

Corrective Action Plan Follow-up Review: Payroll Audit

Audit Plan Code: 23.05.FF



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Final Follow-up Report
March 28, 2024

Management implemented six (6) corrective action plan (CAP) activities to address the findings and six (6) of the seven (7) recommendations outlined in the original audit report.



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Abbreviations

CAP	Corrective Action Plan
EPISD	El Paso Independent School District
IT	Information Technology



CAP Follow-up Report

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Background

The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing, Performance Standard 2500 - Monitoring Progress, require we "...establish and maintain a system to monitor the disposition of results communicated to management." Internal Audit has established the Corrective Action Plan (CAP) process to meet this requirement. The process includes monitoring and reporting whether management has implemented corrective actions to address audit findings, observations, and recommendations.

Internal Audit issued the Payroll Audit Report to District management and administration on August 8, 2023. The [original audit report](#) is posted on the EPISD's website. We performed the audit as part of the Board-approved 2022-2023 Internal Audit Plan. The objectives of the original audit were to ensure:

- Employees do not have unauthorized or improper access to add or inactivate employees in Frontline.
- Fictitious and/or inactive employees have not been inappropriately compensated.
- Manual time clock punch entries have supporting documentation to ensure the correct time worked was compensated.

The scope of the audit was from July 1, 2022, through January 31, 2023.

Our audit found:

- There were no employees that had inappropriate access to add or delete employees in Frontline. However, it was noted two (2) employees had improper access to the Frontline Payroll Module.
- Through various testing methods for inappropriate compensation of fictitious and/or inactive employees, we found no discrepancies. However, 25% of direct deposit authorization forms tested were not found.
- Fifteen percent (15%) of manual time clock entries tested had incomplete or missing supporting documentation.

The original audit report included three (3) findings, and seven (7) recommendations. A risk acceptance form was completed and signed by the Payroll Manager, Executive Director, Financial Services, and Chief Financial Officer in lieu of implementing one recommendation in the audit report for the Payroll Department to "verify that all active employees have a direct deposit authorization form uploaded to their payroll file." The risk acceptance form was approved by the Superintendent on July 31, 2023. For reference, a summary of the original Payroll Audit report findings is provided in **Exhibit A**. District management and administration agreed with the remaining six (6) recommendations and developed a CAP with six (6) activities.

Objective and Scope

The objective and scope of this follow-up review were to determine whether management implemented the six (6) CAP activities or took other actions to address the three (3) findings and seven (7) recommendations outlined in the Payroll Audit Report.

Methodology

To achieve our follow-up review objective, we:

- Held meetings and communicated with persons responsible for carrying out the CAP activities.
- Reviewed supporting documentation maintained by management as evidence of completion of the CAP activities provided to Internal Audit.

Inherent Limitations

This was a limited scope follow-up review covering only the actions taken by EPISD administration to address the original audit findings and recommendations stated in the Objective and Scope section of this report. No representations of assurance are made to other areas or periods not covered by this follow-up review.

Summary of Results

CAP Activities	Implemented	Overall CAP Status
6	6	Implemented

Management implemented a corrective action plan with six (6) activities to address the three (3) findings and six (6) of the seven (7) recommendations in the original audit report. For the remaining recommendation, a CAP Risk Acceptance Form was completed in lieu of implementing the recommendation.

This report represents the close-out of the corrective action plan.

CAP Activities and Action Taken

Management and leadership agreed with six (6) of the seven (7) recommendations in the original audit report and incorporated them into six (6) CAP activities. For one (1) recommendation, a CAP Risk Acceptance Form was completed in lieu of implementing the recommendation and creating a CAP activity. The details of the six (6) CAP activities, the person(s) responsible, and the action taken are outlined below.

Activity 1 Implemented

“Improper Access to Frontline Payroll Module-Work with IT to modify access”

Person(s) Responsible: Payroll Manager and Executive Director, Financial Services

Action Taken: Access to the Payroll module was modified from level 9 full access to level 1 view access for the two employees.

Activity 2 Implemented

“Improper Access to Frontline Payroll Module-Implement procedures to review user's access rights.”

