



Richmond Office of the
CITY AUDITOR

OFFICIAL GOVERNMENT REPORT



AUDIT OF: Richmond Public Schools PAYROLL

Report Issued: October 28, 2013

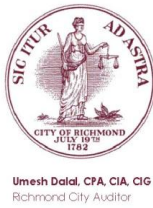
Report Number: 2014-02

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*Committed to increasing government efficiency, effectiveness
and accountability on behalf of the Citizens of Richmond.*

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Umesh Dalal, CPA, CIA, CIG
Richmond City Auditor

Richmond City Council

The Voice of the People

Richmond, Virginia

Office of the City Auditor

Executive Summary

October 25, 2013

The Honorable Members of the Richmond Public School Board

Subject: Richmond Public Schools – Payroll Audit

The City Auditor’s Office has completed an audit of the Richmond Public Schools (RPS) Payroll function. The auditors conducted this performance audit in accordance with generally accepted government auditing standards.

RPS paid a total of \$277,273,056 to their employees over the course of the 18-month audit period. Payroll is the most significant expenditure in the RPS annual budget. Although the processing of payroll is centralized within the Department of Finance, tracking and submission of time worked and leave taken is decentralized throughout the more than 60 schools and departments. Proper oversight and controls over Payroll expenditures are critical. This report examines the oversight and management of the payroll function.

Salient Findings

- The auditors identified that transparency in reporting payroll expenditures to the School Board needs improvement. RPS staff was not able to provide basic information such as the total number of RPS employees.
- RPS has employment contracts with a majority of its employees. There is a mix of contractual and non-contractual employees doing the same jobs. The School Board is requested to approve contracted positions. However, the number of employees in the “non-contracted” category is not fully disclosed to the Board. The records indicate that on average 1,037 non-contracted employees may have been paid by RPS during FY12.

- The authority to hire non-contracted employees is often assumed by individual departments and schools. Risks that are associated with this hiring authority are as follows:
 - Favoritism and Cronyism
 - Nepotism
 - Fraud and Waste

Any abuse of this authority will not be apparent, as no other control exists to manage expenditures on non-contracted employees.

At times, normal hiring process is circumvented by the Principals and Directors. This situation has the potential for risks, such as:

- Favoritism and Cronyism
 - Nepotism
 - Hiring individuals with questionable criminal histories
 - Hiring individuals that are not eligible for rehire
- Currently, the time and leave documentation process is inconsistently handled at each of the more than 60 schools and departments. Several discrepancies were noticed, including inaccurate payments, missing supervisory approvals, lack of employee validation, and hours worked.
 - In a sample of 65 employees' payroll, the auditors noticed two instances where an employee received pay for overtime hours not worked. Additionally, there were five instances where there was no supervisory approval of timesheets, in which overtime was earned. In these cases, if an inappropriate amount of overtime is paid, it will not be detected through normal procedures.
 - The Finance Department does not keep properly detailed records of compensatory time earned and used. Staff was unable to provide the history of compensatory time earned and used during the audit period. This discrepancy creates the risk of employees utilizing leave that is not earned, which could result in financial loss to the Division.

- RPS needs to develop a formal comprehensive policies and procedures manual. Incomplete written policies and procedures, and failure to effectively communicate them to staff, may lead to unclear job duties and responsibilities and inconsistent job performance by employees.

The City Auditor's Office appreciates the cooperation of the Richmond Public Schools' staff. Please contact me for questions and comments on this report.

Sincerely,

Umesh Dalal

Umesh Dalal, CPA, CIA, CIG
City Auditor

cc: Dr. Jonathan Lewis, Interim Superintendant

Overview

Introduction and Scope

The City Auditor's Office has completed an audit of the Richmond Public Schools (RPS) Payroll function. This audit covers the 18-month period that ended December 31, 2012. The objectives of this audit were to:

- Evaluate the efficiency and effectiveness of operations
- Determine the existence and effectiveness of internal controls
- Verify compliance with laws, regulations, and policies

The auditors conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that the auditors plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions based on the audit objectives. The auditors believe that the evidence obtained provides a reasonable basis for their findings and conclusions based on the audit objectives.

