

**SCHOOL DISTRICT OF ESCAMBIA COUNTY
INTERNAL AUDITING DEPARTMENT**

**REVIEW OF
EXTRA PAY TIMESHEETS**

PROJECT # 2003-04

Accepted By Audit Planning and Review Committee:

March 17, 2003

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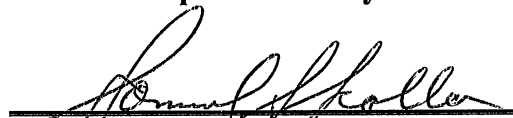
April 17, 2003

Field Work Conducted By:



Auditor

Report Issued By:



Director, Internal Auditing

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School Board of Escambia County

APR 17 2003

JIM PAUL
Superintendent of Schools

**SCHOOL DISTRICT OF ESCAMBIA COUNTY
EXTRA PAY TIMESHEET**

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REVIEW REPORT

JIM PAUL
Superintendent of Schools

Background

Two separate reviews of the C.A. Weis Elementary School Saturday School Program were performed in the spring of 2002. The purpose of those reviews was to determine whether personnel receiving extra pay were overpaid for the hours worked. The results were inconclusive, as extra pay timesheets did not contain sufficient detail, and documentation to support the extra pay was insufficient. Our recommendations included program changes to the payroll system that would provide electronic edits preventing possible duplicate payments from multiple funding sources.

The Superintendent, in his response to the recommendations, felt that payroll system enhancements would not be practical. Responses from management indicated that they believed the payroll documentation issues at C. A. Weis Elementary School were not representative of the entire district. They also indicated their belief that sufficient guidance had been given for the preparation and documentation of extra pay timesheets, although the guidance provided was specific to educational support employees only.

Scope, Authority & Objectives

As follow-up to the reviews mentioned previously, we have conducted a review of extra pay timesheets and related documentation for randomly selected schools and cost centers. The period covered the fiscal year ended June 30, 2002. We extended our sample to the current school year. In addition, we have conducted a limited scope peer county review for the purpose of benchmarking the district's payroll process with similar school districts in Florida. Our review was included in our annual work plan and was approved by the Audit Committee. The objectives of our review were to determine whether extra pay timesheets for the district contain sufficient detail, are adequately documented, and are properly authorized. In addition, we attempted to determine whether duplicate payments for services exist. Finally, we reviewed how peer counties document and process extra pay. Our review was conducted in accordance with Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors.

Methodology

We examined a representative sample of instructional timesheets from district payroll files and obtained and inspected supporting documentation retained at school cost centers. These timesheets supported various categories of extra pay. Due to state requirements for documenting in-service points applied to certification, extra pay for workshops appeared to be sufficiently documented and therefore was excluded from our sample.

We interviewed payroll staff including the Director, school secretaries responsible for preparing payroll, school principals, the Director of Title I, and payroll personnel in peer counties. During our fieldwork, the Payroll Department issued a memorandum to schools (November 2002) with instructions for preparing extra pay timesheets. To test the effectiveness of these instructions, we examined an additional sample of timesheets submitted for the following month (December 2002.) Finally, we conducted a survey of several peer counties for benchmarking purposes to determine how other school districts document and process extra pay.

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Findings

Insufficient Detail on Timesheets

Based on our sample, the lack of sufficient detail on extra pay timesheets appears to be a district wide occurrence. Although some schools listed the days employees worked on the timesheets, total hours worked were not always broken down by individual day or specific times worked.

Documentation at Schools

Documentation located at schools to support the amount of extra pay was also inadequate. Some schools lacked any documentation, while others had limited documentation. Such documentation, when present, was inconsistent from school to school as well as within a school.

Double Payments

The potential exists for double payments. Currently, several departments authorize and submit extra pay for employees. There are no comprehensive reports to assist the Payroll Department in detecting duplicate payments from multiple funding sources. The current payroll system only tracks total dollars paid to an employee and does not track which days extra pay was earned, how many hours were worked or the specific times of the day. Because of this, there are no "system edits" to alert them to possible overpayments. As a result, we were unable to determine whether duplicate payments for time worked have occurred. We did review a "periodic payroll reference report" which lists all funding sources of extra pay for each employee. However, the report identifies payments issued to employees by a particular check run date and does not identify the period of time worked. In addition, because extra pay is occasionally turned in late, the report does not provide an effective control to prevent or detect duplicate payments.

District Guidance

As mentioned previously, the district's Payroll Department issued revised instructions for extra pay timesheets in November 2002. When testing the effectiveness of these instructions, we found that some schools appeared to be doing a better job of documenting extra pay. However, these were schools we had visited several weeks earlier. Therefore, it is unclear whether improvements were a result of the written instructions or our earlier visits. Discussions with other secretaries indicated that they felt they had no guidance on the preparation and retention of supporting documentation. Some indicated they did not remember receiving the instructions, and others could not remember what the instructions said.

Finally, training workshops have never been conducted to reinforce the understanding of the extra pay procedures. In addition, management does not appear to be monitoring the quality of payroll records located outside of central administration files.

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Superintendent of Schools

Summary

We are concerned with the lack of detailed information contained on timesheets submitted for extra pay, which represents a significant amount of funds each year. We are also concerned that supporting documentation, which is retained at the cost centers and never seen by district payroll staff, does not contain sufficient details to substantiate the actual time and services for which employees are being compensated. Extra pay procedures issued during the course of our review, in addition to those issued previously for educational support staff, do not provide necessary guidance on minimum requirements for supporting documentation or the retention of records. In addition, we believe that memorandums alone have not proven to be effective training aids.

