Functional Performance Audit of the Payroll Department

for Alexandria City Public Schools

PREPARED AND SUBMITTED BY:

GIBSON

AN EDUCATION CONSULTING & RESEARCH GROUP

Contents

GIBSON

AN EDUCATION CONSULTING & RESEARCH GROUP

Executive Summary

Gibson Consulting Group, Inc. (Gibson/audit team) was engaged to conduct an internal audit of the payroll function for Alexandria City Public Schools (ACPS) in May 2017. The scope of this audit involved the process of paying employees after they have been hired. The audit did not include functions typically associated with Human Resources (HR) such as recruiting, on-boarding, compensation negotiations, etc. The objectives of this audit were to determine whether:

- Policies and procedures have been established for the payroll function and whether those policies and procedures are being followed.

- Appropriate internal controls are in place for all payroll processes.

- Employees are being paid accurately and timely as well as whether adequate documentation is retained to support all employee compensation payments.

- Employees involved in the payroll function are properly supervised.

- The payroll process is efficient and maximizes the use of technology.

To accomplish these objectives, the Gibson conducted interviews with all employees associated with the payroll function, as well as the Superintendent, the Chief Financial Officer, the Accounting Services Director, the Assistant Director of Budget, and members of the Financial Systems, Human Resources, and Technology Services Department. Appendix A contains the interview roster.

Gibson also conducted data analytics and testing of transactions to ensure compliance with Board policies, administrative regulations, and division operating procedures.

This report presents the findings of the audit along with recommendations to improve the payroll process.

Audit Summary

The audit found that the payroll function meets its general responsibilities with respect to payroll accuracy and timeliness. Some audit exceptions were noted during transaction testing, however, and several controls need to be improved. The efficiency of the Payroll Department is limited by the lack of system integration and the use of manual timesheets for certain employees. These factors contribute to excessive manual intervention and additional activities for data validation and transfer. The Payroll Department does not track performance measures, and this limits the ability of division leadership to hold the Department accountable for efficient and effective operations. The recommendations contained in this audit report should help strengthen minor control weaknesses, improve efficiency, and increase departmental accountability.

Table 1 includes a summary of the recommendations identified through the audit. Recommendations included in the table are presented in the order they appear in the report. The audit team also assigned a priority level to each recommendation.

Table 1. Summary of Audit Recommendations

No.	Priority	Audit Recommendation
1	High	Evaluate opportunities to streamline the payroll process.
2	Medium	Conduct an analytical review of all overtime, including historical trends and extra duty hours, to ensure appropriateness.
3	Low	Require all employees to enroll in direct deposit.
4	Low	Implement performance measures to monitor the payroll function's efficiency.
5	Low	Update the division payroll manual to reflect all current procedures.
6	Medium	Reduce the number of off-cycle payroll runs/warrants.
7	High	Implement controls to eliminate late time reporting.
8	Medium	Implement controls to ensure that stop payment orders are implemented for all checks that are reissued.
9	High	Enhance supervisory review procedures for all payout calculations.
10	Medium	Implement controls to consistently record coaching compensation and student activity stipend pay under related pay types within MUNIS.
11	High	Implement controls to ensure that all employees who receive a monetary supplement for middle school and club sports assignments receive separate contracts executed by the School Board, as outlined by School Board Policy.

The remainder of this report presents detailed findings and supporting information related to each recommendation and is organized into the following sections:

Section 1 – Background

Section 2 – Management and Organization

Section 3 – Testing Methodology

Section 4 – Payroll Process Overview

Section 5 – Audit Testing Results

GIBSON

AN EDUCATION CONSULTING & RESEARCH GROUP

Section 1 – Background

Financial and System Overview

Payroll expenditures represent the largest portion of school division operating expenses. At ACPS, payroll expenditures, which include total compensation (contract pay, overtime, stipends, etc.) and benefits (FICA, 403b, etc.) make up approximately 87 percent of operating expenditures each year. Table 2 shows payroll expenditures as a percentage of operating expenditures over the past five (5) fiscal years (FY). Over this time period, salaries and employee benefit expenditures have steadily increased along with total operating expenditures, allowing the percent of total to remain approximately the same.

Table 2. Division Payroll Expenditures FY 2013 – FY 2017 YTD

Character	Major Object Title	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 YTD through 4/30/2017
Salaries	Administrative Regular Total	4,063,223	3,948,060	4,639,552	4,954,899	4,249,980
	Professional Instruction Regular Total	97,466,219	99,402,093	100,612,349	106,276,682	76,508,040
	Professional Other Regular Total	7,279,471	7,471,049	7,659,633	7,886,543	6,207,343
	Technical Regular Total	3,925,330	4,199,450	3,965,306	4,242,836	3,741,487
	Support Regular Total	10,645,499	11,098,936	11,443,033	11,812,815	8,975,049
	Trades Regular Total	1,106,587	1,130,397	1,075,047	1,112,567	1,043,217
	Operative Regular Total	4,067,181	3,864,594	3,608,906	3,835,197	2,475,921
	Services Regular Total	4,173,536	3,598,610	3,337,070	3,151,462	2,569,969
	Intermittent Total	952,471	3,192,096	3,367,810	3,980,885	3,155,237
	Overtime Total	137,143	14,966	720,583	779,912	993,980
	Substitutes Total	2,996,996	2,647,845	2,719,910	2,951,366	2,327,043
	Supplements Total	2,021,673	2,238,886	2,044,506	1,931,047	1,531,873
	Division-Wide Salaries Total	21,753	-183		3,000	17,321
Salaries Total		**138,857,082**	**142,806,798**	**145,193,704**	**152,919,211**	**113,796,460**
Percentage of Total Operating Expenditures		**64%**	**64%**	**64%**	**65%**	**64%**
	FICA/Medicare Total	10,329,324	10,552,455	10,803,388	11,359,615	8,487,036
	Retirement/Group Life Total	16,372,755	16,861,914	21,347,270	21,284,504	18,522,351
	Hospital/Medical Plans Total	18,547,272	18,831,435	18,283,306	17,751,369	13,211,318
	Other Insurance Total	823,525	1,726,317	1,424,415	1,476,734	1,156,385
	Other Benefits Total	1,567,005	1,654,685	2,041,665	954,780	443,139
Employee Benefits Total		**47,639,880**	**49,626,807**	**53,900,044**	**52,827,003**	**41,820,228**
Percentage of Total Operating Expenditures		**22%**	**22%**	**24%**	**22%**	**23%**
Total Payroll Expenditures		**186,496,962**	**192,433,605**	**199,093,748**	**205,746,214**	**155,616,688**
Total Operating Expenditures		**215,362,149**	**221,976,703**	**227,481,897**	**235,852,861**	**179,158,191**
Percentage of Total Operating Expenditures		**87%**	**87%**	**88%**	**87%**	**87%**

Source: ACPS 5 year Expenditure Data

GIBSON

AN EDUCATION CONSULTING & RESEARCH GROUP

Below are observations relating to ACPS payroll expenditure trends:

1. *Intermittent Total* – This consists of compensation to casual temporary employees paid on an hourly basis. FY 2014 included an over 200 percent increase in this account due to the transition of employee compensation in English Language Learners, Operations and Maintenance, and Special Education from other salary categories to Intermittent. It should be noted that in FY 2013 ACPS transitioned to Tyler MUNIS; prior to this, intermittent pay was part of regular salaries.

2. *Overtime Total* – FY 2014 experienced a large decrease in overtime whereas FY 2015 experienced an increase. According to the division, this is primarily due to increases in overtime for the Operations and Maintenance Department and the Transportation Department. It should be noted that the division transferred HR and financial data to MUNIS in FY 2013 and overtime was reverted to regular salaries. However, in FY 2015 pay types for all eligible employees were added and overtime pay was reflected accurately.

3. *Division-Wide Salaries Total* – This account includes retirement, sick leave, and incentive payments which are authorized by the School Board and tend to fluctuate each year.

4. *Other Benefits Total* – This account is comprised primarily of termination benefit accruals and payments to retirees and long-term sick leave. In 2016, ACPS saw fewer retirements, resulting in fewer payments.

The division implemented Tyler MUNIS in 2013 as their payroll processing system, and is used for all salary calculations, employee demographic information, employee deduction information, employee pay history, and tax information. The division uses TimeClock Plus (TCP) as its timekeeping system. According to the Payroll Procedures Manual, all ACPS employees are required to clock in and request leave through this system. The division uses Substitute Assignment Manager (SAM) to request and track substitute teacher assignments. The Information Technology team supports Payroll and HR by exporting TCP and SAM data for recording and payment purposes.

GIBSON

AN EDUCATION CONSULTING & RESEARCH GROUP

Section 2 – Management and Organization

The Financial Services Department is led by the Chief Financial Officer (CFO) and consists of three functions; Accounting Services, Budget and Financial Planning, and Procurement and General Services. The CFO also has an Administrative Support Staff assisting with day-to-day duties. Accounting Services is made up of the Accounting and Payroll functions and Budget and Financial Planning is made up of the Financial Systems and Reporting as well as Budget and Fiscal Compliance functions.

Payroll Function

ACPS' payroll function is organized under Accounting Services within the Financial Services Department. It is led by a Payroll Manager, who is supported by a Senior Payroll Analyst position and 2 Payroll Specialists positions. The Payroll Manager reports to the Director of Accounting Services, who reports to the CFO. The audit team obtained and reviewed all job descriptions related to the payroll function. Though all descriptions had not been updated in three to seven years, all areas accurately reflected the education, experience, and essential functions of each payroll position.