Methodology

The auditors employed the following procedures to complete this audit:

- Compared time sheets to time entered and paid
- Reviewed relevant records, policies, and regulations
- Reviewed manual checks issued to personnel
- Reviewed payroll and personnel files to determine whether there were any ghost employees
- Observed the payroll distribution process
- Recalculated employees' final pay for accuracy
- Reviewed overtime earned
- Performed other audit procedures, as deemed necessary

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September 2013

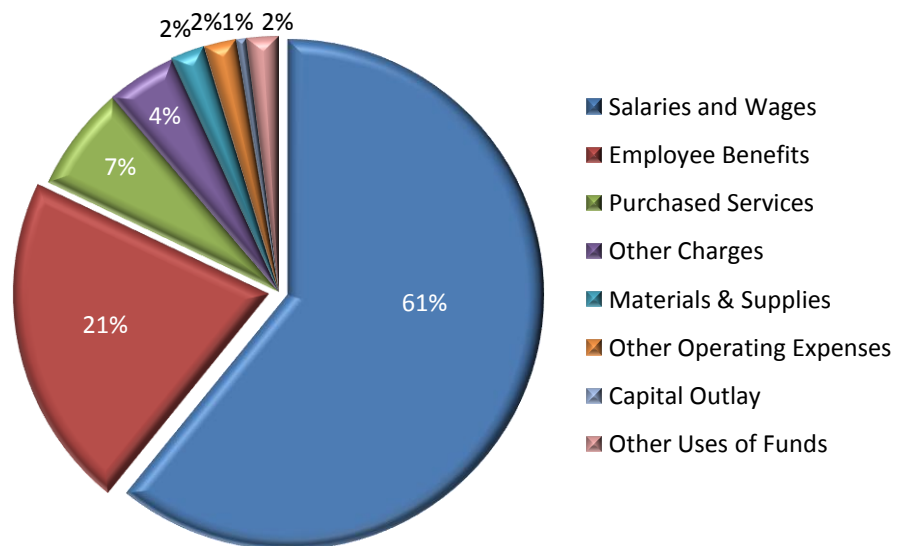
Management Responsibility

The Management of RPS is responsible for ensuring resources are managed properly and used in compliance with laws and regulations; RPS programs are achieving their objectives; and services are being provided efficiently, effectively, and economically.

Background

RPS paid a total of \$277,273,056 to their employees over the course of the 18-month audit period. Payroll is the most significant expenditure in the RPS annual budget. The following pie-chart depicts the magnitude of this expenditure for FY12:

Payroll is the largest expenditure for RPS



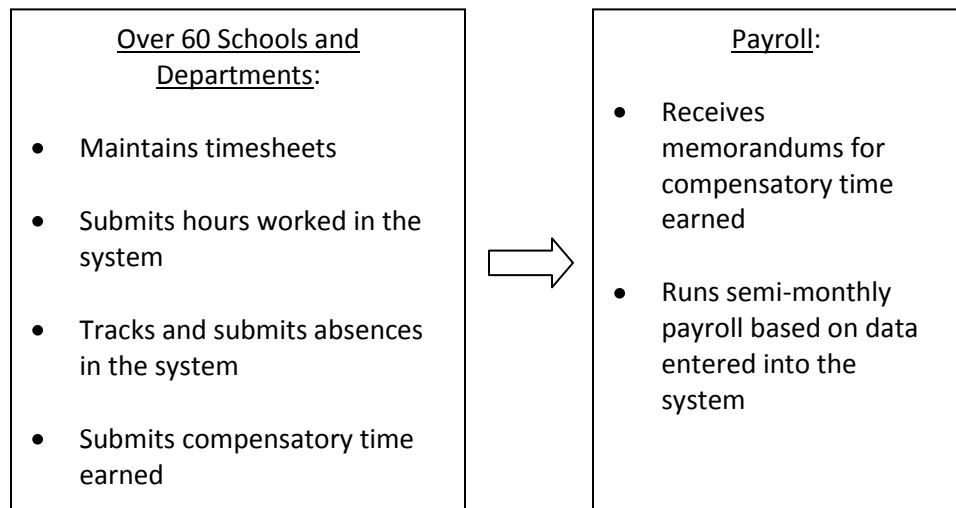
Source: FY12 Approved Budget

Proper oversight and controls over Payroll expenditures are critical. This report examines the oversight and management of the payroll function. The RPS payroll function relies on several interdependent relationships between the payroll, human resources, and budget functions; consequently, it was necessary to review certain processes and procedures outside of payroll's current specific responsibilities during this audit.

