




TO: Gilbert Gutierrez
Area Superintendent

FROM: W. Stephen Carr 
Director of Office of Internal Audit

DATE: May 15, 2012

RE: San Diego High School of Business Payroll Time and Labor Audit

An audit of the Payroll Time and Labor financial operations was conducted at San Diego High School of Business for the period July 1, 2010 through June 30, 2011. The audit report contains information regarding the audit findings and recommendations.

Enclosed is a copy of the audit report and site administrator's response. The site administrator was responsive to all of our recommendations and corrective actions had been taken or planned.

If you have any questions concerning information in this report, please call me at 725-5696.

c. Members, Board of Education
W. Kowba
N. Meyer
L. Schoenke
B. Rhinerson

e-mail report: Members, Audit committee
M. Hudson



Payroll Time and Labor Audit Report

San Diego High School of Business

February 24, 2012

Introduction

The Office of Internal Audit conducted an audit of the payroll time and labor at San Diego High School of Business for the period July 1, 2010 through June 30, 2011 at the request of the new complex principal and the Area 6 Superintendent. The review included an examination of PeopleSoft time and labor computer records and payroll documentation maintained at the school site. The principal having the responsibility for time and labor processing covered by this audit is now an assigned principal at another school site.

Currently, the employees assigned at San Diego High School of Business totaled 38, of the total employees, 27 are certificated employees and 11 are classified employees.

Audit Scope and Objectives

The scope of this audit included a review of all supporting documentation for the payroll time and labor input from July 1, 2010 through June 30, 2011.

The specific objectives of this audit were:

- To determine that internal controls exist to protect the assets of the school district.
- To determine that the time keeping process complied with District policies and procedures.
- To verify that all absences and hours were recorded timely and accurately.
- To verify that backup documentation existed for all absences and hours recorded.
- To determine that monthly positions are valid and full time equivalent agrees to employee's actual hours worked.

Audit Findings Summary

1. Six employees submitted additional hourly timecards totaling 33.50 hours that are within the normal teaching days, and accordingly since part of the regular service contract, result in overpayments of \$1,030.67.
2. Discrepancies in hours reported in the Time and Labor system resulted in overpayments of \$578.61.

3. The time reporting code was incorrectly used to report additional hours for two employees resulting in an overpayment of \$503.82.
4. Five employees' absences totaling 37 hours were not recorded in the Time and Labor system.
5. Classified and certificated staff lacking management authority, signed as the approver for 5 timecards totaling 25.5 additional pay hours and \$574.74 in payments; for four of these timecards, the signing staff member also input the data into the time and labor system.
6. The timekeeper, without the timecards having an authorized signature, posted 96 hours of additional pay amounting to \$2,376.46 and also 8 hours of benefit leave absences to Time and Labor.
7. Timecards for 141.80 additional pay hours that paid totaling \$4,615.33 were missing and prevent a determination that the payments were allowable, valid and properly authorized.
8. Three regular full-time district employees were allowed to work more than ten (10) hours per week of additional time, exceeding the hourly assignments cap and earning \$3,232.16 in additional pay.
9. Supporting documentation for 21 leave benefit absence request forms totaling 159.36 hours were missing, hence authorized request and subsequent authorization cannot be determined.
10. Several "Audit Paid to Reported Time" reports for the period July 1, 2010 through June 30, 2011 were missing.
11. Errors in the proper completion of timecards were noted in 48 instances that included missing logging time in and time out and time reporting codes.
12. An employee submitted incomplete "Short Term Leave with Pay Request" forms that lacked the required explanation.
13. The timekeeper posted as vacation hours, days for one employee during Thanksgiving week that are required to be posted as "Unpaid".
14. Personal Business leave taken by an employee exceeded the limit of 3 days per fiscal year.

Conclusion

Our review of the time and labor at San Diego High School of Business disclosed that payroll processing did not meet district standards, and a need exists to take significant actions in staff training and instruction to bring the payroll processing into compliance with district policies, procedures and payroll practices. This is to ensure that financial and operational activities relating to payroll time and labor are properly accounted for and controlled. Request for absences and hours entered into the payroll time and labor must be properly supported and authorized to protect district's assets.

