \$8,361,185 in 2021.

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Background

Town of Hempstead Sanitary District No. 7 (District) is a special improvement district established in 1931. The District office is located at 90 Mott Street in Oceanside. The District provides curbside garbage collection, recycling and special pick-up services to more than 13,000 households and 950 businesses in Oceanside and parts of Baldwin and East Rockaway.

The District is governed by an elected, five-member Board of Commissioners (Board). The Board is responsible for establishing and overseeing the District's policies and procedures, annual budget, and its fiscal and day-to-day operations. The Commissioners are elected to staggered five-year terms and are entitled to \$7,500 per year for their services.

The District's primary operating revenue is from real property taxes. Total District revenues and expenditures from 2018 to 2021 are shown in chart below:

Revenues & Expenditures 2018 - 2021				
	2018	2019	2020	2021
Revenues	\$8,792,956	\$9,415,033	\$9,122,457	\$9,042,206
Expenditures	\$8,687,863	\$9,513,289	\$9,892,236	\$9,400,138
Operating Results	<u>\$105,093</u>	<u>(\$98,256)</u>	<u>(\$769,779)</u>	<u>(\$357,932)</u>

Source: District's financial statements for the years ended December 31, 2018, 2019, 2020 and 2021.
Note: All figures rounded to the nearest whole number.

Employee salaries and benefits represented, on average, 85% of total District expenditures from 2018 to 2021. The District's current labor agreements required minimum staffing of 66 employees:

- 4 sanitation supervisors
- 50 sanitation workers (loaders and drivers)
- 1 mechanic supervisor
- 2 mechanics
- 1 mechanic helper
- 1 maintenance supervisor
- 3 maintenance workers
- 4 office staff (although not specified in the contract, during the audit period the office staff consisted of the Treasurer and three other office personnel).

Other District expenses included operations such as vehicle maintenance, parts and fuel, and personal services.

District employees are members of two unions: the International Brotherhood of Teamsters Local 553 (IBT) and the Civil Service Employees Association Local 882 (CSEA).

Background

The chart below shows the Civil Service Class Codes, Titles, Class Specifications and Union affiliation for these classes and titles of employees.

Staffing Titles, Class Specifications & Union Affiliations 2018 - 2021			
Code	Title	Class	Union Affiliation
3AP	Sanitation Worker	Labor	IBT
3AR	Sanitation Worker (Part-Time)	Labor	IBT
3AQ	Sanitation Worker (Seasonal)	Labor	IBT
AAK	Messenger ⁽¹⁾	Labor	CSEA
3BD	Sanitation Supervisor	Non-Competitive	CSEA
3BF	Sanitation General Supervisor	Non-Competitive	CSEA
3DF	Recycling Supervisor ⁽²⁾	Non-Competitive	CSEA
50F	Motor Repair Supervisor	Non-Competitive	CSEA
5KP	Automotive Mechanic Aide	Non-Competitive	CSEA
5LA	Automotive Mechanic	Non-Competitive	CSEA
6JC	Maintenance Helper	Non-Competitive	CSEA
6JF	Maintainer	Non-Competitive	CSEA
6JK	Maintenance Supervisor	Non-Competitive	CSEA
AAQ	Clerical Aide	Non-Competitive	N/A*
AGA	Typist-Clerk	Competitive	CSEA
ANQ	Secretary	Exempt	CSEA**
CPS	Treasurer	Exempt	CSEA**
GMF	Commissioner	Unclassified	N/A

Source: District's Civil Service Payroll Certifications (2018-2021) and Discussions with District Staff.
 IBT = International Brotherhood of Teamsters, Local 553
 CSEA = The Civil Service Employees Association, Inc., Long Island Region, Local 882
 (1) The District Board abolished the position of Messenger in July 2018.
 (2) The District's Recycling Supervisor retired effective 1/30/2020 and the title has been phased out.
 * According to District staff, this is Part-Time and not a union member.
 ** According to District staff, despite Exempt classification, these positions have always been part of the CSEA Union.

Eligible District employees are provided health insurance and dental insurance. The current health insurance provider for the District is the New York State Health Insurance Program (NYSHIP). Dental insurance eligibility and the provider varies based on an employee's union, if they are an active or retired employee, and if they are a member of the Board (a Commissioner), as follows:

- CSEA members and Commissioners receive dental coverage through the CSEA Employment Benefit Fund (CSEA EBF);
- Active IBT members receive dental coverage through Sele-Dent;
- Retirees and surviving spouses of workers from both unions are eligible to receive health insurance through NYSHIP; and
- CSEA retirees are eligible to receive dental benefits through CSEA EBF since January 2020.