The Payroll Manager oversees the payroll function and is responsible for ensuring that payroll is processed timely and accurately. The Senior Payroll Analyst assists the Payroll Manager in many of the semi-monthly payroll duties and reviews the work conducted by the Payroll Specialists. The Payroll Specialists are responsible for processing checks, processing timesheets, adjusting leave balances, adjusting pay for terminations, as well as other payroll tasks. Although most of the payroll staff members have been in their respective positions for less than 5 years, all staff had previous payroll experience before coming to ACPS.

Figure 1 displays the organizational structure of the payroll function within the Financial Services Department.

Figure 1. ACPS Organizational Structure, Payroll Function

```
                    ┌─────────────────┐
                    │ Chief Financial │
                    │     Officer     │
                    └────────┬────────┘
                             │
                    ┌────────┴────────┐
                    │   Accounting    │
                    │    Services     │
                    │    Director     │
                    └────────┬────────┘
                             │
                    ┌────────┴────────┐
                    │     Payroll     │
                    │     Manager     │
                    └────────┬────────┘
                             │
                    ┌────────┴────────┐
                    │ Senior Payroll  │
                    │     Analyst     │
                    └────────┬────────┘
                    ┌────────┴────────┐
            ┌───────┴──────┐  ┌────────┴─────┐
            │   Payroll    │  │   Payroll    │
            │  Specialist  │  │  Specialist  │
            └──────────────┘  └──────────────┘
```
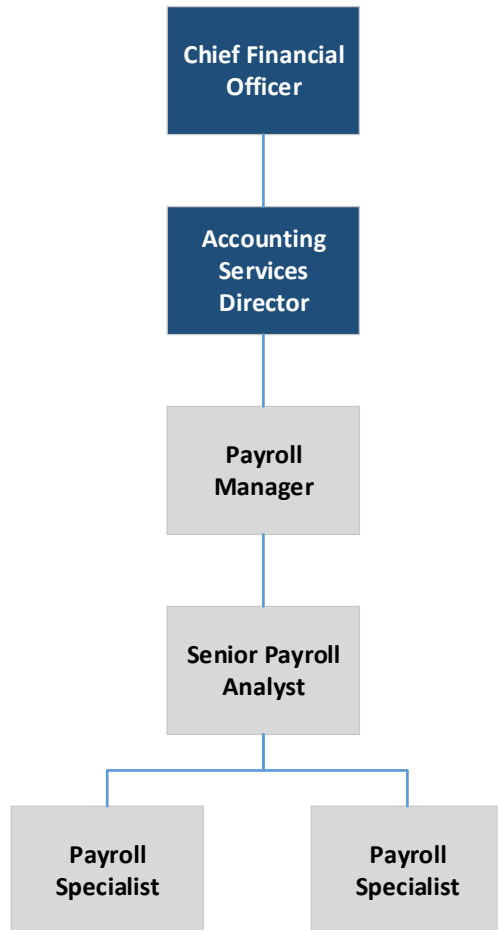
Source: Gibson Consulting Group

Human Resources Department

While the payroll function within the Financial Services Department handles many aspects of processing payroll, other aspects including compensation calculations, disability pay, and initial review of the manual timesheets are the responsibilities of the Human Resources Department.

The Human Resources Department is organized into three functions: Employment Services, Employee Relations, and Compensation and Benefits.

- The employment services function oversees all hiring processes, including background checks, new employee orientation, and administering employee ID cards. This function includes 1 Director and 3 Employment Specialists positions.

GIBSON

AN EDUCATION CONSULTING & RESEARCH GROUP

- The employee relations function is responsible for all investigations, grievances, ADA (Americans with Disabilities) accommodations, and personnel and file management. This function has 1 Director Position and 1 Specialist position.

- The compensation and benefits function deals most directly with the Payroll function and is responsible for all aspects of compensation and benefits including health insurance, salary calculations, workers compensation, leave absences, and other related items. This function includes 1 Director, 1 Compensation Specialist, 1 Senior Benefits Analyst, 1 HR Generalist II, and 1 Benefits Analyst position.

Technology Services Department

The Technology Services Department is responsible for maintaining the majority of applications and software used within ACPS, including TimeClock Plus, the division's time-keeping system. The Technology Services Department does not oversee the Tyler MUNIS system, as this is the responsibility Financial Systems and Reporting function. However, they do provide helpdesk services.

The Technology Services Department is led by the Chief Technology Officer and consists of three functions: Infrastructure & Support Services, Instructional Technology and Education & Business Applications. TimeClock Plus oversight lies within the Education & Business Applications function. The Education & Business Applications function is led by the Director of Education & Business Applications and ensures that students and employees are able to utilize district systems as needed. They also offer help for Tyler MUNIS issues. This function was part of the integration of TCP four years ago.

Section 3 – Testing Methodology

The audit team's testing strategy contained two main elements: data analytics and sample testing of individual transactions and process controls. Data analytics encompassed a review of an entire population of transactional data to detect any anomalies that would indicate non-compliance with policies and procedures, lack of controls, and inefficiencies in processes.

Sample testing of transactions focuses on a subset of the transactional data population. During testing, the audit team corroborated each aspect of the selected transaction through the review of all documentation retained for the transaction. The judgmental selection of samples for testing was based on information gained during interviews and data analytics.

Payroll transactions testing occurred between July 1, 2015 and June 30, 2016 (FY 2016), and July 1, 2016 and April 30, 2017 (FY 2017 YTD). This is referred to as the "audit period" for purposes of this report. Table 3 provides a high-level summary of the transaction testing that was executed for this audit.

Table 3. Audit Testing Summary

Test No.	Sample Size	Test Overview
Test 1: Payroll Deductions	5	Audit of net pay and payroll deductions for employees. Each deduction for the selected employee was validated by tracing back to supporting documentation obtained from the division and rates found on IRS and VRS[1] websites.
Test 2: Casual employee payroll payments	15	Audit of payroll payments to casual employees. Each selected payment was validated by tracing back to division pay schedules, individual employee files, employee time sheets, as well as, other supporting documentation obtained from the division. All types of pay (including extra duty pay), as well as pay adjustments due to leave taken, were tested as part of this test.
Test 3: Contract Employee Payments	10	Audit of payroll payments to contract employees. Each selected payment was validated by tracing back to Board approved pay schedules, employee contracts, and supporting documentation obtained from the division. All types of pay (including extra duty pay), as well as pay adjustments due to leave taken, were tested as part of this test.
Test 4: Coaching/Stipend Compensation	5	Audit of coaching compensation and extra duty stipends for employees. Each pay selection was validated by tracing back to supporting documentation (contracts and approved stipend charts) obtained from the division.

[1] Virginia Retirement System

The remaining sections of this report elaborate on the payroll processes, data analytics, transaction testing, as well as audit findings and recommendations. The findings outlined do not always result in a recommendation; however, they are outlined as findings to highlight their importance in the process.

Section 4 – Payroll Process Overview

Policy Framework

Several ACPS board policies govern the payroll process. Below is an overview of these key policies.

> Policy DL requires that all salaries and supplements paid to all employees must be in accordance with the schedule approved by the School Board.

> Policy DLB requires applicable federal and state taxes to be automatically deducted from employee paychecks based on the most recent withholding statement provided by the employee. This also allows other deductions required by court order or for health insurance and other voluntarily selected deductions.

> Policy GAA defines staff time schedules. The policy states that the scheduled workday for full-time licensed teacher scale personnel will be seven and one quarter hours, unless otherwise agreed upon. Working hours for all employees not exempted under the FLSA will conform to federal and state regulations. The policy also states that supervisors will make every effort to avoid circumstances that will require non-exempt employees to work more than 40 hours each week.

> Policy GB states that ACPS is an equal opportunity employer committed to non-discrimination in recruitment, selection, hiring, pay, promotion, retention, or other personnel actions affecting employees or candidates for employment.

> Policy GCBA establishes that the ACPS School Board shall annually establish and approve a salary schedule for all employees.

> Policy GCBB states that the ACPS School Board will approve all categories of athletic coaching and other extracurricular activity sponsorships for which supplemental pay with be provided. The School Board will also establish the amount of compensation for employees who coach or supervise such activities. A separate contract shall be executed by the School Board with an employee who is receiving monetary supplement for an athletic or extracurricular assignment.

> Policy GCBD-R outlines how employees are advanced leave at the beginning of the contract year and support employees accrue leave on a monthly basis. This allows licensed employees and administrators to use leave in half or full day increments and support employees to use leave in quarter-hour, half day, or full day increments. This policy also outlines types of leave including annual, personal, and sick leave, among others.

In addition to the board policies listed above, in May 2017 the division implemented a new Employee Administration and Payroll Procedures Manual. This is a comprehensive tool for members of Financial Services, Human Resources and Technology Services. This manual includes all payroll related policies, processes, procedures, and systems and reviews all phases of the payroll process starting with

GIBSON

AN EDUCATION CONSULTING & RESEARCH GROUP

Employment Services and ending with how payroll is processed semi-monthly. The manual also explains other employee administrative matters including leave payoff process, supplemental check process, over and under payments, as well as leave deductions. Annual and quarterly processes are also included such as summer school process, tax changes, accrued expense payroll processing for 10 and 11 month employees, W2 process, and quarterly processing. Applicable board policies are also included.