The principal is responsible for certifying each payroll and must adequately supervise the time and labor operations of the school. Internal controls that include appropriate reviews and approvals of timecard transactions must be implemented immediately.

The timekeeper must submit monthly payroll reports to the principal for review and signature to verify that the time and labor entries are accurate and authorized. The principal must ensure that all identified errors are corrected and policies are implemented to certify compliance with School District procedures in the future.

We appreciate the cooperation extended by the staff and current administration during the examination.



Ines G. Abitria
Operations Auditor



W. Stephen Carr
Director, Office of Internal Audit

Audit Findings and Recommendation

1. Six employees submitted additional hourly timecards totaling 33.50 hours that are within the normal teaching days, and accordingly since part of the regular service contract, result in overpayments of \$1,030.67.

Our audit revealed that several employees had submitted additional hourly timecards totaling 33.50. These hours overlapped with their regularly paid hours (7:00AM to 3:30PM). As a result, the employees were overpaid a total of \$1,030.67.

Specifically, we noted the following:

Employee #	Paid Hours	Should Be	Overpaid Hours	Overpaid Amount
1	1.50	0.50	1.00	\$53.08
2	13.00	11.00	2.00	63.10
3	22.00	11.50	10.50	312.27
4	15.25	12.25	3.00	96.64
5	20.00	5.00	15.00	446.10
6	7.00	5.00	2.00	59.48
Total	78.75	45.25	33.50	\$1,030.67

- District Administrative Procedure No. 7236 states “In order to qualify for payment, the services must be performed outside normal teaching days and/or hours that are considered part of regular contract service”.

The timekeeper is to review the accuracy and completeness of payroll records and data prior to processing and reporting of payroll. The site administrator is to determine that additional pay submittals satisfy the contract requirements.

Recommendation:

The principal is to effect those processes needed to review the accuracy and completeness of payroll records and data prior to processing and reporting of payroll.

The principal is to require that the timekeeper make the required corrections by submitting Time Error Correction Notices to Payroll.

2. Discrepancies in hours reported in the Time and Labor system resulted in overpayments of \$578.61.

Four employees submitted timecards for wrongly stated number of hours and resulted in these employees being overpaid a total of \$578.61.

Specifically, we noted the following:

Employee #	Hours Paid	Should Be	Overage	Amount
1	18.50	10.50	8.00	\$351.68
2	7.00	5.50	1.50	54.08

3	8.00	6.00	2.00	31.64
4	4.80	0.00	4.80	141.21
Totals	38.30	22.00	16.30	\$578.61

The discrepancies occurred because the employees incorrectly calculated the hours stated in their timecards and the timekeeper did not verify the accuracy of the hours.

The timekeeper is to review the accuracy and completeness of payroll records and data prior to processing and reporting of payroll.

Recommendation:

We recommend that the principal require the timekeeper to make the corrections by submitting a Time Error Correction Notices to Payroll.

Administration, to comply with payroll processing requirements, has the management responsibility to implement site practices that assure the completeness of payroll records and data, prior to processing and reporting payroll.

3. The time reporting code was incorrectly used to report additional hours for two employees resulting in an overpayment of \$503.82.

Two teachers performing tutoring after school hours were paid using an incorrect time reporting code. The timekeeper used Pro Rata (PRO) instead of Tutor (TUT) resulting in a total overpayment of \$503.82 as follows:

Employee #	Period	Hours Paid	Hourly Rate	Amount Paid	(TUT) Hourly Rate	Amount Should Be	Over-payment
1	09/09/10-01/20/11	19.00	\$48.21	\$915.94	\$29.74	\$565.06	\$350.88
2	09/15/10-12/09/10	12.50	\$41.98	524.69	\$29.74	371.75	152.94
Totals				\$1440.63		\$936.81	\$503.82

Recommendation:

We recommend that the principal require the timekeeper to make the corrections by submitting a Time Error Correction Notices to Payroll.

4. Five employees' absences totaling 37.00 hours were not recorded in the Time and Labor system.

Our review of payroll records for the period July 1, 2010 through June 30, 2011, revealed that 37.00 hours were not reported to the Time and Labor system. As a result employee's accrued benefit balances were overstated.