On March 5, 2020, the Board ended the practice of providing medical and dental benefits to all future Board Members. Current Board members remained eligible for benefits through the remainder of their term.

Audit Findings

Establishment of Internal Controls and Written Procedures

The Board is responsible for establishing a system of internal controls over the District's financial and day-to-day operations and ensuring that the District's management team is adhering to them. The Board should establish the tone regarding the importance of the control environment, meaning the set of standards, processes, and structures that provide the basis for carrying out internal controls across the organization. By establishing a strong control environment and a well-designed set of internal controls, the Board can reduce the number and severity of control failures, provide reasonable assurance that operational goals are being met, and protect against waste, fraud or abuse.

In order to effectively manage and oversee District operations, the Board should adopt formal written policies and procedures which detail:

- The hiring process;
- Human Resources' responsibilities concerning personnel files;
- Payroll processing procedures; and
- Procedures for the administration of health benefits.

Finding 1

No Written Policies and Procedures

Auditors found that the District did not have written policies and procedures for its hiring processes, personnel file maintenance, payroll processing and health benefits administration.

Hiring

According to the District's By-Laws, the Board appoints all full-time, part-time and seasonal workers in accordance with the Civil Service Law and Nassau County Civil Service Code. The District's "General Supervisor" is responsible for ensuring that all persons hired meet all qualifications established and required by the Nassau County Civil Service Commission as well as those established by the Board. The "General Supervisor" is also responsible for conducting a preliminary review of all applications for employment, arranging for and conducting interviews and making recommendations for employment. While the District's By-Laws briefly discuss individual responsibilities in the District's hiring process, they do not set forth hiring procedures or document retention requirements.

Conversations with Sanitation Supervisors revealed that the hiring process was largely based on undocumented past practice. The District did not maintain documents to track the hiring process, such as job postings, who applied, who was interviewed, who was offered a job and who was not.

Auditors were informed that full-time sanitation workers were hired exclusively from existing part-time sanitation workers. The District, however, was not able to provide any written procedures or process for how an individual became a part-time sanitation worker. Auditors were informed there was a folder containing applications for part-time sanitation positions. When a part-time position became available, a person was pulled at random from this folder to make an offer.

Audit Findings

Applications in this folder may or may not be discarded after an offer was made or not made, and accepted or not accepted.

The District was also unable to provide Auditors with an Organization Chart, which would typically contain all employees by title and any vacant positions.

Payroll and Health Benefits

Similarly, the District's Board of Commissioners did not create formal written policies and procedures which detail the individual steps for payroll processing and health benefits administration.

Audit Recommendations for Internal Controls and Written Procedures

The District should:

- a) **Develop written policies and procedures for its hiring processes, personnel file maintenance, payroll processing and health benefits administration;**
- b) **Develop and retain a list of all job descriptions, which should include eligibility for union membership;**
- c) **Maintain a file of all applications received for employment, keep track of when applications were received, when/if an applicant has been contacted for an interview, whether or not (and when or if) an offer was made, and if the applicant was hired;**
- d) **Develop formal written policies and procedures which detail the individual steps for payroll processing and health benefits administration; and**
- e) **Develop and maintain an updated organizational chart.**

Audit Findings

How Should Personnel Files be Effectively Maintained?

Personnel files should include information such as: job posting, employee hiring/transfer/termination documentation, payroll and retirement related documentation, medical and dental insurance related documentation, disciplinary actions, time and leave records, acknowledgment forms for receipt of workplace policies, certificates of completion for work related trainings, and any other records required to comply with Nassau County Civil Service and the United States Internal Revenue Service (IRS) regulations. Personnel files should be stored in a secure location and accessed by only authorized personnel.

Finding 2

Disorganized Personnel Files

Employee personnel files were disorganized, lacked uniformity and were missing required documentation.

Auditors found that the District did not have an “Employee Orientation Checklist” for new hires, which would typically include a listing of all policies and documents an employee should receive upon their employment.

