

# Payroll Audit Report: College Career Technology Academy (CCTA)



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**Audit Plan Code: 19-11.020**

Campus was missing three months of supporting documentation for the approval of overtime/compensatory time, employee leave and substitute use.



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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 Schedule Plug	A weekly plug completes a full time, annualized hourly employee's schedule for the week (40 total hours) when they are 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

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## 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."

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

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.

## 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 July 1, 2017 to November 30, 2017.



# Internal Audit Report

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## 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.

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## 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.

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## 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.



# Summary of Results

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## 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 compensated in compliance with District guidelines.	1	1
Overtime/ Compensatory Time	Determine whether overtime and compensatory time were properly approved, accurate and in compliance with District guidelines.	2	0
Absence Reporting	Determine whether absences are supported by a written request or other corresponding documentation and were taken in compliance with District guidelines.	5	0
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.	2	1
SECTIONS WITH FINDINGS	5 OUT OF 5	TOTAL FINDINGS IN THIS REPORT	12
			2

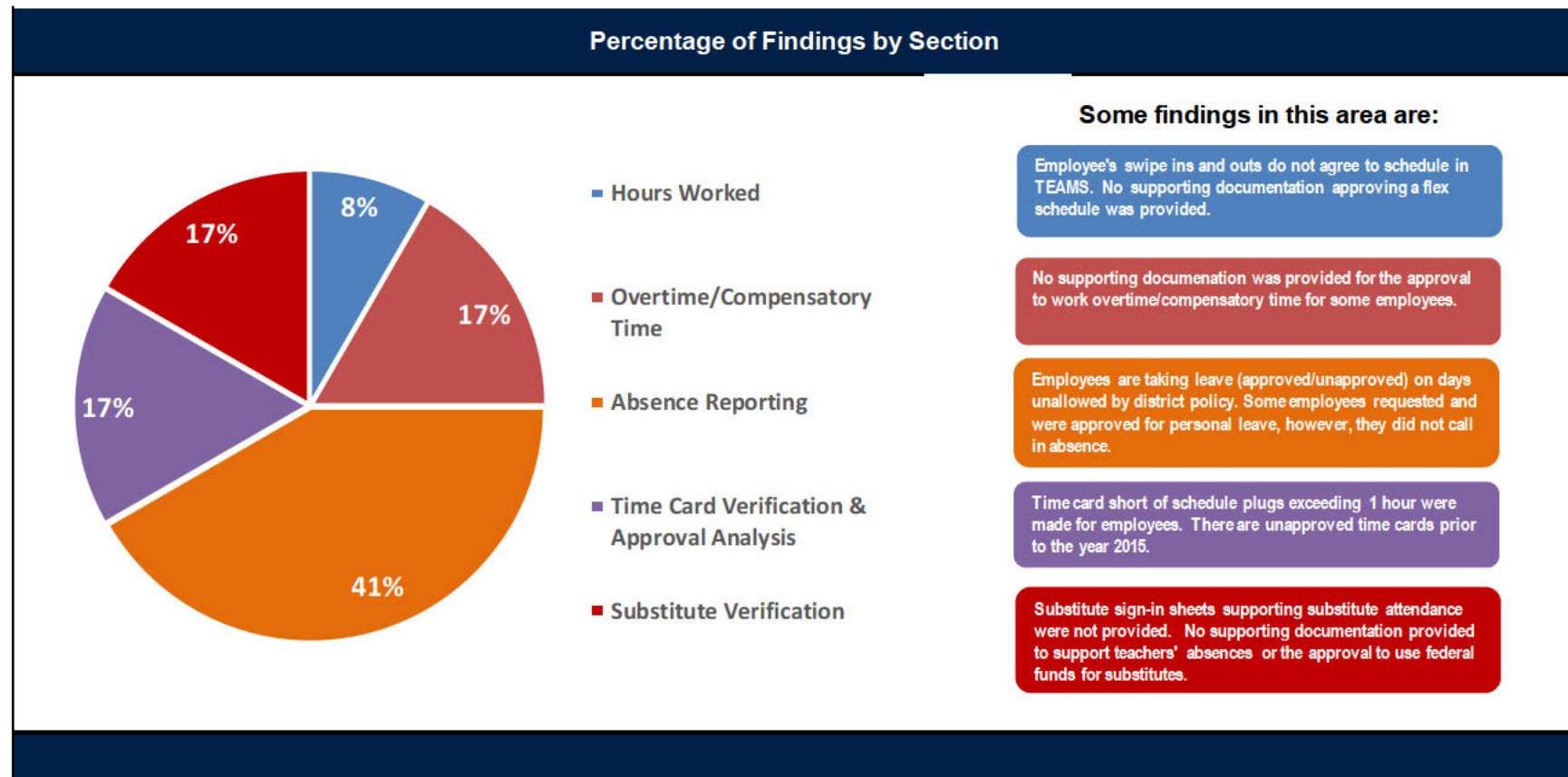




# Summary of Results

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## Percentage of Findings by Section





# Summary of Results

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## Recommendations

### Overall

- 1 In order to comply with the District's local records retention policy, a proper system of organizing and archiving paperwork should be put in place in order to avoid loss or misplacement of any documentation. School records should be retained according to CPC(Regulation) which states "public records held by certain departments and schools are subject to long-term preservation or to destruction following a five-year retention period. According to CPC(Local), "all local government records shall be considered District property and any unauthorized destruction or removal shall be prohibited".

### Hours Worked

- 2 Supervisors of nonexempt employees should ensure all employees work their scheduled hours as outlined by Board Policy DK (Regulation). In cases when an employee may not be able to work the regularly scheduled work day then s/he shall obtain prior written approval from his/her supervisor. Documentation of approval should be kept on file at the campus.
- 3 Campus administrator and/or time keeper should ensure that the payroll sign-in roster is accurate and reflects employees currently assigned to the campus.

### Overtime/Compensatory Time

- 4 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



# Summary of Results

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to obtain approval from the supervisor, prior to the time worked, the supervisor is to document and write up the employee."

## Absence Reporting

5

According to Board Policy DEC (Regulation), upon the employee's final release from jury duty, he or she must provide to the principal and/or department head appropriate documentation certifying the time served. This documentation should be kept on file at the campus.

6

Campus administrators and/or campus time keepers should ensure employees sign the payroll sign-in 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.

7

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).

Additionally, approval for all discretionary leave 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.

Campus administrators should determine if the two employees need to be deducted hours for personal leave. Per DEC (Regulation) "when an employee must be absent from work, it is the responsibility of the employee to notify the principal and/or immediate supervisor... In addition to notifying the principal and/or immediate supervisor, the employee must call the absence in to the TEAMS system".

8

As part of their verification process, the campus time keepers should validate the absence reason entered in the TEAMS system matches the leave approved on either the Request for Personal Leave form or Request for Non Duty/ Vacation Hours form in order for an employee's approved leave to be reflected accurately. If for some reason the employee does not take the date requested off, the absence form submitted should be voided.





# Summary of Results

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## Time Card Verification & Approval Analysis

- 9 Campus administrators and/or time keepers should not use short of schedule plugs for more than one hour's time. 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.
- 10 Campus administrators should work with the Payroll Department 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

- 11 Supporting documentation for substitute jobs should always be accurate, complete and kept on file. Campus administrators and/or campus time keepers should ensure supporting documentation such as system generated substitute sign in sheets are filed and retained according to the District's local records retention policy.  
  
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.
- 12 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."



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