Our review of peer counties revealed they process and document extra pay similar to the Escambia County School District. As with Escambia County, most school districts do not have payroll systems that capture detailed days/hours worked data. However, a few of the districts appear to be monitoring the quality of their payroll records retained outside their centralized files.

Weaknesses in the internal control structure referenced above may have contributed to several anomalies in payments of extra pay noted during the course of our review. Those are not discussed here, but instead, have been referred to the Superintendent under separate cover.

Recommendations

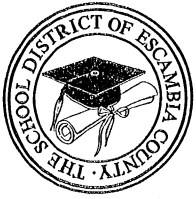
We recommend that extra pay procedures and timesheets be revised to require a higher level of detail that should include dates, hours, and times of day for extra pay hours worked each day. An example of a completed timesheet should be provided with procedures to give further clarification on the minimum reporting requirements.

Detailed support documentation should be defined by the district and retained by each cost center to substantiate the dates, times, and the nature of the work for each extra pay timesheet submitted. Payroll procedures should also provide examples of supporting documentation, and should require an employee signature to certify the accuracy. Furthermore, the procedure revisions should specify records retention requirements.

To improve compliance, we recommend that extra pay procedures be posted on the district's website to ensure all decentralized staff have access to the most recent version of the procedures. A copy of extra pay timesheets should also be accessible on the website. Periodic training workshops should be conducted for those responsible for preparing and authorizing extra pay.

We also recommend that management develop procedures to periodically monitor the quality of payroll records retained outside of centralized payroll files. To prevent potential overpayments and to further strengthen the internal controls surrounding the payroll system, the development of cumulative management reports that match extra pay paid to employees from multiple funding sources should be considered.

Please see management's response attached.



THE SCHOOL DISTRICT OF ESCAMBIA COUNTY

215 WEST GARDEN STREET, POST OFFICE BOX 1470

PENSACOLA, FL. 32597-1470

PH.850/432-6121, FAX 850/469-6379

<http://www.escambia.k12.fl.us>

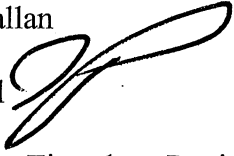
JIM PAUL, SUPERINTENDENT

"Making A Positive Difference"

April 1, 2003

MEMORANDUM

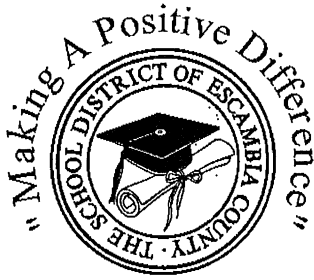
TO: Sam Scallan

FROM: Jim Paul 

SUBJ: Extra Pay Timesheet Review Findings

Please find attached the district's response to the Extra Pay Timesheet Review Findings.

JP/le



Memorandum

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School Board of Escambia County

APR 17 2003

JIM PAUL
Superintendent of Schools

To: Jim Paul
Superintendent

From: Barbara S. Linker, Assistant Superintendent
Finance and Business Services

Date: March 27, 2003

Subject: Extra Pay Timesheet Review Findings

We appreciate the audit of Extra Pay Timesheets and School/Department documentation. Our goal is to improve procedures and documentation and accordingly welcome the opportunity to respond.

Insufficient Detail on Extra Pay Timesheets

Revised instructions for preparing Extra Pay Timesheets were distributed to all schools and departments in November 2002. A draft of a new Extra Pay Timesheet was presented to principals at the February 2003 principals' meeting. Revised timesheets were distributed to all schools and departments as part of the March 2003 Payroll and Benefits Accounting newsletter. The newsletter stressed the results of recent audits and emphasized the importance of submitting well-documented extra pay information to Payroll. A copy of the newsletter and revised forms are attached. A follow-up memorandum and revised forms with examples has been distributed to re-emphasize the importance of this information. Extra pay procedures and timesheets have been posted on the District's website.

Documentation at Schools

We have developed an Extra Pay Timesheet Log which includes all the elements necessary to document time worked beyond the normal work hours. This form was distributed to all schools and departments with instructions as part of the March 2003 Payroll and Benefits Newsletter. The Extra Pay Timesheet Log and procedures have also been included in the follow-up memorandum mentioned in the Extra Pay Timesheet response and posted on the District's website.

Double Payments

We will examine the current payroll system and related reports to determine if system improvements can be made. The revised Extra Pay Timesheet and Log should provide the information needed for Internal Auditing to detect double payments during a compliance review.

District Guidance

We do not agree with most of the Auditor's remarks regarding guidance provided by the District Payroll and Benefits Department. The Payroll and Benefits Department distributed extra pay instructions to all schools and departments via courier in November. The Payroll and Benefits Department also distributes newsletters by courier and e-mail at least two to three times a year. The payroll staff is also available by phone or email, Monday thru Friday, 7:30 a.m. to 5:00 p.m. The payroll staff also contacts departments and schools on a daily basis concerning regular timesheets as well as extra pay timesheets. Training workshops will be conducted in the upcoming year for all areas of payroll processing, including extra-pay timesheets. We acknowledge that visits from Auditors do cause most areas to improve procedures and request that the Internal Auditing Department include an audit of Extra Pay Timesheets and supporting documentation in the annual audit plan.

Please contact me if you have any questions or concerns

BSL:dlh

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