Specifically, we noted the following:

Description	Date	TRC	Hours	Remarks
Spec Ed Asst	05/13/2011	SLF	6.00	Not posted per SAMS and Timecard
Spec Ed Tech	02/08/2011	SLF	7.00	Not posted per Timecard
Campus Security Asst.	11/05/2010	PRN	8.00	Not posted per Timecard
Administrative Asst 1	01/18/2011	FLH	8.00	Not posted per SAMS and Timecard
Regular Teacher	04/13/2011	PRN	8.00	Not posted per SAMS and Timecard
Total Hours not Posted			37.00	

Absences reported in the Substitute Assignment Management System (SAMS) are to be posted in the Time and Labor system and timecards are required to support the absences. Failure to post the absences can result in overpayment should posted leave hours exceed earned balances.

Recommendation:

We recommend that the principal require the timekeeper to make the corrections by submitting Time Error Correction Notices to Payroll.

Administration, to comply with payroll processing requirements, has the management responsibility to implement site practices that assure the completeness of payroll records and data, prior to processing and reporting payroll.

- Classified and certificated staff, lacking management authority, signed as the approver for 5 timecards totaling 25.5 additional pay hours and \$574.74 in payments; for four of these timecards, the signing staff member also input the data into the time and labor system.**

Our review of payroll records for the period July 1, 2010 through June 30, 2011, revealed that four timecards of the Campus Security Assistant totaling 16.5 overtime hours and 5 hours extra time were inappropriately signed as approved by the Financial Clerk and a timecard for 4 overtime hours was signed as approved by the Athletic Director. These are not management positions and have no authority to sign as approver for payroll processes.

Approval of timecards is the responsibility of the administrator, certifying that services rendered by an employee are accurate and assuring responsibility and accountability for district assets.

Recommendation:

Administration is to assure compliance to District Procedure. Timecards are to be submitted to the Principal for required authorization.

6. **The timekeeper, without the timecards having an authorized signature, posted 96 hours of additional pay amounting to \$2,376.46 and also 8 hours of benefit leave absences to Time and Labor.**

Our review of the payroll records for the period July 1, 2010 through June 30, 2011, revealed that a total of 104.00 hours additional pay were entered into the Time and Labor System without the authorized signature from the principal.

Specifically, we noted the following:

TRC	Description of Hours	Total Hours	Amount
EXTRA	Extra Time	18.00	\$601.73
OTH	Overtime	52.50	1,269.06
WKC	Workshop Certificated	25.50	505.67
SLF	Sick Leave	8.00	0.00
	Totals	104.00	\$2,376.46

Signature of the principal is required to signify that the hours to be recorded in the time and labor system are authorized.

Recommendation:

The principal has the responsibility to effect those processes needed to review the accuracy and completeness of payroll records and data prior to processing and reporting of payroll.

The timekeeper is to review the accuracy and completeness of payroll records and data prior to processing and reporting of payroll. Timecards are to be reviewed for the approval signatures of the principal before reporting hours into the time and Labor system.

7. **Timecards for 141.80 additional pay hours that paid totaling \$4,615.33 were missing and prevent a determination that the payments were allowable, valid and properly authorized.**

Our review of payroll records for the period July 1, 2010 through June 30, 2011, revealed that 141.80 hours totaling \$4,615.33 were reported and paid without timecards. As a result we could not determine if the hours paid were authorized or valid.

Listed below is the summary of hours paid that did not have supporting documentation.

TRC	Description of Hours Paid	Total Hours	Amount
EXTRA	Extra time	23.00	\$372.81
NCT	Non-Classroom Hourly	43.00	1,278.82
OTH	Overtime	12.00	291.76
PRO	Contract Rate	55.80	2,434.02
TUT	Tutor	8.00	237.92
	Totals	141.80	\$4,615.33

Timecards are to be retained at the site to substantiate the hours reported in the Time and Labor system and for audit purposes.

Timecards for additional pay require principal approval and a description of the work performed justifying the basis for the additional pay.