Auditors reviewed District records to determine what forms the District does require employees to sign during the onboarding process. These required forms should be maintained in the employees’ personnel file. Auditors determined employees were required to sign and acknowledge receipt of the: *Code of Ethics, Rules and Regulations, Sexual Harassment Policy and Traffic Violation Policy*. Additionally, according to conversations with District staff, sexual harassment training has been required annually since 2019 and workplace violence training was given in 2020. District staff were unaware whether workplace violence training was offered in other years.

Auditors reviewed a sample of 10 employee personnel files to determine if the employees’ files contained all required policy acknowledgements forms and certificates. As demonstrated in the chart on the next page, Auditor testing found that District employees were not receiving all the required policies and trainings.

Audit Findings

Personnel File Contents: Receipt of District Policies/Annual Trainings As of November 17, 2021											
Was Evidence of Receipt of the Following District Policies Found in the Personnel File	Employee Sample Number										Percentage of Forms Found
	1	2	3	4	5	6	7	8	9	10	
Code of Ethics	✗	✓	✗	✗	N/A	✓	✓	✗	✓	✗	44%
Rules and Regulations	✓	✓	✗	✓	✗	✓	✓	✓	✓	✗	70%
Sexual Harassment Policy	✗	✓	✗	✗	N/A	✗	✓	✗	✓	✗	33%
Traffic Violation Policy	✗	✓	✗	✗	N/A	✓	✓	✗	✓	✓	56%
Was a Certificates of Annual Training Found in the Personnel File	Employee Sample Number										Percentage of Forms Found
	1	2	3	4	5	6	7	8	9	10	
2019 Sexual Harassment Training Certification	✓	N/A	✓	✓	N/A	✓	✓	✓	✓	✓	100%
2020 Sexual Harassment Training Certification	✓	✓	✓	✓	N/A	✗	✗	✓	✓	✓	78%
2021 Sexual Harassment Training Certification	✗	✗	✗	✓	N/A	✗	✗	✗	✓	✗	22%
2020 Workplace Violence Training Certification	✓	✗	✓	✓	N/A	✓	✗	✓	✓	✓	78%

Notes for both charts on this page:
Check Mark = Found in File X Mark = Not Found in File
 Source: District's 7 personnel files.
 Note: Employees have been assigned numbers to maintain their anonymity.
 N/A = Not Applicable. Employee not active (not yet hired or terminated) prior to these District policies/trainings being implemented.

Auditors also reviewed the same sample of 10 personnel files to determine if the files contained all the required Nassau County Civil Service and IRS related documents. Auditor testing found certain required documents were missing and overall little consistency among the personnel files. The results of Auditor testing are summarized in the chart below.

Personnel File Contents: Civil Service & Payroll Related Forms As of November 17, 2021											
Civil Service & Payroll Related Forms in Personnel File	Employees Sample Numbers										Percentage of Forms Found
	1	2	3	4	5	6	7	8	9	10	
Employment Application	✓	✓	✓	✓	✓	✓	✗	✓	N/A	✓	89%
Application for Examination or Employment (CSX-1)	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓	90%
Confidential Supplement to Employment Application (CSX-2.2)	✓	✓	✓	✗	✓	✗	✓	✗	✗	✓	60%
Employment Eligibility Verification (Form I-9)	✓	✓	✓	✓	✗	✓	✓	✓	✓	✓	90%
Consent to Physical Examination	✓	✗	✓	✓	✗	✓	✓	✓	✗	✗	60%
Specimen Results Certificate & Chain of Custody Form	✓	✗	✗	✗	✗	✗	✗	✓	✗	✗	20%
Appointment from Eligible List/Probationary Term / Report of Appointment, setting Probation (CS-12/CS-12A)	✓	✗	✓	✓	✗	✗	✗	✗	✓	✓	50%
Report of Personnel Action (CS-39M)	✓	✓	✓	✓	✗	✓	✓	✗	✓	✓	80%
Employee's Withholding Certificate (IRS Form W-4)	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	90%

Audit Findings

Auditors were informed that the District Secretary was responsible for the maintenance of employee personnel files until her termination in January 2021. During audit fieldwork, a replacement for the Secretary had not yet been hired. Without having an employee that was dedicated to Human Resources job functions, the Office staff (the District Treasurer, Typist-Clerk, a Sanitation Supervisor and a Part-Time Clerical Aide and her aide) collectively became involved with maintaining personnel files, with the Treasurer handling the majority of the responsibilities.

Finding 3

Personnel Files Not Properly Safeguarded

Personnel files were not stored in a secure location.