Decentralized Operations

Although the processing of payroll is centralized within the Department of Finance, tracking and submission of time worked and leave taken is decentralized throughout the more than 60 schools and departments.

Below is an overview of the process:



Observations and Recommendations

What Works Well?

As part of the audit process, the auditors reviewed many facets of the payroll function. While this report includes recommendations for improving the payroll process, the auditors identified processes that are functioning adequately. Those include the following:

- Automated access to personnel data was acceptable
- FICA payroll tax deductions were calculated correctly
- Medical and dental benefit deductions were appropriately entered and accurately deducted
- There were no duplicate social security numbers or employee identification numbers within the system, minimizing the existence of ghost employees
- Any duplicate names, addresses, and bank account numbers identified and reviewed were acceptable

**RPS conducts
several payroll
tasks well**

In addition, the following improvements are currently in progress:

- RPS is in the process of implementing a web portal for staff to retrieve their direct deposit pay remittances and tax documentation
- RPS is working to implement the use of payroll debit cards to eliminate the necessity to print paper checks. This development will address the currently inconsistent payroll check distribution. Also, it may reduce the number of manual checks written by RPS

What Needs Improvement?

Transparency

The auditors identified that transparency in reporting payroll expenditures to the School Board needs improvement. RPS staff was not able to provide basic information such as the total number of RPS employees.

Transparency in reporting payroll information to the School Board needs improvement

RPS has employment contracts with a majority of its employees. These include teachers, bus drivers, custodians, food and nutrition staff, and administrative staff, etc. However, there is a mix of contractual and non-contractual employees doing the same jobs. Non-contractual employees are typically considered to be temporary employees, and they do not receive benefits offered by RPS to its contracted employees. Both contracted and non-contracted employees work throughout the schools and departments. Non-contracted employees are paid on a per hour basis.

The School Board is requested to approve contracted positions. However, the number of employees in the “non-contracted” category is not fully disclosed to the Board. The following table illustrates the variance between the approved number of contracted positions and the actual number of paid employees for FY12.

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RPS has employed many non-contracted personnel, without specific approval by the School Board

| Month | FY12 Total Employees Paid by Month | FY12 Approved FTE Count | Excess Number of Employees Over Approved |
|-----------------|---|--------------------------------|---|
| July | 5,236 | 3,888 | 1,348 |
| August | 4,527 | 3,888 | 639 |
| September | 4,450 | 3,888 | 562 |
| October | 4,739 | 3,888 | 851 |
| November | 4,999 | 3,888 | 1,111 |
| December | 5,008 | 3,888 | 1,120 |
| January | 5,013 | 3,888 | 1,125 |
| February | 5,067 | 3,888 | 1,179 |
| March | 5,050 | 3,888 | 1,162 |
| April | 5,040 | 3,888 | 1,152 |
| May | 5,037 | 3,888 | 1,149 |
| June | 4,933 | 3,888 | 1,045 |
| Average: | 4,925 | 3,888 | 1,037 |

RPS has consistently budgeted contracted positions at a level less than its actual labor needs

Auditors learned, as illustrated above, some departments have consistently budgeted for contracted positions at a level less than their actual labor needs. As a result, RPS has consistently hired non-contracted employees to perform duties similar or identical to contracted workers, without providing health or other benefits normally received by contracted employees. This may be causing unequal treatment of employees performing identical duties.

RPS neither assigns position numbers to the non-contracted positions, nor do they have a specific budget allocated to the positions in this category. As a result, the School Board does not have the knowledge or opportunity to critically evaluate expenditures incurred for non-contracted positions.

Risks Associated with the Lack of Transparency

The authority to hire non-contracted employees is often assumed by individual departments and schools. The following risks are associated with this hiring authority:

**Lack of
transparency
could result in
abuse**

- Favoritism and cronyism
- Nepotism
- Fraud and waste

Any abuse of this authority will not be apparent, as no other control exists to manage expenditures on non-contracted employees.