Employee Set Up

When a new employee is hired, the Employment Services function of the Human Resources Department is responsible for setting up the new hire within MUNIS, TimeClock Plus, and the SAM system if applicable. Within MUNIS, the Employment Services Specialist enters the employee name, assignment location, home e-mail address, SSN, and date of birth. This action then triggers a workflow to the compensation and benefits function. Within TCP, the Employment Services Specialist enters the name, hire date, export code, and pin number. All employees, with a few minor exceptions, are set up within TimeClock Plus, whether they enter time through the system or through manual time sheets. These exceptions include employees such as temporary workers. If the employee is a substitute, the Employment Services Specialist enters the employee into the SAM system entering a default pay rate ($105 per day) and the employee ID that was generated in MUNIS.

Once the workflow is triggered to the compensation and benefits function in MUNIS, the Compensation Analyst is responsible for entering all employee data involving position salary, pay type, and elected employee benefits into the MUNIS. This includes all information the employee has elected on benefit forms during Benefits Orientation. The Benefit Analyst then reviews what was entered into MUNIS for accuracy and completeness. The workflow is then triggered to payroll staff where the Payroll Specialists is then responsible for setting up employee deductions within MUNIS, such as FICA, Medicare, 403B, and other benefit deductions.

Payroll Process Overview

Payroll is processed semi-monthly for all employees. For all contract employees, pay is received for the current pay period, however, all non-contract employees and all overtime pay is received 2-weeks in arrears. Due to the multiple systems being utilized at the division, each pay period requires several imports and exports and additional entry of data to complete processing. Figure 2 presents an overview of the payroll process at ACPS.

Figure 2. ACPS Payroll Process
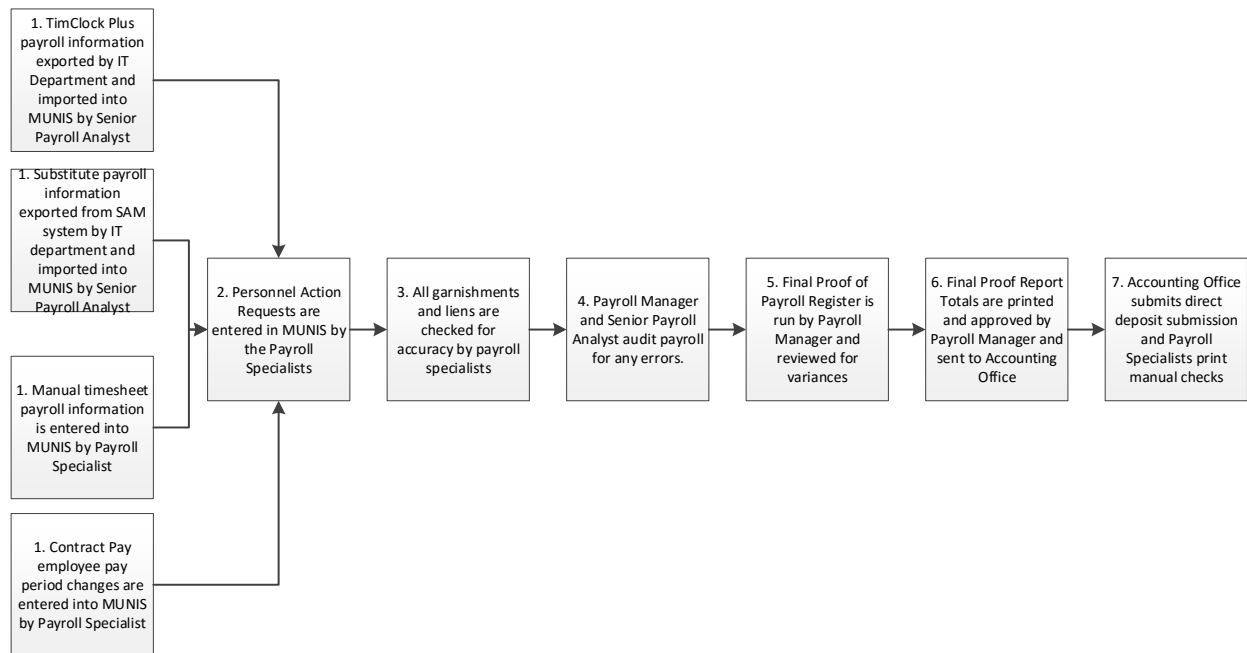
The four major payroll input processes (Step 1 in the figure above) are discussed below.

TimeClock Plus Export

The TimeClock Plus export process begins at the end of each payroll period which is established by the division's payroll staff. All managers (typically principals) are responsible for approving all time and leave requests within TCP. Once the approval process is complete, the Senior Payroll Analyst runs the "close the week" process within the system. This closes out all weeks so the data can then be exported. Before weeks can be closed, all exceptions must be resolved within the system. These resolutions are solved by the Payroll Manager and the Senior Payroll Analyst, and may include issues such as employees being clocked in on days they previously requested leave or missed punches from employees.

Once exceptions are fixed, the Senior Payroll Analyst alerts the IT Department that all weeks for the pay period are closed. The IT department then exports the related data from TCP and sends Payroll two files: the TCP Time File, which includes overtime and casual employee pay for the prior pay period, and the TCP Leave File, which includes a record of employee leave for the prior pay period. These files are then audited by the Senior Payroll Analyst and Payroll Manager to ensure proper dates, proper pay codes, proper formatting for MUNIS, and any hours worked over 10 hours each day are verified.

This file is then imported into the MUNIS Time Entry Batch Module by the Senior Payroll Analyst. Once in MUNIS, the files are exported into Excel as Scan Detail. This file is then checked against the import file to verify that the number of records imported and number of hours imported match the original file. Once the scan is completed the Payroll Manager then posts the file to Contract Payroll Module within MUNIS and two reports are generated: 1) Time Entry Proof Detail 2) Time Entry Proof Summary. These totals are

then compared to the file imported and scanned for exceptions. Figure 3 displays an overview of this process.

Figure 3. TimeClock Plus Export
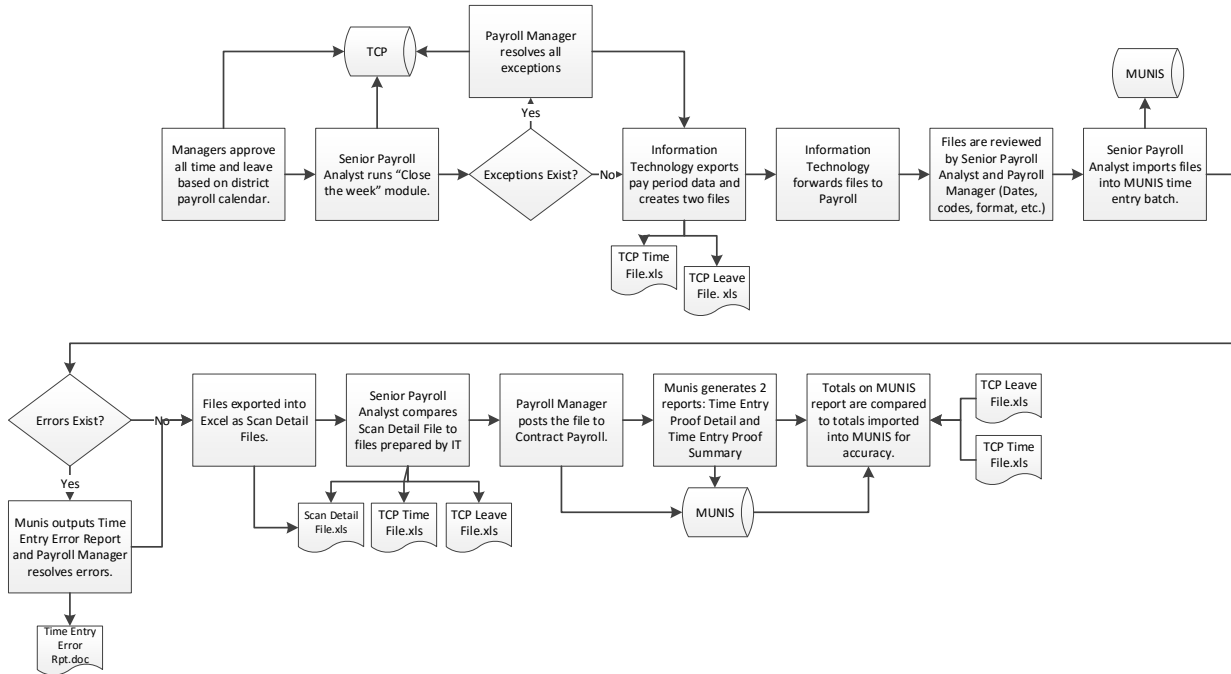
Source: ACPS Payroll Procedures Manual

The lack of an interface between TCP and MUNIS requires the use of spreadsheets to validate the data and export/import the information.

