Payroll Audit Report: Park Elementary School

ASSURANCE • INSIGHT • OBJECTIVITY

Audit Plan Code: 19-11.134

We identified some instances where overtime and compensatory time were not approved according to District guidelines. In addition, there was missing supporting documentation for employee leave and/or inservice.

Contents

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Abbreviations

CAP   Corrective Action Plan
FASRG   Financial Accountability System Resource Guide
TEA   Texas Education Agency
TEAMS   Total Education Administrative Management Solution

Definitions

Exempt   Employees who are exempt from the overtime pay requirements of the Fair Labor Standards Act (FLSA) on a salary basis.

Non-exempt   Employees may be compensated on an hourly basis or on a salary basis. Employees who are paid on an hourly basis shall be compensated for all hours worked. Employees who are paid on a salary basis are paid for up to and including a 40-hour workweek

Short of   A weekly plug completes a full time, annualized hourly employee's schedule for the week (40 total hours) when they are
Schedule Plug   missing up to one hour's time. When an hourly employee is missing more than one hour of time, a correction or absence is needed.

Internal Audit Report

ASSURANCE • INSIGHT • OBJECTIVITY

Background

As stated in the Texas Education Agency's (TEA) Financial Accountability System Resource Guide (FASRG), "School districts are mandated to record payroll costs by campus level for educational personnel including professional and paraprofessional personnel where the cost is clearly attributable to a specific organization…A payroll system must be capable of adequate reporting for effective control and monitoring by management and of providing reports and records required by state and federal laws… Individual payroll records are necessary to provide both budgetary control and the reports required by various governmental agencies and internal management. Regardless of the forms used in payroll accounting, it is very important to correctly calculate gross pay, payroll deductions, and net pay prior to recording these amounts."

The time keeper is in charge of verifying time cards and reviewing approval forms for flex time, overtime/compensatory time, employee leave, and substitute sign-in sheets. At the campus level, the timekeeper duties are usually assigned to the secretary to the principal. The Principal is in charge of approving time cards and all forms reviewed by the time keeper.

Payroll Audits were approved by the Board of Trustees as part of the 2018-2019 Internal Audit Plan.

Objective and Scope

The objectives of the audit were as follows:
1. Determine whether employees are being compensated in compliance with District guidelines.
2. Determine whether overtime and compensatory time were properly approved, accurate, and in compliance with District guidelines.
3. Determine whether absences are supported by a written request or other corresponding documentation and were taken in compliance with District guidelines.
4. Determine whether timecard verification was performed in compliance with District guidelines.
5. Determine whether substitute jobs paid with local and federal funds are supported by the corresponding documentation and in compliance with District guidelines.

The scope of our audit were payroll records for regular wages, overtime, compensatory time, flextime, employee leave, and substitutes from January 1, 2017 to June 30, 2017.

Methodology

To achieve the objective, we:
- Researched relevant federal/state laws and regulations, Board policies, and Payroll's Department manual/guidelines.
- Used pre-audit self-assessment and internal control questionnaires to obtain an understanding of the campus payroll process and controls in place.
- Performed a risk assessment based on our understanding of the payroll process for campuses and controls in place.
- Obtained and analyzed payroll records to include: payroll rosters, time clock swipe in/out records, request and approval forms for flex schedules, overtime and compensatory time, absence records, unapproved time cards, and funding source and sign in sheets for substitutes for the scope period.
- Selected a representative sample based on our sampling procedures for each of the tests performed.

Inherent Limitations

Because of the inherent limitations in a system of internal controls, there is a risk that errors or irregularities occurred and were not detected. Due professional care requires the internal auditor to conduct examinations and verifications to a reasonable extent. Accordingly, an auditor is able to obtain reasonable, but not absolute, assurance that noncompliance or irregularities do not exist.

Corrective Action Plan

District management provided a Corrective Action Plan (CAP) outlining the activities to be implemented. The CAP appears to be sufficient to address the findings outlined in the report. Attached is the summary of results.

Findings and Observations by Section

Findings are inconsistencies, exceptions, or events where employees involved in the financial process departed from federal policies, state, or District guidelines, or procedures.