Recommendation:

The principal is to effect those processes needed to review the accuracy and completeness of payroll records and data prior to processing and reporting of payroll.

We recommend that the principal require staff to complete a timecard and the timekeeper should ensure that proper supporting documents are on file when processing time and labor.

The timekeeper also should review the accuracy and completeness of payroll records and data prior to processing and reporting of payroll.

8. **Three regular full-time district employees were allowed to work more than ten (10) hours per week of additional time, exceeding the hourly assignments cap and earning \$3,232.16 in additional pay.**

Our review of payroll records for the period July 1, 2010 through June 30, 2011 revealed that three certificated employees were allowed additional work having earnings amounting to \$9,624.22.

We noted that \$3,232.16 or (34% of \$9,624.22) of the additional hourly assignments were in excess of the 10 hours of allowable additional hourly assignments per week as follows:

Employee #	No. of Weeks	10 Hrs. Limit	Actual Hours	Excess Hours	Amount
1	9	90.00	138.25	48.25	\$2,121.07
2	4	40.00	58.00	18.00	652.16
3	3	30.00	43.72	13.72	458.93
Total	16	160.00	239.97	79.97	\$3,232.16

- **District Administrative Procedure No. 7236 states “Regular full-time district employees shall not be assigned more than ten hours per week of hourly classroom instruction or non-classroom assignments”.**

Recommendation:

We recommend that the principal not assign additional hourly assignments for regular full-time employees that exceeds the ten hour per week of hourly classroom instruction or non-classroom assignments procedure requirement.

We also recommend that the principal reviews the work of the employees and adjust their schedules to minimize additional hourly assignments.

9. **Supporting documentation for 21 leave benefit absence request forms totaling 159.36 hours were missing, hence authorized request and subsequent authorization cannot be determined.**

We examined the benefit absences reported and paid for the pay period starting July 1, 2010 through June 30, 2011 for certificated and classified employees. We found that absence requests in 21 instances, representing 159.36 hours, did not support the posting of benefit absences for several employees.

Listed below is the summary of absence requests that did not have supporting documentation.

TRC	Description	Instances	Hours
DBSPD	District Business Professional Dev	6	45.36
PRB	Personal Business	3	24.00
PRN	Personal Necessity	2	16.00
SLF	Sick Leave	3	22.00
VAC	Vacation	7	52.00
	Totals	21	159.36

Timecards are to be retained at the site to substantiate the hours reported in the Time and Labor system – a valid use of district resources, and to enable a determination that district requirements are being met.

Recommendation:

The principal is to effect those processes needed to review the accuracy and completeness of payroll records and data prior to processing and reporting of payroll.

We recommend that the principal require responsible staff to complete an absence request form and the timekeeper should ensure that all absence requests' supporting documentation are on file.

The timekeeper also should review the accuracy and completeness of payroll records and data prior to processing and reporting of payroll.

10. **Several “Audit Paid to Reported Time” reports for the period July 1, 2010 through June 30, 2011 reports were missing.**

Our audit revealed that several “Audit Paid to Reported Time” reports were not printed by the school and one report was not certified by the principal that the processed payroll reflects time actually worked and accrued.

The monthly and hourly payroll reports must be printed and submitted to the principal for review and signature in order to verify and have the principal certify that the time and labor entries are accurate.

The principal is responsible for certifying payroll and this report is the district's requirement for satisfying the payroll certification.

Recommendation:

The principal, responsible for certifying each payroll, must create a process that assures compliance with this district requirement.

The "Audit Paid to Reported Time" reports must be printed for each payroll cycle and submitted to the principal for review and signature.

11. Errors in the proper completion of timecards were noted in 46 instances that included missing logging time in and time out and time reporting codes.

We reviewed all payroll time and labor documents completed by employees that were maintained by the school to determine that they were properly completed. We noted that 48 timecards were missing elements of time in, time out and time reporting codes.

Recommendation:

Internal Audit recommends that the principal institute procedures to assure that timecards are properly completed. The Timekeeper is to review the timecards to determine if properly completed, before reporting into the Time and Labor system.

12. An employee submitted incomplete "Short Term Leave with Pay Request" forms that lacked the required explanation.

An employee submitted a request for Bereavement Leave that was not complete, lacking a full explanation, a necessary requirement in order to grant the leave.