Auditors observed that the District maintained its employees' personnel files in file cabinets in both an Administrative Office and a Records Room. Personnel files in the Administrative Office were kept in locked file cabinets containing current personnel files. Personnel files in the Records Room were kept in unlocked file cabinets containing both prior and current employee records.

Access to personnel files was not limited to a designated employee. Personnel files were accessible to all Administrative Office staff (Treasurer, Typist-Clerk, a Sanitation Supervisor and a Part-time Clerical Aide and her aide), as well as any employee who gained access to the Records Room. Maintenance Staff and Sanitation Supervisors also had access to the key which opened the locked file cabinets in the Administrative Office.

Audit Recommendations for Maintaining Personnel Files

The District should:

- a) Designate an employee to be responsible for maintaining personnel files;**
- b) Develop an employee orientation checklist which outlines all District policies and procedures, required trainings and certifications, insurance documents, payroll information, hiring documents, etc. which should be maintained in an employee's personnel file;**
- c) Review personnel files of all current employees to ensure District staff have all the required training and up-to-date policy acknowledgments in their personnel files;**
- d) Maintain well organized personnel files including information concerning employee hiring, transfer and termination documentation, payroll and retirement related documentation, medical and dental insurance related documentation, and disciplinary actions; and**
- e) Safeguard personnel files in locked file cabinets and limit access.**

Audit Findings

What Is Effective Payroll Processing?

Payroll should be processed in an efficient manner while ensuring payments are supported by accurate employee compensation and time and leave records.

Processing payroll manually is time intensive, less cost efficient and increases the risk for errors. Automating the payroll process is the most efficient way to limit time-consuming tasks, especially in municipalities with limited staff.

Payroll responsibilities should be segregated so that one employee does not have the ability to authorize, execute, and record payroll transactions or control the entire payroll process. If it is impractical to adequately segregate these duties, compensating controls should be implemented to routinely monitor and review the work of the employee who processes payroll.

Ideally, employees should be paid on a biweekly schedule. Paying employees biweekly, instead of weekly: reduces the time spent on payroll processing, reduces the likelihood of payroll errors due to the decreased frequency of transactions, and can potentially amount to a considerable savings depending on the steps involved for processing payroll.

Finding 4

Inefficient Payroll Process

The District's payroll process was paper intensive and inefficient, increasing the risk of errors.

Auditors reviewed the District's payroll procedures and found the procedural and internal control weaknesses listed below.

- The District did not utilize a modern computerized human resources application to track their employee's attendance and time and leave records. As such, time and leave records which were used to support payroll were manually prepared, most on hard-copy paper. The District required only IBT Loaders and Drivers, and a few CSEA mechanic and maintenance workers to punch in/out using a timeclock. All other workers manually recorded their own attendance on a paper timesheet. As a result, most time and leave records were manually data entered into a Microsoft Excel spreadsheet which was tracked by a Sanitation Supervisor.
- The District's manually prepared payroll was dictated by the District Treasurer to the District's payroll vendor (ADP) on a phone call. ADP would then enter this information into the ADP system. ADP would then send a draft copy of the payroll to the Treasurer for her review and approval to ADP to pay. This manual process is archaic in today's business environment, an inefficient use of District resources and increases the risk that mistakes may occur.

Audit Findings

- The District Treasurer was the sole individual responsible for preparing the District's payroll and conveying the information to ADP. There was no other District staff assigned as a back-up to the Treasurer for processing payroll. As a result, the Treasurer informed Auditors that she had been unable to take off on the days the payroll had to be done (Thursdays and Fridays) and stated that if she was sick, she would need to do the payroll from home.
- The payroll data was not reviewed by another individual at the District prior to dictating it to ADP. This increases the risk that payroll errors and/or irregularities may go undetected.
- Sanitary District No. 7 ran its payroll on a weekly basis. Sanitation staff at most neighboring Sanitation Departments, Town of Hempstead, Town of Oyster Bay, and Town of Hempstead Special Districts Sanitary District No. 1, Sanitary District No. 2, Sanitary District No. 6 and Sanitary District No. 14, are all paid biweekly.

Audit Recommendations for Effective Payroll Processing

The District should:

- a) **Pursue the utilization of a modern computerized human resources application to track their employees' attendance and time and leave records;**
- b) **Require all staff to utilize a timeclock to track their daily work hours;**
- c) **Assign an employee to act as back-up to the Treasurer for processing payroll;**
- d) **Perform a supervisory review of the payroll prior to it being released by the District's payroll processing vendor; and**
- e) **Consider adjusting its payroll processing schedule from weekly to biweekly.**

Audit Findings

How Should the District Administer Health Benefits?