Observations do not violate federal, state or local, guidelines, and as such, are not included as findings in the Internal Audit Report. However, they are worthy of informing administration in order for them to make the determination as to whether they should be addressed.
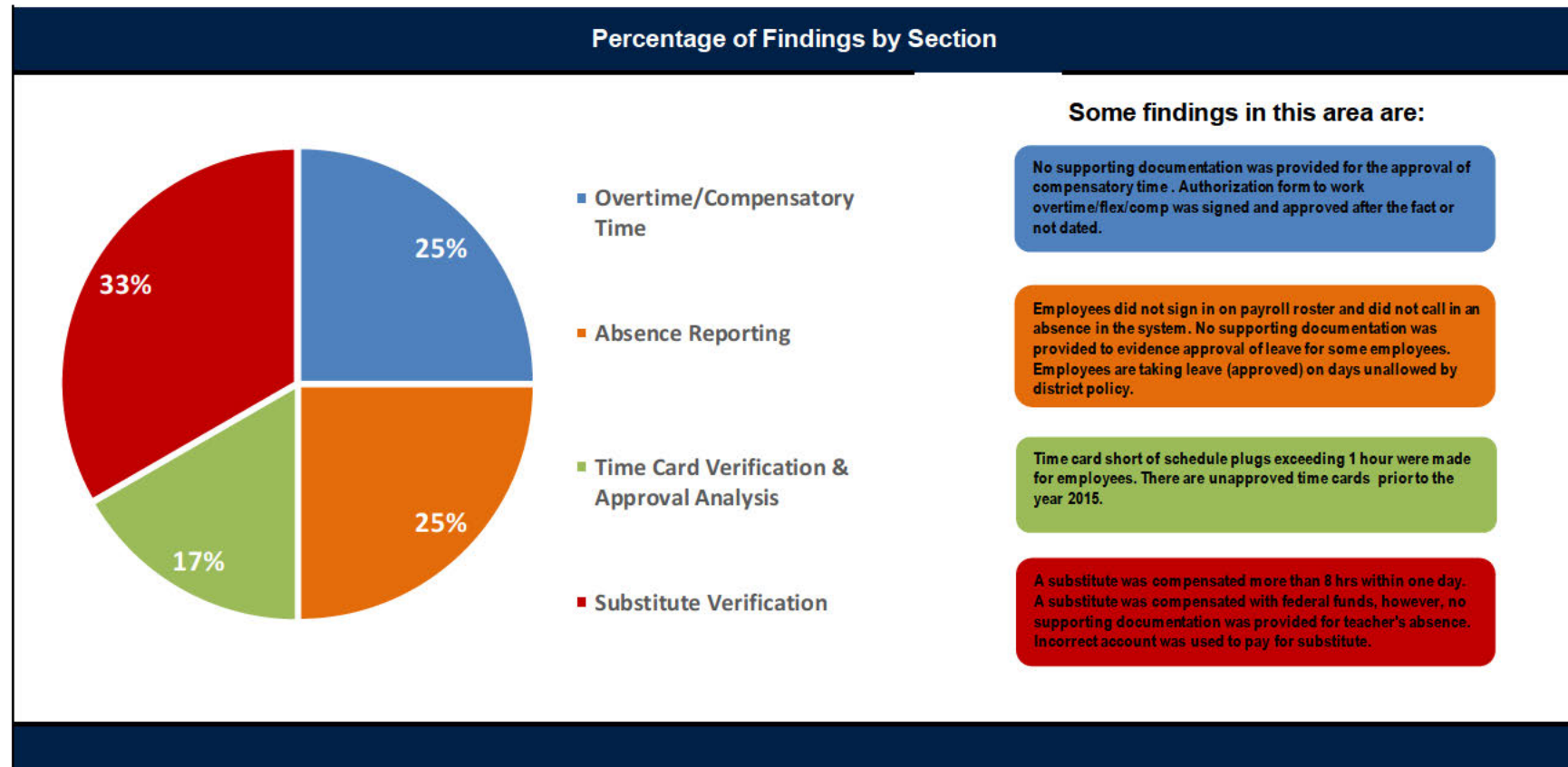
Sections Audited (Unless Otherwise Noted)	Audit Objectives by Section	No. of Findings	No. of Observations
Hours Worked	Determine whether employees are being compensanted in compliance with District guidelines.	0	0
Overtime/ Compensatory Time	Determine whether overtime and compensatory time were properly approved, accurate and in compliance with District guidelines.	3	0
Absence Reporting	Determine whether absences are supported by a written request or other corresponding documentation and were taken in compliance with District guidelines.	3	1
Time Card Verification & Approval Analysis	Determine whether timecard verification was performed in compliance with District guidelines.	2	0
Substitute Verification	Determine whether substitute jobs paid with local and federal funds are supported by the corresponding documentation and in compliance with District guidelines.	4	2

SECTIONS WITH FINDINGS	4	OUT OF	5	TOTAL FINDINGS IN THIS REPORT	12	3

Percentage of Findings by Section

Percentage of Findings by Section

- ■ **Overtime/Compensatory Time** — 25%
- ■ **Absence Reporting** — 25%
- ■ **Time Card Verification & Approval Analysis** — 17%
- ■ **Substitute Verification** — 33%

Some findings in this area are:

No supporting documentation was provided for the approval of compensatory time. Authorization form to work overtime/flex/comp was signed and approved after the fact or not dated.