Recommendation:

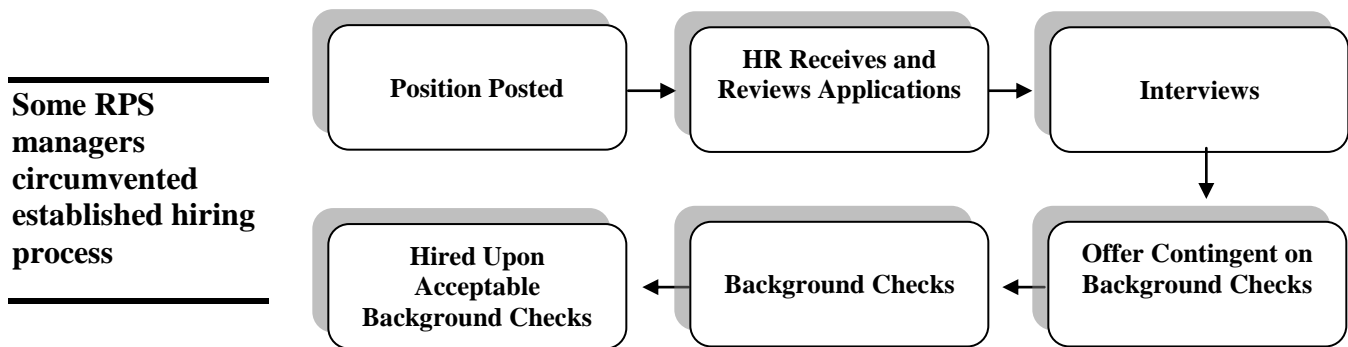
1. Improve transparency in reporting payroll costs by:
 - a. Separately budgeting and presenting to the School Board the cost of non-contracted employees in each function and in the budget summary.
 - b. Periodically report to the School Board the total number of non-contracted employees and related payroll costs.

***Internal
Controls***

According to Government Auditing Standards, internal control, in the broadest sense, encompasses the agency's plans, policies, procedures, methods, and processes adopted by management to meet its mission, goals, and objectives. Internal control includes the processes for planning, organizing, directing, and controlling program operations. It also includes systems for measuring, reporting, and monitoring program performance. Based on the results and findings of the audit methodology employed, the auditors concluded that controls and procedures need to be improved for effective management of RPS payroll processing, as discussed in the next section.

Human Resources (HR) Hiring Processes are Circumvented:

RPS has an established process for the hiring of personnel within the school system. This process is depicted below:



The above procedures, however, are not consistently followed creating potential for abuse. Principals/Directors have hired hourly personnel without following HR established hiring processes.

The auditors reviewed a sample of 64 terminated employees and, in the process, identified the following two instances where the normal hiring process was circumvented:

1. A retiree was rehired prior to satisfying the Virginia Retirement System (VRS) required break in service. VRS allows retirees to return to work, under certain circumstances, and continue to receive retirement benefits, if there is a bona fide break in service of at least one full calendar month from retirement date. This individual retired in June 2012 and was rehired and subsequently paid wages of \$1,977.50 by RPS in July 2012. After inquiring about the discrepancy, the auditor was provided an undated memo, addressed to the RPS Education Foundation, requesting this individual be paid as a consultant for the period

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worked. The Foundation reimbursed RPS in June 2013 after the auditor brought this matter to the attention of the Finance Department staff.

In at least one instance, circumvention of the hiring process could have placed summer school students in harms way

2. The auditors also identified an individual, terminated for taking indecent liberties with a minor and ineligible for rehire, who was rehired on an hourly basis without going through the established hiring process. Upon learning of the hiring, due to the individual not receiving a paycheck, HR immediately contacted the Principal, and subsequently the individual was terminated.

The above examples do not appear to be isolated incidents. Through a review of manual payroll checks issued, the auditor identified 95 employees that could have been hired outside the established process. In these cases, manual checks were issued because (1) new employee paperwork was not turned into HR timely; (2) employees were not set up by HR prior to the first payroll date; and/or (3) the employees did not initially receive a paycheck for hours worked.