The District's current health insurance provider is the New York State Health Insurance Program (NYSHIP). Dental insurance is provided either through the CSEA Employment Benefit Fund (CSEA EBF) or Sele-Dent.

According to the NYS Department of Civil Service Manual for NYSHIP Participating Agencies (PA Manual), each Participating Agency must designate a Health Benefits Administrator (HBA) who is assigned the duty for the administration of NYSHIP within the agency.

The PA Manual states that the responsibilities of the HBA include the following:

- Ensure that all eligible employees and retirees are properly informed of the benefits and availability of NYSHIP;
- Determine the eligibility of employees and retirees for enrollment in NYSHIP;
- Enroll employees and eligible dependents in NYSHIP;
- Transmit timely premium payments on a monthly basis to the NYS Department of Civil Service;
- Verify the accuracy of the Health Insurance Transaction Listing and Monthly Billing Statement;
- Notify and enroll persons eligible for either COBRA or NYS Continuation of Coverage;
- Initiate Medicare reimbursements to enrollees and dependents who become eligible for primary benefits under Medicare;
- Maintain up-to-date files of health insurance records by verifying the reconciliation listing received quarterly; and
- Provide assistance to enrollees who have problems with claims or other aspects of their health insurance coverage.

To report new enrollments and changes in enrollee coverage or status under the program, the HBA must complete and process a Health Insurance Transaction form using the New York Benefits Eligibility Accounting System (NYBEAS). Eligibility updates in NYBEAS must be performed in a timely and accurate manner to ensure members are disenrolled promptly to prevent any potential payment of ineligible claims on their behalf.

Audit Findings

Finding 5

Lack of Internal Controls for Medical and Dental Insurance

The District did not have internal controls in place to ensure that only eligible employees received medical and dental insurance.

Previously Ineligible Employees Received Benefits

In response to issues identified by the Board concerning retirees and former employees receiving dental benefits, on November 8, 2018, the Board terminated dental benefit coverage for all District retirees, former Commissioners and surviving spouses of retirees/former Commissioners. Subsequently, on October 3, 2019, the District's Board of Commissioners retained a law firm to conduct an internal investigation into the issues identified by the Board concerning dental benefits provided to retired employees and past Commissioners, received through the CSEA Employee Benefit Fund ("CSEA EBF") prior to November 8, 2018.

The investigation found that the District's CSEA EBF dental insurance plan documents did not permit District retirees, former Commissioners and their surviving spouses to continue their dental benefits into retirement. As such, the District was inappropriately providing dental benefits to certain individuals who were no longer employees. This was done by continuing to list these individuals as full-time employees in monthly reports to the CSEA. The investigation also identified certain District employees who were responsible for this mishandling of the District's dental benefit.

Auditors questioned the District's current HBA as to corrective actions taken based on this investigation to prevent ineligible employees from receiving benefits. She believed that "No, nothing has changed since then to prevent a similar situation from happening." In response to the same question, the District's then-Board Chairman stated that the CSEA EBF invoices included a list of all enrollees and that this list was reviewed by the Commissioners.

Auditors observed that the IBT's Sele-Dent dental invoices did not contain a roster of covered individuals. When questioned about who monitored the IBT dental plan if the names were not included on the invoices, the then-Board Chairman responded, "I guess no one."

Monthly Reconciliations of Eligible Individuals

Auditors found that a monthly reconciliation of the employees who were eligible for insurance benefits compared to the individuals covered by the different plans was not performed. This lack of an insurance coverage reconciliation significantly increases the risk that ineligible employees may receive medical and/or dental benefits.

Auditors were not provided with any documentation to substantiate if monthly reconciliations were taking place prior to August 2019 because individuals who had been responsible for this task during this timeframe were no longer employees of the District. Discussions with the District's current HBA revealed that a reconciliation process had not been performed since she took over the HBA responsibilities in approximately August of 2019.

Audit Findings

The current HBA informed Auditors in March of 2022 that she had only recently learned she was supposed to reconcile eligible employees by verifying the listing of who currently received insurance with eligible individuals covered on the respective insurance plans. However, she was unable to demonstrate to Auditors that she knew how to perform such a reconciliation.