Person(s) Responsible: Payroll Manager and Executive Director, Financial Services

Action Taken: The Financial Services manual was updated to include when data access will be reviewed, who will review access, and how often access will be reviewed. Per the manual, “data access will be reviewed when an employee leaves a position in Financial Services, including a separation or transfer. System access, such as Payroll level access, will be reviewed and revoked as necessary. A ticket will be submitted to technology by the department manager to request level access to the system for all employees. Department managers and Executive Director of Finance shall review all access in each instance that an employee leaves the Financial Services Department at regular intervals. Regular intervals should be at the beginning of the fiscal year – July 1, and the beginning of the calendar year, January 1.”

Activity 3 Implemented

“Implement procedures to document continuation of access to Frontline Payroll Module for separated employees and acceptance of risks.”

Person(s) Responsible: Payroll Manager and Executive Director, Financial Services

Action Taken: Financial Services created a form to document the request and approval for the continuation of access to the payroll module for employees who transfer within the district. The form also includes a section to document acceptance of risk if segregation of duties is not feasible. Additionally, the Financial Services Manual was updated to state, “continuation of data access for employees that transfer within the district may be granted as needed. Prior approval must be obtained and approved by the Executive Director of Financial Services. Form Employee Access-Financial Services should be signed by employee, supervisor, and Executive Director of Financial Services.”

Activity 4 Implemented

“The Payroll Department will request direct deposit authorization forms from the nine employees included in the audit sample.

Additionally, Direct Deposit Authorization Forms- A Risk Acceptance Form will be completed in lieu of implementing the rest of the recommendation.”

Person(s) Responsible: Payroll Manager and Executive Director, Financial Services

Action Taken: Completed and signed Direct Deposit Authorization forms were provided for eight (8) of the nine (9) employees. The remaining employee resigned from the district in June 2023; therefore, a Direct Deposit Authorization form was not completed by the employee.

Activity 5 Implemented

"Implement procedures for Direct Deposit Authorization Form process to include retention and destruction in accordance with Local Schedule GR."

Person(s) Responsible: Payroll Manager and Executive Director, Financial Services

Action Taken: The Financial Services Manual was updated to include language that addresses the retention and destruction period for Direct Deposit forms. Per the manual, "The retention period for Direct Deposit forms will follow Texas State Local Schedule GR1050-51. The retention period for direct deposit forms will be until superseded or date of separation."

Activity 6 Implemented

"Provide training to departments/campuses on manual time clock entries and supporting documentation requirements."

Person(s) Responsible: Payroll Manager and Executive Director, Financial Services

Action Taken: Training was provided to campus/department timekeepers on August 24, 2023, where manual changes to timecards were addressed. Sign-in sheets were provided as evidence of training. Additionally, the training is available to view at EPISD University.

Per the training, "Backup documentation is required for all changes. Manual changes are also known as an after-the-fact change. An employee/substitute must submit the After the Fact Change Form to their supervisor for approval before it can be processed. Type of changes include but are not limited to: forgot to punch in or out, clock malfunction, and did not enter an absence".

Exhibit A: Summary of Original Audit Results

Finding	Summary Finding
1	Two employees that do not work in the Payroll Department, a Compensation Analyst and Human Resources Specialist, had full access to the payroll module. Based on their current position, they should not have had access to the payroll module.
2	<p>Twenty-five percent (25%) of direct deposit authorization forms tested were not found. Of the 36 direct deposit authorization forms tested, the following was noted:</p> <ul style="list-style-type: none">• Nine (9) forms for active employees could not be provided as the Payroll Department no longer had them on hand. The Payroll Manager explained that during the move to EPISD's new central office location, the Payroll Department, in a joint effort with the Executive Director of Financial Services, agreed to get rid of excess documents due to lack of storage space. The Payroll Department did not reference Local Schedule GR Retention Schedule for direct deposit authorization forms before their destruction.• Nineteen (19) forms could not be provided due to employees being inactive even though their direct deposit was reflected as active. No inappropriate payments were made to these employees.• Eight (8) forms were provided for active employees.
3	<p>Fifteen percent (15%) of manual time clock entries tested had incomplete or missing supporting documentation. Time Worked/Time Missed/After the Fact Absence Request or Change forms, were missing or incomplete for nine (9) manual entries.</p> <p>The following was noted:</p> <ul style="list-style-type: none">• Two (2) manual entries had no supporting documentation.• Five (5) manual entries had a Change form with missing employee and/or supervisor signatures.• Two (2) manual entries had documentation provided other than a Change form and were missing employee and/or supervisor signatures.

The complete [original audit report](#) is available on the EPISD website.



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