Any abuse occurring in these hiring situations may not be detected in a timely manner.

Hiring by circumventing the established process is infrequent, but not isolated

It appears RPS management needs to take the necessary steps to effectively discipline Principals/Directors who circumvent the established process. When established hiring processes are circumvented, the individuals are not subjected to the pre-employment

There is a potential for abuse in the current practices

background and employment eligibility checks. This results in the potential for:

- Nepotism
- Favoritism
- Hiring individuals with questionable criminal histories
- Hiring individuals that are not eligible for rehire

Untimely Notification of Terminated Employees

When an employee resigns or is terminated, the relevant principal or manager must notify HR in a timely manner for further action and system update. During the review of the sample of 64 terminated employees, the auditor observed that one contracted employee was overpaid \$1,018.97. This individual resigned on September 28, 2011, but the notice of personnel change was not entered until October 31, 2011. RPS collection efforts have not been successful in recovering the overpayment from the former employee.

Recommendation:

2. Establish a policy that ensures Principals/Directors are held accountable for not complying with the established hiring process and termination procedures.

Incomplete or Unauthorized Timesheets

The Finance Department has not established a uniform method to document time and attendance at all locations. Currently, the time and leave documentation process is inconsistently handled at each of the more than 60 schools and departments. These methods ranged from the timekeeper simply observing staff presence to having daily, formal

**Inconsistent
timesheet records
may not allow for
accurate time
keeping**

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sign-in sheets. Generally, time and attendance tracking was accomplished using one of the following methods:

- Visual observation not supported by documentation
- Sign-in and sign-out logs for all hourly employees in the building
- Individualized time sheets for hourly employees

Auditors observed time and attendance tracking for a sample of 55 individuals over 6 pay periods at 15 RPS locations. The auditors were unable to validate hours worked for all employees reviewed. Of the sample selected, 283 of 330 potential time tracking documents were available. Auditors made the following observations:

- The 64 documents reviewed did not agree with the hours paid within the system:
 - Documented hours were less than hours paid in 45 cases
 - Documented hours were more than hours paid in 19 cases
- No documentation was available to validate hours worked in 47 cases.

Several timesheets were missing, and errors were identified in the timesheets available

In reviewing available documentation, it was noted that often documents were missing supervisory approval, employee validation, and hours worked.

Without complete and authorized time and attendance records, RPS could be over or under compensating its hourly employees. Additionally, employees may not be reporting leave taken. These discrepancies have a financial impact on RPS that could not be quantified.

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Unsupported Overtime

Before any employee can receive overtime pay, the individual must work 40 hours within the pay week, not including any sick or vacation time utilized. The auditor reviewed a sample of 65 employees from RPS departments. The Transportation, Maintenance, and Security departments incurred the most overtime hours and experienced higher overtime costs.

| Department | Overtime Hours |
|----------------|----------------|
| Transportation | 34,298.00 |
| Maintenance | 4,489.75 |
| Security | 4,137.50 |

When reviewing the documentation available in the Transportation Department (46 of the 65 items sampled) the auditor noted 2 instances where an employee received pay for overtime hours not worked. The documentation available for these instances did not support the hours paid. After discussion with Transportation Management, it appears these are isolated incidents and the employees involved have since resigned from their positions.

Accuracy of all overtime hours could not be verified in the selected sample

Additionally, there were five instances where there was no supervisory approval of timesheets, in which overtime was earned. In these cases, if an inappropriate amount of overtime is paid, it will not be detected through normal procedures.

For the remaining 19 employees in the sample selection from other departments, the auditor could not confirm if the overtime was earned. The Security, Plant Services, and Food and Nutrition functions assign their employees to locations throughout the school system; however, the time worked is documented and approved at the respective central

locations. Therefore, the timekeeper does not have the ability to verify the time actually worked by the employees. At the individual locations where the work is performed, no one is consistently validating the hours worked and overtime earned by the individuals. Therefore, it is not possible to validate the appropriateness of the overtime paid.