Substitute Pay File Export

The division's IT Department is responsible for exporting all SAM data for each pay period and submitting to Payroll by the division established schedule created by payroll staff. The Senior Payroll Analyst and the Payroll Manager check the file to ensure the correct date range, proper formatting for MUNIS, and proper pay codes are used. The file is then imported into the Time Entry Batch Module within MUNIS. Next, the file is exported into Excel as Scan Detail and is compared to the original file submitted by the IT Department. The file is scanned to ensure number of records, number of days, and total amounts all match the original file submitted by the IT department. The file is then posted to Contract Payroll Module within MUNIS, which then generates two reports: 1) Time Entry Proof Detail, and 2) Time Entry Proof Summary. These totals are then compared to the totals imported into MUNIS. Figure 4displays an overview of this process.

Figure 4. Substitute Pay File Export
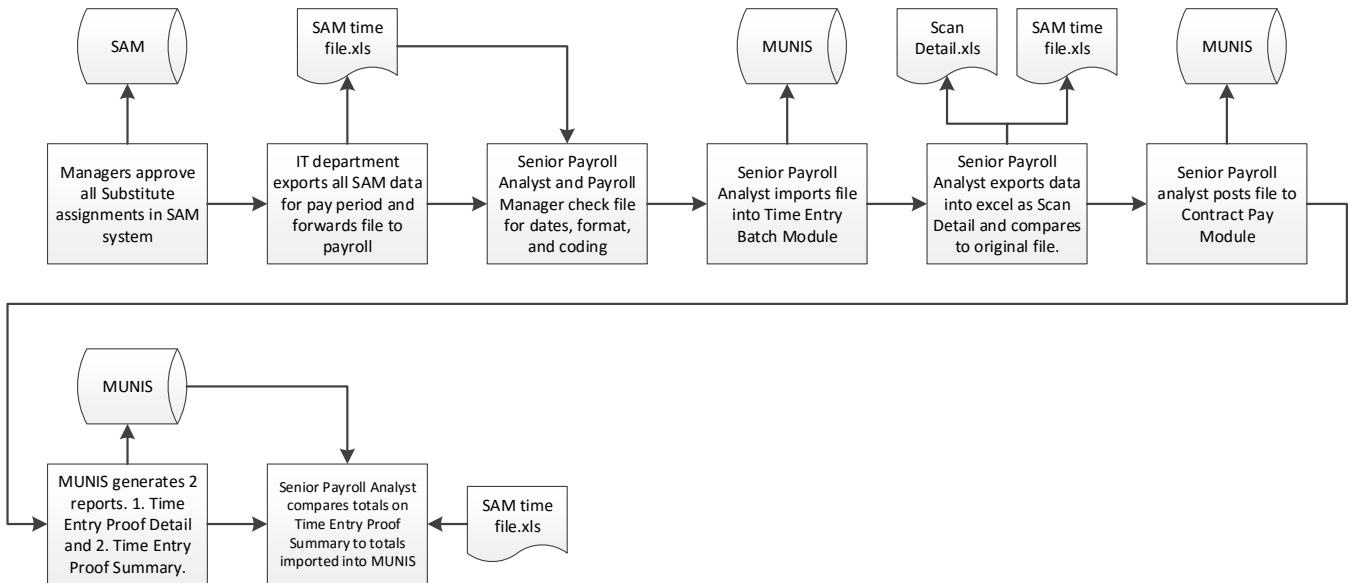
Source: ACPS Payroll Procedures Manual

Manual Time Entry

Manual timesheets are submitted to the Human Resources Department, with the exception of the Transportation Department, which are submitted to the payroll staff. Transportation timesheets only include exceptions to their contract pay, such as overtime. Once approved by Human Resources, timesheets are submitted to Payroll. The Payroll Specialists create the Payroll ID/Warrant within MUNIS for the pay period payroll to be processed, which is then reviewed by the Payroll Manager. Time Entry Batches are then created in the Time Entry Processing Screen. Each Payroll Specialist creates their own batch, including timesheets they are individually responsible for. These are all manually keyed into the system. Once all manual timesheets are entered, the Senior Payroll Analyst and Payroll Manager export the data into Excel using Scan Detail and review the file to ensure pay codes are correct, number of overtime hours above 10 per day are validated, casual hours above 40 are validated, and amounts above $500 are matched with corresponding time sheets to rule out input error. Timesheets with dates prior to 4 weeks of the current pay period are also checked for possible duplicate payments. Once the review is complete, the Payroll Manager posts the file to the Contract Pay Module. Figure 5 displays an overview of this process.

Figure 5. Manual Time Entry
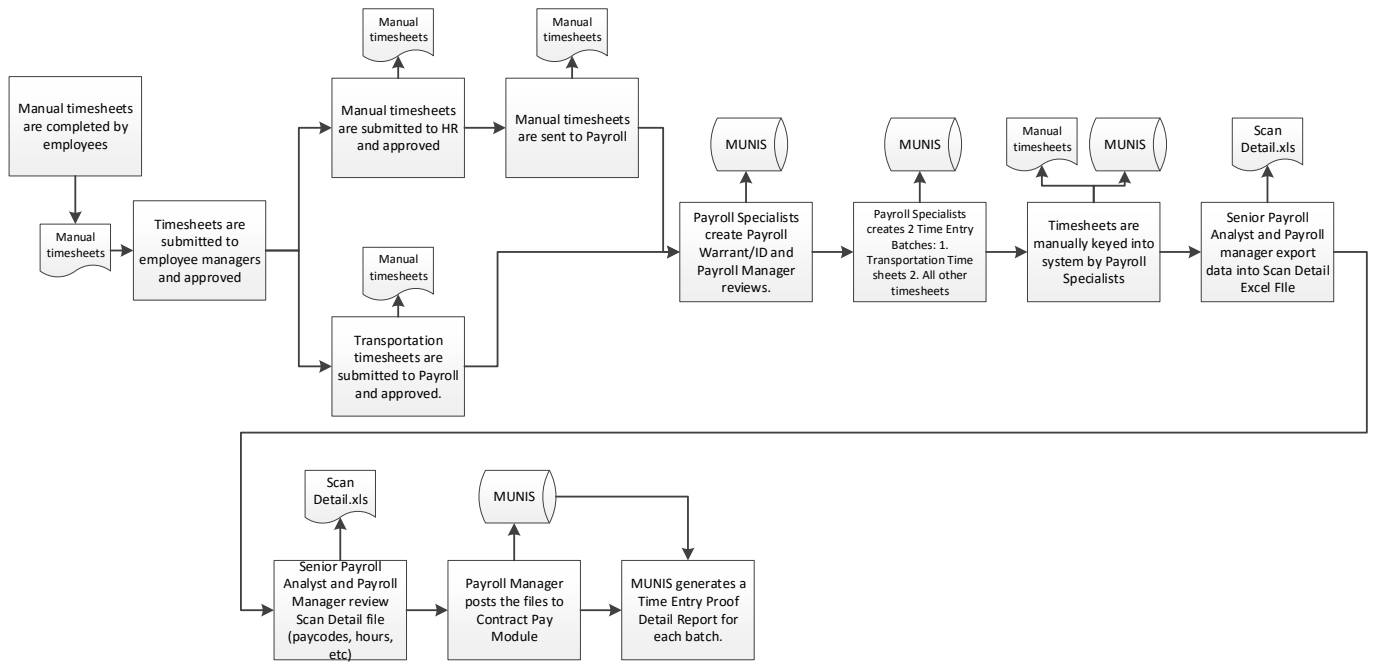
Source: ACPS Payroll Procedures Manual

Contract Pay Generate

Contract pay employee salaries are set up within MUNIS when employees are first hired. At the end of each pay period, the Payroll Specialists process any employee changes to salaries and deductions within the Payroll Personnel Action and Employee Deduction Screen in MUNIS. These are reviewed by the Payroll Manager and posted. The Payroll Manager then opens the Generate Earnings and Deductions screen to ensure the pay period dates are correct and the updates entered are posted. The Payroll Manager generates the Contract Pay which typically takes 2-4 hours. Once this has been generated, the Payroll Manager navigates to the Earnings and Deductions screen and runs a query to ensure that the employee count matches the actual Contract Pay employee count. The "contract pay variance" report is then run by the Human Resources Compensation Specialist to compare the current pay period contract salaries to the previous pay period. All variances are investigated and edits are made when needed. Figure 6 displays an overview of this process.