Auditor Testing of Insurance Invoices

Auditors attempted to test recent medical and dental insurance invoices to verify that only eligible employees were included on the District's medical and dental insurance plans. Based upon records the District was able to provide, Auditors were only able to test eligibility for dental benefits.

Auditor testing identified the following issues:

- A Sanitation Supervisor was listed for both CSEA EBF & Sele-Dent coverage. This employee was promoted from a Sanitation Worker (IBT) to a Sanitation Supervisor (CSEA) on January 23, 2020 and was still included in the Sele-Dent master list as of January 13, 2022;
- A Sanitation Worker (IBT) was still included in the Sele-Dent master list as of January 13, 2022, despite leaving the District on March 1, 2019; and
- The January 13, 2022 Sele-Dent master list had missing or potentially inaccurate information for 4 employees.

These issues were discussed with the District's then-Board Chairman. Auditors received a response from the current HBA, stating that corrective action was taken with Sele-Dent to remove the two employees from the dental coverage. In regard to the missing or potentially inaccurate birthday information, the District's current HBA stated that, *"...the employees fill out the enrollment form, and they go directly to Sele-Dent. Whatever the employees check off/fill out on that form is what Sele-Dent lists on their master list. If Sele-Dent requires information such as birthday, address, etc., that are missing from the form, they call or email to request it. If they do not request the information, then they do not need the missing information to continue to provide dental coverage..."*

Audit Findings

Finding 6

Inexperienced Health Benefits Administration Staff

The District Board assigned the role of Health Benefits Administrator (HBA) to an individual with no prior experience performing HBA duties and did not provide adequate training to meet the District's needs.

Auditors were informed by the current HBA that soon after employment with the District she was assigned the role of the District's HBA. She stated that she had no prior experience performing HBA duties. Furthermore, she received no formal training on how to perform the HBA functions.

Auditors asked the current HBA to run reports to display the individuals covered by the District's medical or dental insurances. The current HBA was unaware of how to run these reports in the NYBEAS or CSEA EBF online insurance systems. She was only able to supply Auditors with monthly reports of individuals covered for NYSHIP for the months of January 2021 through July 2021 which she found in a file on her assigned computer. She was unaware of how these reports were generated.

Auditors also asked for a demonstration of how enrollees were added or deleted from the NYBEAS database. The current HBA stated that she could do this online; however, she often had issues. Usually, she called the NYBEAS help line to have someone on the phone handle these changes for her.

Auditors also questioned the current HBA about the process for maintaining retiree and surviving spouse coverage. She was not entirely sure how the process worked. She knew retirees were eligible for coverage, but was not sure how it worked or if they must pay. She stated that since she started doing the HBA functions no one had retired.

Audit Findings

Audit Recommendations for Administering Health Benefits

The District should:

- a) Perform a monthly reconciliation of employees eligible for benefits to those covered, to verify that the District is only being billed for eligible employees. This reconciliation should be completed and attached with the monthly voucher for the Board to review and approve;**
- b) Update all the information in the Sele-Dent master list to include missing or potentially inaccurate information; and**
- c) Provide training to the assigned Health Benefits Administrator.**

Glossary

Competitive Jurisdictional Class (Competitive Class) - The Jurisdictional Class under the Classified Civil Service (Classified Service) composed of positions for which it is practicable to determine the merit and fitness of applicants by competitive examination. (Section 44 of the Civil Service Law)

Non-competitive Jurisdictional Class (Non-Competitive Class) - The Jurisdictional Class under the Classified Civil Service (Classified Service) designating positions not in the Exempt or Labor Classes and for which it is found by the Civil Service Commission to be not practicable to ascertain the merit and fitness of applicants by competitive examination. (Section 42 of the Civil Service Law)

Exempt Jurisdictional Class (Exempt Class) - The Jurisdictional Class under the Classified Civil Service (Classified Service) of positions deemed impracticable to fill by tests of any kind. No minimum training and experience requirements are established for exempt positions. (Section 41 of the Civil Service Law)

Labor Jurisdictional Class (Labor Class) - The Jurisdictional Class under the Classified Civil Service (Classified Service) designated for positions for which competitive tests are impracticable because of the unskilled nature of the duties. Minimum qualifications for Labor Class positions other than the physical ability to perform the duties of the position are generally not established. (Section 43 of the Civil Service Law)