Compensatory Time is Not Being Tracked Properly

Auditors attempted to verify whether compensatory time earned during the audit period was properly authorized and used. The auditors were not able to perform this testing, as the Finance Department does not keep properly detailed records of compensatory time earned and used. Staff was unable to provide the history of compensatory time earned and used during the audit period. This discrepancy creates the risk of employees utilizing leave that is not earned, which could result in financial loss to the Division.

Detailed records of compensatory time earned and used are not available

Recommendation:

3. Implement an automated timekeeping system, such as electronic time clocks or a computerized time entry system for the hourly employees, that includes timely review and approval of time worked.
4. Establish a system for recording and tracking compensatory time earned and used, which provides a documented history of activity.

Outstanding Payroll Checks

The auditor's review identified 104 outstanding payroll checks, ranging in age from 30 days to more than 1 year. Most of these checks were issued to correct a tax calculation error that resulted in underpayments

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to employees. All of the outstanding checks belong to currently active employees. Seven employees on the list had more than one check outstanding as follows:

| Employee | Number of Checks | Total Dollars |
|-----------------|-------------------------|----------------------|
| A | 2 | \$291.98 |
| B | 3 | \$2,577.30 |
| C | 2 | \$183.35 |
| D | 3 | \$536.64 |
| E | 2 | \$979.46 |
| F | 3 | \$2,801.64 |
| G | 2 | \$1,463.55 |

According to the State of Virginia Code §55-210, unpaid wages, including wages that have remained unclaimed by the owner for more than one year after becoming payable, are presumed to be abandoned. Through review of the outstanding checks, the auditor determined five checks should have been reported to the Unclaimed Property Division in October 2012. It is the responsibility of RPS to attempt to contact the payee no less than 60 days prior to the submission of the report. Once due diligence has been performed and the check is more than one year old, the check should be turned over to the State Department of Treasury Unclaimed Property Division by November 1 of each year.

Although RPS does not have a documented policy to dictate how to handle outstanding payroll checks, the Finance Department had complied with the State policy and sent due diligence letters to the payees of these checks. According to Departmental staff, the checks were not forwarded to the State because the individual payees contacted the Department indicating they would retrieve their checks.

Recommendation:

5. Develop a written policy for submitting unclaimed property to the State that includes a compliance review by the CFO.

Policies and Procedures

A formal, comprehensive policies and procedures manual needs to be developed

Lack of Complete and Updated Payroll Policies and Procedures

The auditor requested a copy of the written payroll policies and procedures. A set of documents was provided that did not include any formal manual. These appeared to be training documents, rather than a formal policies and procedures manual. The set of documents provided lacked the following elements of a formal policies and procedures manual:

- Authority by which the document was issued
- Consistent organization and structure of policies and procedures
- Effective date of policies and procedures
- Number and titling of policies and procedures
- Distribution to employees and/or electronic access

A formal comprehensive policies and procedures manual must be developed. Incomplete written policies and procedures, and failure to effectively communicate them to staff, may lead to unclear job duties and responsibilities, and inconsistent job performance by employees. Also, written policies and procedures are important to ensure the continuity of operations during employee turnover.

Recommendation:

6. Develop a formal, comprehensive policies and procedures manual, which should be readily available to all staff.

MANAGEMENT RESPONSE FORM - APPENDIX A

RPS Payroll 2014-02

| # | RECOMMENDATION | CONCUR Y-N | ACTION STEPS |
|---|---|---------------|--|
| 1 | <p>Improve transparency in reporting payroll costs by:</p> <p>(a) Separately budgeting and presenting to the School Board the cost of non-contracted employees in each function and in the budget summary.</p> <p>(b) Periodically report to the School Board the total number of non-contracted employees and related payroll costs.</p> | Yes | <p>RPS payroll staff neither performs nor is authorized to do the following: establish rates of pay, approve pay, establish or approve budget for positions, manage position control, hire personnel, determine an employee's eligibility for hire or rehire, perform background checks, notify of termination or manage the human resources system where these functions are performed. Budgeted salaries and wages and hiring personnel for authorized positions are functions outside of the charter of the payroll staff. Over the past five years, as a result of \$48 million in budget reductions, RPS has also reduced the number of full-time contracted positions (FTE's) by more than 300. The decline in FTE's has not resulted in reduced service levels for instruction or the level of internal controls that are required over operational areas. Non-contracted or temporary personnel help bridge the gap and provide support district-wide. For example: non-contracted employees provide needed temporary and substitute support for instructional functions such as teaching, tutoring, reading and extended day services and operationally, for pupil transportation and public school nutrition services. The Interim Superintendent and the Executive Director of Human Resources concur with the recommendation to improve transparency in reporting payroll costs. The Executive Director of Human Resources will work closely with the budget department to identify and track positions which are non-contracted, temporary, etc. and to develop a mechanism to report all hires to the School Board monthly.</p> |
| | TITLE OF RESPONSIBLE PERSON | | TARGET DATE |
| | Executive Director of Human Resources | | July 1, 2014 |
| | IF IN PROGRESS, EXPLAIN ANY DELAYS | | IF IMPLEMENTED, DETAILS OF IMPLEMENTATION |
| | | | |
| # | RECOMMENDATION | CONCUR Y-N | ACTION STEPS |
| 2 | <p>Establish a policy that ensures Principals/Directors are held accountable for not complying with the established hiring process and termination procedures.</p> | Yes | <p>The Interim Superintendent and the Executive Director of Human Resources concur with the recommendation that a policy be developed that ensures that Principals and Directors are held accountable for non-compliance and circumvention of established hiring and termination procedures. With regard to retirees, effective July 1, 2013, a "Return to Work Agreement" document was developed. The document certifies that the retiree has met the bona fide break in service (30 days) before returning to duty in non-covered employment with RPS. The Senior HR Associates for Retirement and the Substitute Office have been trained on this requirement. The Senior HR Associate for Retirement also works closely with each retiree in a face-to-face meeting at least once (if they desire) ensuring that he/she thoroughly understands RPS and VRS requirements. A checklist is used and questions are answered. As it relates to circumvention of the hiring process, after my arrival in March, 2011, Directors, Principals, and Managers were notified that human resources actions for all employment candidates, begin (hiring) and end (termination, resignation, retirement) within the Department of Human Resources. The unauthorized hiring incident cited in the Audit was underway prior to my arrival and unfamiliarity with recurring and existing procedures. Additionally, any undiscovered or unknown employee exiting from RPS comes from the failure to communicate employee status changes with HR, until after the fact. The Executive Director of HR upon discovery of Directors, Principals, or Managers who allow non-compliance with hiring and termination procedures will recommend appropriate disciplinary action. Continued training and procedural reminders during Principals' meetings, Assistant Principal meetings, Project Management Oversight Committee meetings (PMOC), Substitute orientation sessions, and Leadership Training events will allow the necessary compliance with these directives to be clearly stated, continually communicated, and thus carried out.</p> |
| | TITLE OF RESPONSIBLE PERSON | | TARGET DATE |
| | Executive Director of Human Resources | | July 1, 2014 |
| | IF IN PROGRESS, EXPLAIN ANY DELAYS | | IF IMPLEMENTED, DETAILS OF IMPLEMENTATION |
| | | | |