Figure 6. Contract Pay Generate
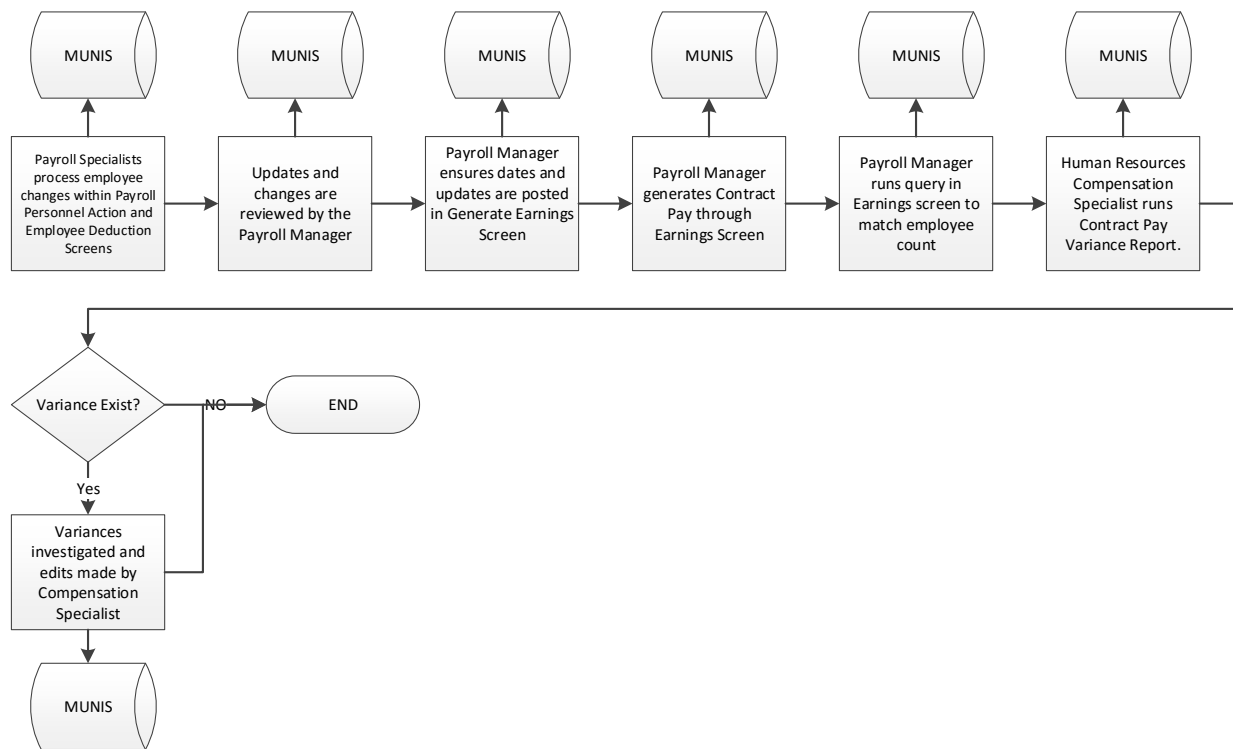
Source: ACPS Payroll Procedures Manual

Processing Payroll Imports

Once the TCP import, SAM import, time entry batch, and contract pay entry are all completed (**Step One**), the Payroll team must complete several additional steps to finalize the payroll process.

Step Two – Personnel Action Process: Once the Human Resources deadline has passed in the payroll process, the Human Resources Department creates a Personnel Actions File which the Payroll Specialist exports to Excel for review. Based on the Personnel Actions File and the records of employees currently on FMLA[1] status from previous periods, the Payroll Specialist compiles and forwards a list of employees expected to receive Leave without pay (LWOP) dates during the period to the Compensation Specialist. This is reviewed and the Human Resources Department who then provides the "personnel action exception" report. This is then processed by the Payroll Specialist in MUNIS and validated by the Senior Payroll Analyst.

Step Three – Garnishments and Lien Reviews: Though garnishments and liens are set up as they are received by the issuing agency, they are reviewed during each pay period. Payroll Specialists have copies of the original orders and deduction calculations and these are individually checked for accuracy. Additional pay such as stipends and work done above contract pay can change these calculations,

---

[1] Family and Medical Leave Act, 1993

therefore some must be updated each period. The Senior Payroll Analyst and Payroll Manager review these updated calculations.

Step Four – Pre-closure Review Audit Process: Once all data have been entered into MUNIS for the pay period, it is ready to be audited. The Payroll Manager runs an "error" report and a "GL detail distribution" report. The error report ensures that all errors within the system have been resolved and the GL distribution report identifies any missing account codes. If any codes are missing, these are manually entered. The Senior Payroll Analyst then runs queries in the "earnings and deductions" screen to identify employee records with any missing FICA/Medicare/Federal and State tax deductions. Once complete, the final payroll data are exported into an Excel file. According to the division's Payroll Procedures Manual, the report is then reviewed for accuracy in two areas: any employee with a net pay of $3,000, and current pay period net pay is compared to net pay from prior pay period. Any variance of $1,000 or more is noted and validated. However, during audit testing payroll errors were found that should have been discovered during this review process. This is discussed in more detail in later sections of this report (see Section 5 – Audit Testing Results).

Step Five – Final Proof and Employee Update: The final proof of the payroll register is then run by the Payroll Manager in MUNIS. According to the Payroll Procedures Manual, this file is reviewed for any deduction or payroll exclusions, any variances of over $500,000 from previous period for direct deposit and check amount totals, and FICA and Medicare employer and employee match is confirmed. Once complete, all employee history records are updated for current pay period information.

Step Six – Final Proof Report Total: The Payroll Manager prints the final page of deduction totals from the payroll register generated in MUNIS and signs for approval to submit to the Accounting Office for direct deposit processing.

Step Seven – Direct Deposit Transmission and Check Printing: Once submitted to Accounting, the direct deposit submission is completed. The Payroll Specialists are responsible for printing paper checks for employees who are not enrolled in the direct deposit program.

Absence and Leave Management

Eligible employees accrue sick leave, personal leave, and annual leave. For licensed employees and administrators leave is advanced on second pay in July (12-month employees and administrators) or second pay in August (10-month or 11-month employees and administrators). For other support employees, leave is accrued on a monthly basis. Any leave taken will be recorded and posted on the next pay cycle statements. In the event that employees do not have sufficient leave to cover absences, the paychecks for the next payroll cycle will be adjusted by the number of days or hours represented by the absences. All time and leave requests must be submitted through TCP.

When employees leave the division, some have the option of a leave payout or transfer. Leave payout calculations vary by employee group and termination status (resign or retire). Additional options for leave payouts are also available if the retirement sick leave enhancement payments are approved by the School Board. The Payroll Office is responsible for all leave payouts and transfers.

GIBSON

AN EDUCATION CONSULTING & RESEARCH GROUP

Findings and Recommendations

Finding: The efficiency of the payroll process is inhibited by the lack of system integration and the use of manual timesheets by many employees.

Currently the payroll process includes three systems, TCP, SAM, and MUNIS, none of which interface. This requires the extensive use of spreadsheets to validate the data and facilitate the transfer of data from one system to another. All but one of the payroll input processes described above requires the use of one or more spreadsheets to accomplish this.

The ACPS Payroll Department is aware of this issue, however, the differences between the systems makes it difficult to establish automated interfaces. The result is that additional manual validation, reconciliation, and transfer activities must occur, requiring additional time. The division should strive to operate a completely seamless interface among payroll, timekeeping, and substitute management systems. This is generally achieved by building an interface among systems or by modifying internal practices to support the use of fully integrated software.

The use of manual timesheets also contributes to payroll process inefficiency. Figure 7 replicates the Manual Timesheet process map shown previously in this report, and shades the processes affected by the use of hard copy timesheet forms.

GIBSON

AN EDUCATION CONSULTING & RESEARCH GROUP

Figure 7. Activities Affected by Manual Timesheets
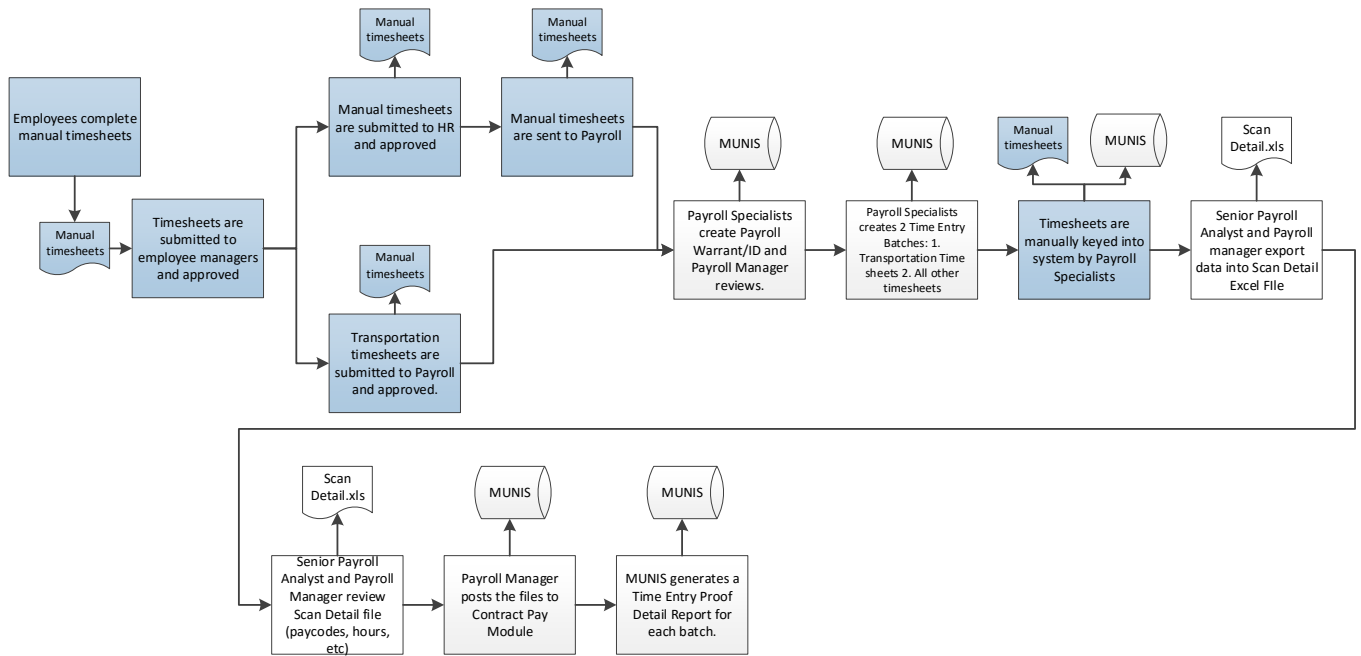
The use of manual timesheets requires duplicative entry – once on the timesheet form and a second time into MUNIS. Additional verification activities must also be conducted to ensure that the data entry into MUNIS is accurate. Most ACPS employees enter their time or absences through the automated system, however some employees, including unique positions affiliated with multiple campuses, may have a particular need enter their time manually on a hard copy timesheet.