Unclassified Civil Service (Unclassified Service) - Positions specified under Section 35 of the Civil Service Law. Examples are elected officials, appointees of the Governor or Legislature (including heads of Departments and legislative employees), and employees in professional positions in certain colleges whose principal functions are teaching or supervision of teaching in a public school, academy or college, or in the State University. (Section 35 of the Civil Service Law)

Audit References

- **Limited Review of Compensation and Fringe Benefits for Sanitary District No. 7 - Town of Hempstead (Released October 29, 2009)**
https://www.nassaucountyny.gov/DocumentCenter/View/3655/FinalAudit_Report_San_7_CompensationBenefits_10_27_09?bidId=
- **Limited Financial Audit of Sanitary District No. 7 Town of Hempstead Review of Procedures and Internal Control Environment (Released December 29, 2009)**
https://www.nassaucountyny.gov/DocumentCenter/View/3648/AuditSanitaryDistrictNo7InternalControls12_29_09?bidId=
- **Town of Hempstead Sanitary District No. 7 – Post-Employment Payments, Claims Processing and Professional Services (2014M-198)**
<https://www.osc.state.ny.us/files/local-government/audits/2017-11/lgsa-audit-special-district-2014-hempstead-town-sanitary-7.pdf>
- **Town of Hempstead Sanitary District No. 7’s Official Website**
<https://oceansidesanitation.org/>
- **Office of the New York State Comptroller's Division of Local Government and School Accountability, Local Government Management Guide, *Management’s Responsibility for Internal Controls* (January 2016)**
<https://www.osc.state.ny.us/files/local-government/publications/pdf/managements-responsibility-for-internal-controls.pdf>
- **Office of the New York State Comptroller's Division of Local Government and School Accountability, Local Government Management Guide, *The Practice of Internal Controls* (October 2010)**
<https://www.osc.state.ny.us/files/local-government/publications/pdf/the-practice-of-internal-controls.pdf>
- **New York Consolidated Law, Chapter 7 Civil Service Law, Article 3, Jurisdictional Classes**
<https://www.nysenate.gov/legislation/laws/ CVS/A3>
- **Beasley, Charlette, and Heather Landau. “15 Tips for Managing Payroll Effectively.” *Fit Small Business*, Fit Small Business, 20 Oct. 2022,**
<https://fitsmallbusiness.com/tips-for-managing-payroll/>
- **“What is Payroll Processing? How to Process Payroll. *ADP*, 17 Oct. 2022,**
<https://www.adp.com/resources/articles-and-insights/articles/p/payroll-processing.aspx>
- **Ferguson, Grace. “The Advantages of Paying Employees Biweekly Instead of Weekly.” *Chron.com*, 6 Mar. 2019,**
<https://smallbusiness.chron.com/advantages-paying-employees-biweekly-instead-weekly-17984.html>

Audit References

- **Town of Fort Edward – Payroll and Leave Accruals (2022M-119)**
<https://www.osc.state.ny.us/files/local-government/academy/pdf/fort-edward-town-2022-119.pdf>
- **New York State Department of Civil Service. Manual for NYSHIP Participating Agencies.**
https://www.cs.ny.gov/employee-benefits/pa-market/shared/manuals/pa/pdfs/PA_Manual.pdf
- **Department of Civil Service: New York State Health Insurance Program: Payments by CVS Health for Pharmacy Services for Ineligible Members (Report 2020-S-17)**
<https://www.osc.state.ny.us/files/state-agencies/audits/pdf/sga-2021-20s17.pdf>

Appendix A - Audit Methodology

The audit was conducted at the request of the Sanitary District No. 7 Board of Commissioners.

The audit objective was to determine whether Town of Hempstead Sanitary District No. 7 effectively and efficiently managed its payroll, personnel and health benefits processes.

The audit period was from January 1, 2018 through December 31, 2021. However, in some instances, it was necessary for Auditors to review years prior to 2018 and/or forward to 2022, for either historical reference or to acquire additional information related to District operations.