Absences without loss of salary for a period not to exceed five (5) days may be granted to a unit member upon the death of a member of his/her or the spouse's/same gender domestic partner's immediate family.

A full explanation is required when submitting a short term leave with pay for bereavement to determine if the leave taken satisfies the employee's immediate family requirement. Failure to ascertain that the request for time is valid, can result in overpayment should the request not meet contractual requirements.

Administration, in granting the request has the responsibility to assure that the request satisfies contractual requirements.

Recommendation:

We instruct that the principal institute a practice that assures compliance with district policy when granting short term leave with pay and secure the required detail to determine that this bereavement leave request satisfies contractual requirements.

13. The timekeeper posted as vacation hours, days for one employee during Thanksgiving week that are required to be posted as “Unpaid”.

The school site is closed during the week of Thanksgiving (November 22 through November 26, 2010). The first three days of the week (November 22, 23, and 24) are to be reported as unpaid days. However, one employee’s time was erroneously reported as vacation hours instead of unpaid days.

Vacation hours cannot be used in lieu of the unpaid days during the week of Thanksgiving.

Recommendation:

We recommend that the principal require the timekeeper to make the corrections by submitting a Time Error Correction Notice to Payroll.

The timekeeper also should review the accuracy and completeness of payroll records and data prior to processing and reporting of payroll.

14. Personal Business leave taken by an employee exceeded the limit of 3 days per fiscal year.

Our review of the employees’ benefit absences resulted in one employee taking 4 personal business days, exceeding the limit of 3 days per fiscal year.

Per SDEA contract, unit members may use up to three (3) days per school year of accumulated sick leave for personal business.

Recommendation:

We recommend that the principal require responsible staff to submit corrections. In addition, the timekeeper is to monitor the employee absences.



MEMORANDUM

TO: Nellie Meyer, Deputy Superintendent
FROM: Joe Austin, Principal
DATE: May 2, 2012
SUBJECT: Response to Audit Report, San Diego High School of Business

I have been presented with the Audit Report, dated February 24, 2012, and will address the findings below. I left San Diego High last fall, as did **Sylvia Hoffman**, my administrative assistant, so my ability to enact the auditor's recommendations is limited, I will apply what I've learned from these findings at Joyner Elementary, my new work location.

Finding 1: I understand the findings as stated (timecards submitted for hours that fall within the regular service contract), but I would submit that, while teaching contracts are predicated on an 8 hour work day, it's common for teachers to take on additional responsibilities immediately following the 6.5 hour instructional day. The additional 1.5 hours of "prep time" (which commonly includes planning, grading, parent communication, etc.) simply gets pushed later in the day.

In other words, it's not realistic to expect teachers to schedule additional assignments/responsibilities (especially those that involve interacting with students) 90 minutes after the end of the instructional day.

Finding 2: I understand the need for timekeepers to review the accuracy and completeness of payroll records, and I regret these oversights.

Finding 3: I understand that, as a best practice, Tutor rates would be the default rate of pay for additional instructional duties, but there are a variety of funding sources (21st Century SLC and California Partnerships Academy, for example) that afford site administrators to pay Pro Rata. It's my experience that quality teachers are more inclined to take on these additional tutoring responsibilities when the rate of pay is commensurate with their regular hourly rate.

Finding 4: I understand that five employee absences (totaling 37 hours) were not recorded in Time and Labor system, resulting in accrued benefits balances that were overstated. I understand the importance of insuring that Time and Labor absence reports reflect payroll records in order to avoid these overstated accruals.

Finding 5: I've reviewed the list of timecards that appear to have been signed by staff lacking management authority (Athletic Director and Financial Clerk). All five of the timecards in question were for **Michael Padilla**, a CSA who regularly supervised and supported athletic events. While I don't recall seeing these timecards, or being approached by either the A.D. or Financial Clerk, it could be that these entries were made close to a time and labor entry

deadline, and without authorization, with the intent of getting my signature soon thereafter. While it's certainly not an endorsement of this practice, it should be noted that the logistical challenges of the small school structure at San Diego High (six principals, six administrative assistants, six cost centers, etc.) definitely presents some unique challenges to support staff.