The use of manual timesheets is also inconsistent with the division's own procedure that requires all employees to enter their time into TCP.

There are other implications of the manual timesheet use described in Section 5 – Audit Testing Results of this report.

Recommendation 1: Evaluate opportunities to streamline the payroll process.

The division should investigate the current capabilities of existing systems as well as research other systems that would allow the division to increase automation of the payroll process. The district should engage its current software initially, but may also seek input from other vendors during this process.

The division should also follow the established procedure of requiring all employees to utilize the TCP system when recording time (see Recommendation 7 in Section 5 – Audit Testing Results). Automating the payroll process as much as possible leaves less room for error and frees payroll staff time to complete additional duties.

Management Response: We agree with the finding and are currently reviewing our processes in TCP/MUNIS workgroup meetings to minimize manual processes and automate data entry as much as possible. One specific area that we plan to test is the TCP capability for Transportation overtime. Also, we plan on further testing the import of Summer School hours via an excel file or TCP. In order to implement this, we will run a parallel payroll in Test for 6-8 pay periods to address exceptions. However, in our current set up, some manual timesheets are unavoidable. Teachers and Paraprofessionals working in programs/activities outside their contract hours are required to submit timesheets because these hours cannot be captured in TCP as they have different account codes and rates from the employees' contract pay.

Target Completion Date: This is an ongoing process and significant progress has already been made as of October 2017. ACPS management will continue to report out on progress.

Finding: Division overtime appears to be high in certain departments.

The division currently has three types of overtime: regular overtime, double overtime, and straight time. Employees who receive regular overtime are paid 1.5 times their typical rate for anytime over 40 hours per week (Monday to Sunday), as required by the Fair Labor Standards Act (FLSA). Employees who work Sundays or holidays, typically security officers, receive double overtime, meaning they receive twice their rate for hours worked on that day. Straight time is when employees work additional hours above their contract hours, up to 40 hours per week.

The audit team obtained the payroll registers for fiscal years 2016 and 2017 and noted overtime totals for regular and double overtime pay. Gibson notes the payroll register overtime totals did not equal the general ledger overtime totals located at the beginning of this report. The division was able to reconcile these amounts, noting accrual reversals and other adjustments from both years. According to the payroll registers, in fiscal year 2016, the division's total expenses were $587,295 for 1.5 overtime and $58,337 for double overtime. In fiscal year 2017, division expenses totaled $482,525 for 1.5 overtime and $65,163 for double overtime, through April 30, 2017.

Table 4 displays the totals by location for regular overtime for both fiscal years. In fiscal year 2016, Pupil Transportation represented 70 percent of overtime expenditures, followed by Educational Facilities which totaled $56,056 (10 percent). The remaining 20 percent of expenses were spread across 40 other locations making up no more than 3 percent of expenditures individually. In fiscal year 2017, Pupil Transportation represented 67 percent of overtime expenditures totaling $324,533, followed by Educational Facilities totaling $43,556 (9%). The remaining 24 percent includes 39 other locations with expenditures totaling no more than 4 percent individually.

Table 4. 1.5 OT- Fiscal Years 2016 & 2017

	FY 2016	Percentage Total	FY 2017 (10 mos)	Percentage Total
Pupil Transportation	$411,408	70%	$324,533	67%
Educational Facilities	$56,056	10%	$43,556	9%
Other	$119,831	20%	$114,436	24%
Total Expenditures	**$587,295**	**100%**	**$482,525**	**100%**

Source: ACPS Payroll Earnings and Deductions: 7/1/2015-6/30/2016 & 7/1/2016-4/30/2017

Double overtime for both years is less than regular overtime; however, for fiscal year 2016, Educational Facilities, Samuel Tucker Elementary (Custodian and Building Engineer), and Pupil Transportation represented approximately 65 percent of the double overtime expenditures. In fiscal year 2017, Educational Facilities, Samuel Tucker Elementary (Custodian and Building Engineer) and George Washington Middle School (School Security and Custodian) make up approximately 65 percent of double overtime expenditures.

Recommendation 2: Conduct an analytical review of all overtime, including historical trends and extra duty hours, to ensure appropriateness.

The payroll function should conduct a thorough quarterly review of current overtime amounts to ensure appropriateness. This type of analysis can also provide information regarding staffing levels and whether it would be more cost effective for the division to add a position instead of paying for higher levels of overtime and extra hours. Currently, Pupil Transportation and Educational Facilities account for the majority of overtime hours for regular and double overtime expenditures

Management Response: We agree with the above finding and will review our procedures for analyzing trends in our earnings categories. We will provide overtime reports to managers and supervisors on a quarterly basis so that they can analyze overtime trends and determine whether corrective action steps are needed. This may include redistributing work amongst current employees or hiring new staff to mitigate overtime costs. We will also train Managers on how to run overtime reports in TCP.

Target Completion Date: February 2018

Finding: Not all employees are enrolled in the direct deposit program.

The audit team obtained an employee listing of all employees that were enrolled in the direct deposit program for fiscal years 2016 and 2017. For both fiscal years, approximately 4 percent of employees did not elect to enroll in direct deposit. When a check is lost or a check goes stale, the payroll staff is required to issue a stop payment, void the original check, and then print an additional check, resulting in additional work for staff.

Recommendation 3: Require all employees to enroll in direct deposit.

The division should require all employees to enroll in direct deposit to prevent checks from being lost in the mail, checks going stale, and to help relieve additional duties by the payroll staff. This will help

GIBSON
AN EDUCATION CONSULTING & RESEARCH GROUP

eliminate many additional off cycle check runs and check voids. Currently payroll staff are tasked with additional duties regarding manual checks. Requiring the remaining employees to enroll in direct deposit will help eliminate most of these tasks.

Management Response: We agree with the finding. Our TCP/MUNIS workgroup will review the timeline for implementing this requirement. We plan to make direct deposit enrollment mandatory by June 2018, ahead of the start of FY 2019. We will provide adequate notification to all employees and give sufficient time for them to open accounts, as necessary, and complete all paperwork before the requirement is made mandatory.

Target Completion Date: June 2018

Finding: The Payroll Department does not track performance measures to ensure efficient and effective operations.

There are currently no measures to evaluate performance of the payroll function. Performance measures were requested as part of the initial internal audit data request, and none were provided. Interviews with the Payroll Department corroborated the lack of performance measures.

Similar to student performance measures, operational performance measures are a critical component to improving overall effectiveness and efficiency. These measures can provide insight on how well payroll is functioning and can help reveal the areas that need improvement. Identifying the strengths and weaknesses of a function is the first step to becoming a more efficient and effective operation.

Recommendation 4: Implement performance measures to monitor the payroll function's efficiency.

ACPS should implement methods to review the overall performance of the payroll function. This can be accomplished through customer satisfaction surveys to obtain feedback from departments or through other established performance measures.

Some common measures of performance for a payroll function include:

- Number of paychecks per FTE payroll employee
- Overtime hours per payroll employee
- Payroll cost per paycheck
- Number of payroll runs per month
- Number of overpayments issued
- Number of off-cycle payments

Once a historical baseline of performance is established, out-year performance targets can be established and tracked.

Management Response: We agree with the finding and will identify key performance measures to monitor the efficiency of our payroll processes. As suggested, the following will be among the specific measures:

- *Overtime hours per payroll employee.*
- *Number of payroll runs per month/ Number of off-cycle payments.*
- *Number of overpayments/underpayments issued.*

Target Completion Date: November 2017

Finding: The division's payroll manual does not reflect all current procedures.

The current Payroll Procedures Manual does not outline all processes and procedures affecting the payroll function. For example, the manual does not include what department or position is responsible for setting up substitutes in the SAM system. The manual also states that all employees are required to be set up in the TimeClock Plus system; however, during audit testing it was discovered that not all employees have access to the TCP system. The division pay type listing should also be included in this manual describing what positions utilize each pay type.

Recommendation 5: Update the division payroll manual to reflect all current procedures.

Having an accurate and up to date procedures and processes manual allows a function or department to fully analyze and record all parts of the payroll process, allowing members to analyze any areas that could allow for more efficient or effective practices. The division should consider utilizing process maps (such as those presented in this report) when completing this task. This also prevents any confusion on employee roles and processes if an employee leaves unexpectedly. If a new hire is brought in to fill a role, the employee should be able to refer to the procedures manual and understand their duties and responsibilities within the payroll function. The division should ensure that processes and procedures are thorough and up to date to match the current payroll function. Any procedures and processes that change should subsequently be reflected in the manual. All steps in the payroll process should also be included.

Management Response: We agree with the finding and plan to review the manual on a biannual basis to ensure that it remains current. We recognize that the Payroll Manual will need ongoing updates due to amendments in ACPS policy, State and Federal law and other applicable changes.