To achieve the audit objective and obtain valid audit evidence, the audit procedures included the following:

1. Interviewed District personnel to gain an understanding of the District's procedures for hiring, payroll processing, personnel file management and health benefits administration.
2. Reviewed District personnel records and interviewed District staff to determine which policy and procedure acknowledgement forms and training certificates should be required. Selected a sample of 10 personnel files and reviewed the contents of these files to verify required documents existed.
3. Interviewed District staff and observed the District's personnel file storage locations to determine whether they were properly safeguarded.
4. Interviewed District staff and observed the District's payroll procedures to determine if payroll was being processed efficiently. Compared Sanitary District No. 7's payroll frequency to neighboring Towns and Sanitary Districts.
5. Reviewed the District's dental insurance investigation documents and interviewed District staff to determine if the District had taken corrective actions to prevent ineligible employees from receiving dental benefits.
6. Interviewed District staff to determine if monthly reconciliations were being performed to verify only eligible individuals were receiving medical and dental insurance benefits. Attempted to test medical insurance invoices and performed testing on dental insurance invoices to determine if only eligible individuals were receiving medical and dental benefits.
7. Interviewed District staff assigned the responsibility for health benefits administration.

Samples for audit testing were selected based on professional judgment, as the intent was not to project the testing results onto the entire population. Data regarding the value and/or size of the relevant population and the sample selected for audit testing are specified where applicable.

We believe our review provides a reasonable basis for the findings and recommendations contained herein.

Appendix B – District’s Response

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Fax: (516) 766-2430

OCEANSIDE SANITATION DEPARTMENT



COMMISSIONERS
Austin R. Graff
John M. Mammone
Joseph Samoles
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Sanitary District No. 7
Town of Hempstead
90 Mott Street
Oceanside, N.Y. 11572

Hon. Elaine Phillips
Nassau County Comptroller
JoAnn Greene
Director of Field Audit
240 Old Country Road
Mineola, NY 11501

March 13, 2023

RE: Town of Hempstead Sanitary District No. 7; Response to draft audit

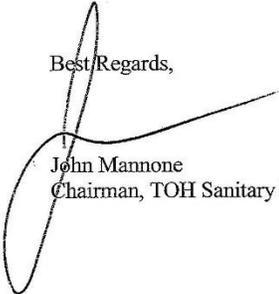
We want to thank your office and your auditors for the hard work and dedication they showed looking at our District’s operations from an independent third party point of view. For far too long the District was run by a group of people who ran the District without regard for the taxpayers’ concerns and the concerns of the employees of the District, as was found in prior audits.

Unlike audits that were done in the past, this Board is taking the auditors’ recommendations very seriously.

This board believes the Comptrollers’ recommendations are appropriate, important to implement, and in some cases have already been implemented. If the recommendation has not already been implemented, it will be done so shortly by the District.

Once again we want to take this time to thank you for your time and assistance.

Best Regards,


John Mammone
Chairman, TOH Sanitary District No.7

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March 13, 2023

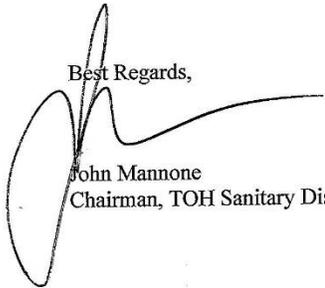
Response to Nassau County Audit, February 2023.
RE: Hiring Process, Personnel Records, Payroll Processing and Health Benefits.

We agree with the summary of findings, and a process was already put in place during the audit process to address the anticipated findings/recommendations.

The Districts action plan to address these findings include:

- The District has created written policies and procedures for hiring and payroll processing. The Board is working with it’s supervisors to develop specific written policies for approving new hires including part-time employees.
- We have developed an employee checklist for personnel files. Personnel files have been, and will continue to be in a locked drawer with limited access to supervisors and office staff. We have taken further measures to make sure access to the keys are safeguarded. The District’s new Secretary is tasked with the duty of organizing the employment files and creating checklists as specified in the audit.
- The payroll process has changed to be more efficient, including changing the pay date. We are currently looking into utilizing new systems to process the District’s payroll, including online processing instead of the lengthy call-in system. The District is also working on a process for a back-up payroll processor in case of emergencies.
- The District is developing polices for health benefits in accordance with the auditors recommendations. The monthly reconciliation of health benefits will be performed to verify that the District is only being billed for eligible employees. We are in the process of training the District’s Health Benefits Administrator to better perform the duties of the position

Best Regards,


John Mannone
Chairman, TOH Sanitary District No. 7

Appendix C – Auditors’ Comments on District’s Response

The District generally agreed with the audit findings and found the recommendations to be appropriate and important to implement.

Auditors note that the District did not provide any specific details or supporting documentation to explain the corrective actions they purport to have taken or plan to take.