Employees did not sign in on payroll roster and did not call in an absence in the system. No supporting documentation was provided to evidence approval of leave for some employees. Employees are taking leave (approved) on days unallowed by district policy.

Time card short of schedule plugs exceeding 1 hour were made for employees. There are unapproved time cards prior to the year 2015.

A substitute was compensated more than 8 hrs within one day. A substitute was compensated with federal funds, however, no supporting documentation was provided for teacher's absence. Incorrect account was used to pay for substitute.

Recommendations

Overtime/Compensatory Time

1

Hourly employees and their Supervisor must complete the Authorization to Work Overtime/Flex/Comp form prior to overtime/compensatory time being worked as outlined in the Administrator's Reference Guide- Financial Services Section. Supervisors of nonexempt employees should monitor hours worked by employees to ensure unauthorized overtime or compensatory time does not occur. Approved overtime or compensatory time forms must be kept on file at the campus. This form serves to confirm prior written request and approval for overtime and compensatory time.

We recommend all campus employees be made aware of the Administrators Reference Guide – Financial Services section that states "The new form [Authorization to Work Overtime/Flex/Comp], approved by Cabinet, must be completed by the employee and supervisor prior to overtime being worked… If an hourly employee fails to obtain approval from the supervisor, prior to the time worked, the supervisor is to document and write up the employee."

Absence Reporting

2

Campus administrators and/or campus time keepers should ensure employees sign the payroll roster on a daily basis as "…all employees are required to account for their attendance by signing the payroll sign-in roster or swiping the time clock daily, where applicable, upon arrival at their workstations" per DK(Regulation). All nonexempt employees are required to account for their attendance on their weekly time sheets and/or time clock where applicable.

3

Approval for all discretionary leave and out of town travel must be documented (using the appropriate District form) and kept on file at the campus. These forms serve to confirm prior written request and approval of leave as outlined in Board Policy DEC (Local) and Administrator's Resource Guide, respectively.

4

In order to preserve the continuity of the instructional program, campus administrators and/or staff should not take days off on unallowed days per District policy. If leave is requested on days unallowed per District policy, we recommend the approval form include a statement from the Principal confirming they have determined the absence will have no effect on the continuity of the instructional program as outlined in Board Policy DEC (Local).

5 We recommend supporting documentation be maintained for inservice type absences in order to aid employees better account for their daily attendance as outlined in Board Policy DK (Regulation). Supporting documentation such as the Absence Form and a meeting agenda (which outlines the start/end time of the event) or a training brochure can help minimize the risk the inservice absence code is misused.

Time Card Verification & Approval Analysis

6 Campus administrators and/or time keepers should not use short of schedule plugs for more than one hour. The purpose of the short of schedule plug is to complete a full time, annualized hourly employee's schedule for the week when they are missing up to one hour's time.

7 Campus administrators should work with the Payroll Department and/or Technology Services to clear unapproved time cards that do not pertain to the current payroll pay period. The effect of not verifying/approving time records is that balances for employee absences, overtime, and compensatory time may be understated/overstated in TEAMS. Untimely approval of time cards creates a risk that employees are not properly paid.

Substitute Verification

8 We recommend for campus administrators in consultation with Payroll determine if this substitute was overpaid for the two sub jobs. If substitute was overpaid, a determination should be made whether the substitute needs to pay back the District.

Supporting documentation for substitute jobs requiring federal funds should always be complete and kept on file. Pertinent information such as the principal's approval, purpose of the trip and authorized account numbers to be charged for the substitute job should be kept in order to demonstrate that the expenditure is allowable and supplemental to other federal and/or non-federal programs.

9 According to the Supplement, not Supplant Handbook (A Guide for Grants Administered by the Texas Education Agency), "The purpose of a supplement, not supplant provision is to help ensure that federal grants funds are expended to benefit the intended population defined in the authorizing stature, rather than being diverted to cover expenses that the LEA would have paid out of other funds in the event the federal funds were not available."

10 | Supporting documentation for substitute jobs should always be accurate, complete and kept on file. Campus administrators and/or campus time keepers should ensure Sub Job Id's listed on the substitute sign in sheet are correct and agree to TEAMS to ensure accurate record keeping.

11 | We recommend supporting documentation be maintained for inservice type absences in order to aid employees better account for their daily attendance as outlined in Board Policy DK (Regulation). Supporting documentation may include the Absence Form completed in full by both the requestor and verifier and/or a meeting agenda (which outlines the start/end time of the event) or a training brochure can help minimize the risk the inservice absence code is misused.

EL PASO INDEPENDENT SCHOOL DISTRICT

EPISD Internal Audit Department
6531 Boeing Drive. El Paso, TX 79925
Phone 915-230-2740 ✉ Email audit@episd.org

Fraud, Waste, and Abuse Hotline:
https://www.reportlineweb.com/EPISD or 800-620-8591