Target Completion Date: Fully implemented by October 2017; Next scheduled biannual update will be April 2018

Finding: The division processes a large number of off-cycle payroll runs/warrants.

Supplemental runs are any payroll runs made outside of the division's established payroll calendar, often called off-cycle payments. These can occur when an employee did not receive their check in the mail, a direct deposit is reversed or denied by the bank, or there is a stale dated check. Each time the payroll staff conducts a payroll run, a unique payroll warrant code is created. Gibson obtained the payroll registers from fiscal years 2016 and 2017 and identified the payroll warrants outside of the established payroll calendar dates. Figure 8 displays the number of warrants outside of the payroll calendar for each fiscal year. The division saw a spike in the number of payroll warrants between the months of August and October, specifically in fiscal year 2016. According to the ACPS, not all payroll warrants mean new checks

were issued. Some of the additional warrant codes include when a payroll entry was made with incorrect coding and the department has to correct the coding. The majority of warrants, however are made up of additional payroll runs and voids. Each warrant can be made up of a few or many individual entries.

Figure 8. Off-Cycle Payroll Runs Outside of Payroll Calendar, Fiscal Years 2016 and 2017
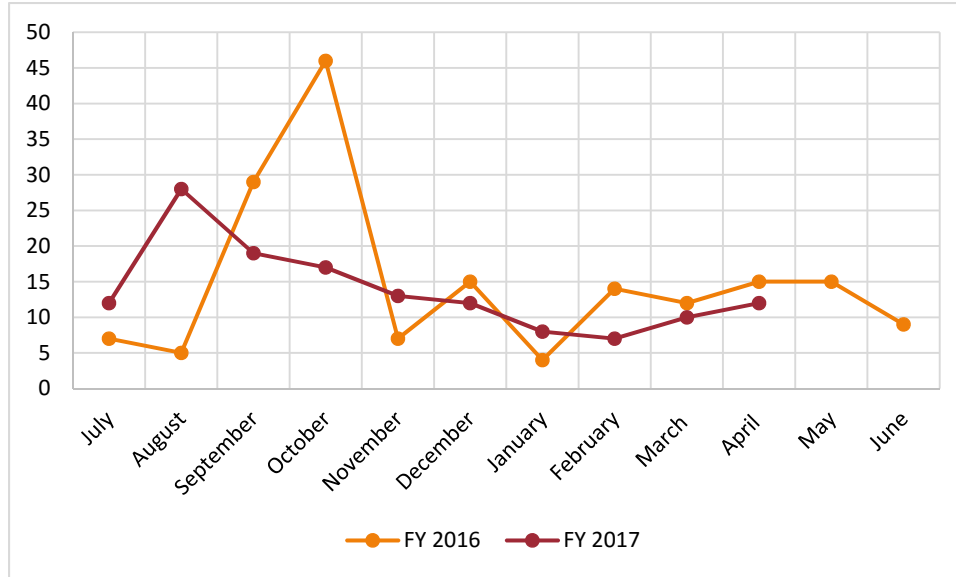
Source: ACPS Payroll Registers, Fiscal Years 2016 and 2017

According to the ACPS, the rise in additional payroll warrants between August and October occurs primarily due to missed summer school timesheet submissions, new employees who have moved to the area that forgot to provide their updated addresses (new employee checks are manual during the first payroll period), and leave payoffs, the majority of which are processed from July to September each year.

In fiscal year 2016 there were 178 additional payroll warrants/runs and in fiscal year 2017 (through April 30) there were 138. These additional warrants are made up of voids, miscellaneous warrants (delay in submission of timesheets, etc.) and history transfers which do not include additional checks but a change to the coding of a previous payroll entry.

Recommendation 6: Reduce the number of off-cycle payroll runs/warrants.

ACPS should conduct quarterly or monthly reviews of all additional payroll warrants outside of the established payroll calendar dates. These should be reviewed for reasonableness and should include historical trends. The division's high volume of additional warrants make up a large amount of additional tasks required by payroll staff in between each pay period. These additional warrants should be reviewed to reveal any areas where processes can be adjusted to minimize the high volume. The division could also establish a calendar for when additional payroll warrants or runs will be processed to minimize volume instead of completing on an as needed basis.

Management Response: We agree with the finding. The TCP/MUNIS work group will review the factors contributing towards the off-cycle warrants and help provide guidelines to minimize them. We plan to create a list of acceptable reasons for Supplemental checks. The list must be approved by the

Superintendent and communicated to all employees. To increase transparency and accountability, all Supplemental Checks will require approval by department heads. By publishing and adhering to guidelines outlining the circumstances under which supplemental checks are issued, we will reduce the number of off cycle check requests.

***Target Completion Date:** April 2018*

Section 5 – Audit Testing Results

Test One: Payroll Deductions

Audit Test

The audit team selected five (5) payroll selections from fiscal year 2016 and 2017 payroll registers, ensuring the selection included various employee types and positions. Each selection was then tested to validate that the net pay received by the employee and the deductions taken were calculated correctly. Deduction rates were traced to the IRS and VRS websites and any other additional deductions (403b, health insurance, etc.) were validated by obtaining support from the division.

Audit Results

The audit team found no exceptions during this test and found that all net pay received and deductions taken were calculated accurately.

Test Two: Casual Pay

Casual employees mostly include positions within adult education, security guards, substitute teachers, school nutrition, and transportation. Positions include casual hourly, where the employee has an hourly rate and gets paid for the amount of hours worked, or casual daily, where the employee receives a daily rate per days worked (typically 7-8 hours = 1 day). Casual employees are mostly non-exempt employees and are responsible for maintaining time records either through the division's timekeeping system (TCP) or through a manual timesheet. Both methods of timekeeping must be approved by the employee's manager.

During the audit period, the division paid approximately 1,200 casual employees. The majority of these casual employees were substitutes (approximately 70 percent). Though the division implemented TCP four years ago and the payroll manual states all employees are responsible for using TCP to track time, not all departments with casual employees require the use of TCP for clocking in and out. For example, employees with unique positions who work at multiple campuses may utilize manual spreadsheets.

For employees that use the TCP system, time is approved by managers every pay period. This is a schedule set up by payroll and distributed to all departments and campuses. Managers get an alert from the system as a reminder to approve all time for the pay period. They also receive a reminder from the Senior Payroll Analyst every pay period. Once time is approved, the period is closed out in the system and data is then exported in preparation for importing into MUNIS.

Substitute time is recorded within a separate system – SAM. During the pay period, managers must verify all jobs that are logged in the system were filled and accurate. At the end of the pay period, principals must go into the system to confirm all jobs have been verified by the managers.

GIBSON

AN EDUCATION CONSULTING & RESEARCH GROUP

Employees who manually record time on division timesheets must get approval by their managers. Once approved, the timesheets are turned into either the Human Resources Department or payroll staff, depending on the department or position of the employee. During the school year, all manual timesheets are turned into the Human Resources Department, with the exception of Transportation. During summer school, all employees must manually record time and turn into the payroll staff. Summer school payroll is processed as a separate miscellaneous payroll each pay period.

Audit Test

The audit team selected 15 casual employees, including substitutes, from the FY2016 and FY2017 payroll registers. For each selection, Gibson validated that the proper rate, hours, total pay, and approval were all utilized and obtained, and that the division was able to provide proper supporting documentation and employees received pay timely. The findings from this test are listed below. Note that not all audit testing findings result in recommendations to the division.

Audit Results:

- The division was unable to provide documentation for one employee's hourly rate from December 2015, therefore testing could not be completed.

- Two selections included time from multiple previous pay periods due to employees submitting timesheets late. This resulted in large, untimely checks being issued (approximately $9,000 and $14,000).

- One paycheck was calculated based on double hours worked due to employee submitting hours both manually and through TCP. This was caught by the employee.

- One employee's hours were rounded up using the manual timesheet in Excel, resulting in an overpayment of $3.25.

- One employee did not receive overtime payment for 7 hours of overtime worked. The division stated this was due to the employee submitting multiple late manual timesheets at once during payroll's heaviest processing period.

- Stop check payment documentation was unavailable for one check that was not received by an employee that was later reissued.

- Two employees did not receive manual paychecks in the mail. These were later reissued by the department.

GIBSON
AN EDUCATION CONSULTING & RESEARCH GROUP

Findings and Recommendations

Finding: Manual timekeeping is adversely affecting the division's ability to monitor hourly employees.

The ACPS Payroll Procedures Manual states that all employees are required to use the TCP system to record all time and leave. Currently, some employees are submitting manual timesheets and not recording hours through the TCP system. These employees and departments that are submitting manual timesheets are also not consistent.

There are also instances of timesheets being submitted late and in large batches. This limits the ability of supervisors to oversee hours charged, and also creates unnecessary variances in payroll. One of the effective controls for payroll is to compare the current period payroll to the prior period. Late submissions of timesheets and expenses effectively understates payroll for the period the time and expense are incurred, and overstates the period when the time is entered into the payroll system.

Recommendation 7: Implement controls to eliminate late time reporting.

Until the payroll process inefficiencies and integration issues above are addressed, ACPS may need to continue using manual timesheets. However, additional controls should be implemented to ensure that timesheets are submitted timely, and reviewed at the end of the pay period by the supervisor.

In the long-term, requiring all employees to enter time into TCP will allow payroll processing to become more automated, freeing payroll employee time for other duties, as well as allow for real-time tracking of all current payroll costs.