MANAGEMENT RESPONSE FORM - APPENDIX A

RPS Payroll 2014-02

| # | RECOMMENDATION | CONCUR Y-N | ACTION STEPS |
|---|--|---------------|--|
| 3 | Implement an automated timekeeping system, such as electronic time clocks or a computerized time entry system for the hourly employees, that includes timely review and approval of time worked. | Yes | During the mandatory timekeeping training, timekeepers receive instructions on how employees are to complete timesheets daily for hourly employees. Approved time on the timesheet is entered using a web based system. Timesheets are not forwarded to the payroll department. The payroll staff lacks the means to verify or approve individual employee timesheets. That is the responsibility of the principal, director, or manager who approves the submission for payroll processing. RPS concurs with the recommendation to implement an automated timekeeping system, such as electronic time clocks or computerized time entry system. The Chief Operating Officer will explore the feasibility and budgetary impact of implementing an automated timekeeping system. |
| | TITLE OF RESPONSIBLE PERSON | | TARGET DATE |
| | Chief Operating Officer | | July 1, 2015 |
| | IF IN PROGRESS, EXPLAIN ANY DELAYS | | IF IMPLEMENTED, DETAILS OF IMPLEMENTATION |
| | Delays are expected due to budgetary constraints. | | |
| # | RECOMMENDATION | CONCUR Y-N | ACTION STEPS |
| 4 | Establish a system for recording and tracking compensatory time earned and used, which provides a documented history of activity. | No | RPS payroll staff does not concur in this observation. An established recordkeeping and tracking of compensatory time earned and used system exists. Document history of activity exists in the employee management system (EMS). The department of finance made available, documented, approved compensatory time for the auditors to review, which is tracked by employee. The auditor requested an electronic file showing all employee compensatory time posted to the period in which it was earned by the employee. Compensatory time is documented at the site-level. A memo is sent to the payroll department authorizing the addition of compensatory time to an employee's leave balance. Due to system limitations and because compensatory time is not an accrued benefit, the current payroll system does not post compensatory time to the employee record in the period it is earned. Approved compensatory time is posted to the employee's record when it is received in the department of payroll (when it become known to payroll) and is added to the leave balance. An employee cannot code leave time as compensatory on the system if there is no compensatory leave balance available. Auditor's Comment: Currently, the system only shows the total compensatory hours taken and the balances. The system is not capable of showing the compensatory time history. In this situation, the completeness or accuracy of compensatory time cannot be verified. |
| | TITLE OF RESPONSIBLE PERSON | | TARGET DATE |
| | | | |
| | IF IN PROGRESS, EXPLAIN ANY DELAYS | | IF IMPLEMENTED, DETAILS OF IMPLEMENTATION |
| | | | |

MANAGEMENT RESPONSE FORM - APPENDIX A

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| # | RECOMMENDATION | CONCUR Y-N | ACTION STEPS |
|---|---|---------------|--|
| 5 | Develop a written policy for submitting unclaimed property to the State that includes a compliance review by the CFO. | No | RPS General Ledger Supervisor does not concur in this observation. The auditor confirms that RPS is in compliance with the due diligence process for unclaimed property. The auditor reviewed the support documentation including check copies where funds were submitted to the State for escheatment. The process of how outstanding payroll checks are handled is documented. The procedure for this function was available for review upon request however this procedure was not requested during the audit because the auditor had assumed escheatment was a function of payroll. Therefore when a copy of the procedure wasn't included in the payroll procedures manual an assumption was made that a written policy did not exist. The process of submitting unclaimed property to the State is not a function of payroll but of the general ledger department. A copy of the written policy for submitting unclaimed property has been provided to the auditor. RPS follows policies for submitting unclaimed property to the state as prescribed by the state. As indicated in the report, five checks were withheld from escheatment because after contact from RPS, the employee indicated they would retrieve their funds but then failed to do so. The funds related to those five checks will be forwarded to the State with the next submission. Auditor's Comment: Auditors received unclaimed property procedures after the exit meeting. The procedures submitted do not address compliance reviews by management. In addition, it is not clear if these procedures existed during the audit period. |
| | TITLE OF RESPONSIBLE PERSON | | TARGET DATE |
| | IF IN PROGRESS, EXPLAIN ANY DELAYS | | IF IMPLEMENTED, DETAILS OF IMPLEMENTATION |
| # | RECOMMENDATION | CONCUR Y-N | ACTION STEPS |
| 6 | Develop a formal, comprehensive policies and procedures manual, which should be readily available to all staff. | Yes | A payroll policy and procedure manual exist, and is readily available to all payroll staff. However, RPS management concurs with the recommendation that a more comprehensive manual is necessary. While the primary responsibility to develop a formal, comprehensive policies and procedures manual falls on the Payroll Supervisor, the Interim Director of Finance will work very closely with the Payroll Supervisor to assure a comprehensive manual is generated. |
| | TITLE OF RESPONSIBLE PERSON | | TARGET DATE |
| | Payroll Supervisor | | July 1, 2014 |
| | IF IN PROGRESS, EXPLAIN ANY DELAYS | | IF IMPLEMENTED, DETAILS OF IMPLEMENTATION |
| | Delays may occur due to payroll staff limitations as well as limitations on the Director of Finance as a result of several vacancies. | | |