In my opinion, it's quite likely that the Athletic Director and Financial Clerk were simply attempting to insure that support staff got paid in a timely fashion, and that there was no intent to usurp the process outlined in district policy.

Finding 6: Regarding the timecards missing authorization, I can only assume that those timecards were processed close to payroll entry deadline, in anticipation of an authorized signature. I realize that this practice is not in accordance with timekeeping policy, and take full responsibility for allowing it to take place. My administrative assistant commonly provided me with a signature folder containing dozens of timecards requiring signature, and I did not always return them in time for the payroll entry deadline. It was my direction that she enter timecards by the deadline, even if had not yet returned the timecards with signature, as I did not want my inability to balance my workload to result in the delayed payment to faculty and staff.

I've since adjusted my system, and get signature folders twice each month, allowing me to get all but the last several days of the pay period's timecards signed prior to the entry deadline.

Finding 7: Regarding the missing timecards, I can only tell you that it was my experience that my administrative assistant during this audit period was extremely organized and detailed. She had 3 ring binders that contained timecards and time and labor reports, sorted by employee. Having left that school in August of 2011, I have no knowledge of what became of those files.

Because the vast majority of the missing timecards were reported during summer months, it's likely that those timecards were entered by someone other than my administrative assistant (perhaps another administrative assistant on site, or our financial clerk?)

Finding 8: In response to the three employees who were allowed to exceed the hourly assignment cap, I would submit that all three of them play unique roles at the School of Business. [REDACTED] and [REDACTED] co-coordinate a nationally-recognized career-themed academy program (the Academy of Finance), which includes a great deal of extracurricular activities, curriculum development, community advisory board engagement, and fundraising activities.

Similarly, [REDACTED] leads a career-themed academy focused on culinary arts. His classroom is a state-of-the-art commercial kitchen and catering venue, which frequently provides catering for events on and off site. He supervises students who produce food, set up, serve and break down events. In addition, [REDACTED] is responsible for procuring grocery items, which frequently involves shopping trips during the days leading up to the event.

I take full responsibility for neglecting to manage the 10 hours per week cap on these additional activities, but recognize the importance, as well as the cyclical nature of the work these teachers do to support their small learning communities.

Finding 9: I recognize the importance of maintaining documents related to absence request forms. I do not have an explanation for the missing documentation outlined in Attachment IX, but I will insure that the procedures in place at my current school are sufficient to insure that this type of documentation is carefully maintained.

Finding 10: Regarding missing or uncertified "Audit Paid to Reported Time" reports, I can only say that I reviewed those reports when they were included in my signature folder, but it's likely that, as not all of the signature folders included this type of report, that the absence of the missing reports may not have stood out as unordinary to me. At my current site, these audit reports are a regular part of the 2nd signature folder I get each month, allowing me to recognize right away if one is missing.

Finding 11: Regarding the 48 timecards that lacked complete documentation of time-in and time-out, or time reporting codes, I have instituted a system at my new site to confirm that timecards are properly completed, and that entries are confirmed prior to being submitted for signature. I know that the format for timecards shifted at some point during this audit period, and I regret that the system we had in place at that time did not catch these mistakes.

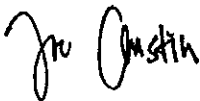
Finding 12: Regarding the incomplete "short term leave with pay request" for [REDACTED], I regret that we failed to gather the related documentation. As memory serves, [REDACTED] father-in-law died unexpectedly, and he and his family left town immediately to be with his wife's family. I understand the recommendation, and will insure that future short term leave requests are documented per contractual requirements.

Finding 13: Regarding the posting of vacation hours during a week that requires that they be posted as "unpaid", I have reviewed the policy and recommendation, and will avoid signing off on similar requests in the future.

Finding 14: Regarding the additional day of Personal Business leave taken by an employee, I regret this oversight. I will review the policy with my current timekeeper, and insure that the system in place here will prevent similar mistakes in the future.

If you have questions, I can be reached at (619) 300-2048.

Sincerely,



Joe Austin
Principal