Management Response: We agree with the finding and will review our processes to encourage prompt timesheet submissions. The process changes will be aimed at ensuring that all employees and managers are knowledgeable about the Payroll Schedule and deadlines. Payroll and Human Resources will work collaboratively to explore disciplinary action for employees as well as managers turning in late timesheets.

Target Completion Date: June 2018

Finding: Stop payment orders for checks not received are not always implemented.

The division was unable to provide stop payment orders for all checks which were reissued during testing. Without a stop payment on a check, this would allow employee to cash both checks resulting in being double paid for hours worked. Though the check found during testing was stale dated, it is up to the bank's discretion whether to cash the stale check.

Recommendation 8: Implement controls to ensure that stop payment orders are implemented for all checks that are reissued.

The division should ensure that stop payment orders are implemented for all checks not received before reissuing a new check. This will ensure that the employee cannot cash both checks that were issued in

their name. During audit testing, the division was unable to provide support that one check, which was reissued, was given a stop payment order.

Management Response: We agree with the finding and plan to change our process for reissue of stale-dated checks. In the past, we accepted bank confirmations that stale dated checks were no longer active. This practice did not result in any erroneous payments. However, we agree that processing a stop payment, in all such instances, is a better practice. Going forward, before we reissue a check, we will process a stop payment order even if the bank has declared the check inactive.

Target Completion Date: Fully implemented by October 2017

Test Three: Contract Pay Employees

Contract pay employees include positions such as teachers, principals, and division/department administrators. Contract employees are exempt employees that receive an annual salary established by the division's pay structure approved annually by the Board. Contract employees' salaries are based on the number of days in their contract, multiplied by their daily rate. Depending on the employee position, the division divides the employee's annual salary by 20, 22, or 24 pays, to arrive at the semi-monthly amount the employee receives. When an employee leaves the division or is promoted before the end of their contract, there is often a payroll adjustment that needs to be made. This is due to how the semi-monthly amount is calculated. When this occurs, the Human Resources Department multiplies the employee's daily rate by the number of days worked, and then subtracts the actual amount the employee has received during that contract. The difference in pay is then given to the employee.

Contract employees that hold positions for less than 40 hours per week are able to be paid straight time. Straight time is any time the employee works over their contracted amount, but not more than 40 hours. For example, an employee with a contracted rate of 35 hours per week that works 39 hours will be paid 4 hours of straight time at their normal hourly rate.

Audit Test

The audit team selected 10 contract pay selections from the FY2016 and FY2017 payroll register. For each selection Gibson validated that the employee received proper pay, proper approval was obtained, and proper support was provided by the division. The findings from this test are listed below. Note that not all audit testing findings result in recommendations to the division.

Audit Results:

- One employee, who received a promotion mid-contract, did not receive the proper pay adjustment for the first 2.5 months of new position. This was due to an incorrect pay step entered into the system. This mistake was caught by the employee.

GIBSON
AN EDUCATION CONSULTING & RESEARCH GROUP

Findings and Recommendations

Finding: Not all employee contract payouts are reviewed, only spot checked.

Currently, it is the responsibility of the Compensation Analyst to calculate all contract payouts. The amount of contract payouts per pay period varies. The Director of Compensation and Benefits spot checks some contract payouts, however this is not done consistently each pay period, like the payroll procedures manual states. During audit testing, one contract payout was completed incorrectly by entering the wrong pay step for a new position, and this mistake was caught by the employee 2.5 months later.

Recommendation 9: Enhance supervisory review procedures for all payout calculations.

The division should implement review procedures for all contract payout calculations. These calculations are done manually within an Excel spreadsheet, leaving room for error. Currently, when an employee leaves mid-contract or receives a promotion mid-contract, the Compensation Specialist is in charge of calculating how many days the employee has currently worked multiplied by their daily rate, and if there is a difference, the employee receives a contract payout. If the employee received a promotion, they will also receive a payout based on the amount they have already been paid plus the amount they will be paid. If there is a difference between this amount and the daily rate multiplied by the days worked in each position, this results in a contract payout. It is important that all contract payouts are reviewed after calculations are completed, to ensure that all amounts entered are accurate. This will ensure that errors in calculations are not looked over by the department.

Management Response: We agree with the finding. Human Resources and Payroll will work collaboratively to enact additional supervisory review procedures including using the automated contract payout calculation feature in Tyler MUNIS.

Target Completion Date: May 2018

Test Four: Coaching and Stipend Payments

Employees who are coaches or lead after school student activities receive pay outside their normal salary or hourly wage. These employees receive additional contracts noting their position as well as the compensation or stipend they will be receiving for duties being performed. The contract also states whether they will receive their compensation in one lump sum or over a period of time. Most are paid in equal amounts during the period of the contract. The compensation amount is annually approved by the school board and varies by sport, activity, and position title.

Audit Test

The audit team selected five (5) coaching compensation and student activity stipend payments. Gibson validated that proper compensation or stipend amount was received, the stipend or coaching compensation was approved, and the division was able to provide supporting documentation. The findings from this test are listed below.

GIBSON
AN EDUCATION CONSULTING & RESEARCH GROUP

Audit Results:

- The pay type coding used for coaching compensation were not consistent within the MUNIS system.

- One employee who received a stipend as an intramural sports coach did not have a related contract required by Policy GCBB which states that "a separate contract shall be executed by the School Board with an employee who is receiving monetary supplement for an athletic or extracurricular assignment. "

Findings and Recommendations

Finding: The division does not consistently use the same pay type codes in MUNIS to record coaching compensation.

Currently the division records coaching compensation under both pay types "152- Casual Contract" and "172- Coaching Contract 1". The division processes state that employee's first coaching contract should be recorded under pay type 172 and any coaching contracts in addition should be recorded under pay type 152. During audit testing it was revealed that the division does not consistently follow this practice.

Recommendation 10: Implement controls to consistently record coaching compensation and student activity stipend pay under related pay types within MUNIS.

The division should ensure that all coaching compensation is being recorded consistently. During audit testing, some employees with only one coaching contract had coaching compensation recorded under pay type "152- Casual Contract", instead of "172- Coaching Contract". This does not allow for the division to properly analyze coaching compensation for reporting and forecasting purposes. The division should also implement additional coaching compensation pay types in order to properly track all costs, including those employees with more than one coaching position.

Currently the division uses pay type 152 to record most casual employee regular pay. With the addition of extra duty pay, such as coaching, the division is unable to pull data to properly analyze from the MUNIS system. The division should clearly define each pay type and revoke access to those pay types not in use.

Management Response: We agree with the finding. For clarity and consistency, pay types 172 through 180 will be used for all coaching assignments going forward.

Target Completion Date: Fully implemented by October 2017

Finding: Not all employees who receive monetary supplement for an athletic or extracurricular assignment (middle school and club sports) receive separate contracts executed by the School Board, as stated by Policy GCBB.

GIBSON

AN EDUCATION CONSULTING & RESEARCH GROUP

During audit testing it was revealed that not all employees receiving monetary supplements receive a separate executed contract. This is not in compliance with Policy GCBB, which states "a separate contract shall be executed by the School Board with an employee who is receiving monetary supplement for an athletic or extracurricular assignment." According to the division, coaching contracts are only issued for high school sports; therefore, for the audit selection an intramural stipend report was approved by the division noting each stipend amount.

Recommendation 11: Implement controls to ensure that all employees who receive a monetary supplement for middle school and club sports assignments receive separate contracts executed by the School Board, as outlined by School Board Policy.

In order to abide by policy, the division should ensure that all employees receiving additional monetary supplements receive a separate contract executed by the School Board. This should include the supplemental pay amount and approval by the employee. It is imperative that the division abide by all School Board policies. Executing separate contracts for all employees ensures documentation on the amount that was approved for each position as well as an approval from the employee on the amount given.

Management Response: We agree with the finding that all employees should receive separate contracts/letters for all athletic/coaching assignments, including assignments for middle school club sports. Coaching contracts will be issued for middle club sports going forward.

Target Completion Date: Fully implemented by October 2017

GIBSON
AN EDUCATION CONSULTING & RESEARCH GROUP

Appendix A – Interview Roster

Interviewee	Title	Date
Gary Estep	Application Support Specialist	5/24/2017
Dr. Alvin Crawley	Superintendent	5/31/2017
Hourly Employee Focus Group	N/A	5/31/2017
Salaried Employee Focus Group	N/A	5/31/2017
Michael Herbstman	Chief Financial Officer	5/31/2017
Michael Covington	Accounting Services Director	5/31/2017
Mandeep Gill	Payroll Manager	5/31/2017
Ashok Jain	Senior Payroll Analyst	6/1/2017
Jerry Harris and Jacqueline Powell-Smith	Payroll Specialists	6/1/2017
Robert C. Easley	Assistant Director, Budget	6/1/2017
Sarah Rhodes and Daniel Fugar	Assistant Director, Financial Systems and Reporting and Business Systems Analyst	6/1/2017
Joseph Makolandra	Chief Human Resources Officer	6/1/2017
ThuHang Nguyen	Director, Benefits and Compensation	6/1/2017
Jim Loomis	Director of Employment Services	6/1/2017
Elizabeth Hoover and Marya Runkle	Chief Technology Officer and Director, Education and Business Applications	6/1/2017

GIBSON
AN EDUCATION CONSULTING & RESEARCH GROUP