



Report to the General Counsel,
Executive Director, Human
Resources, Area Superintendent,
Area 1, and the Principal, iHigh
Virtual Academy

October 2016

iHIGH VIRTUAL ACADEMY

Review of Time and Labor
Costs for School Year 2016

NOTICE

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report, represent the opinion of the Office of Internal Audit. Determinations of corrective action to be taken will be made by the appropriate San Diego Unified School District officials.

Highlights

Highlights of Report 17-01, a report to the General Counsel, Executive Director, Human Resources Department, Area Superintendent, Area 1, and the Principal, iHigh Virtual Academy

Why OIA Did This Review

The General Counsel and the Executive Director, Human Resources requested a review of the additional compensation costs for iHigh Virtual Academy (iHigh) for school year 2016 (SY-16). Specifically, we were asked to review the costs incurred by the staff placed on a 6/5 Assignment.

What OIA Recommends

We provided five recommendations in the report. One recommendation is addressed to the Area Superintendent, Area 1 to take collection actions on the overpayments to the staff.

Four recommendations were addressed to the iHigh Acting Principal that include improvements in the system of controls and documentation for leaves taken and additional compensation, and that the iHigh Acting Principal review and certify the Audit of Paid to Reported Time report each month to ensure all the necessary adjustments have been made.

The Area Superintendent, Area 1 responded that the report was forwarded to Legal Services to determine the collectability of the overpayments. The Acting Principal generally agreed with our recommendations. The responses met the intent of the recommendations.

iHigh Virtual Academy

Review of Time and Labor Costs for School Year 2016

What Did OIA Find

We identified that the teachers receiving a 6/5 Assignment received overpayments of \$8,979 due to an erroneous calculation of the compensation rates. We questioned an additional \$8,694 in compensation costs for time and labor (T&L) costs and for leaves that were not entered into the T&L system.

The overpayments were in part due to erroneous calculation of the hourly rate. The school employed a rate of 160 percent of the individual's hourly compensation instead of their hourly compensation resulting in a 60 percent overpayment for each hour. We identified periods where these individuals did not work but received their 6/5 Assignment pay as if they had worked.

Additionally, OIA identified hours that teachers had been on leave and received approval, but were not entered into the T&L system. These unrecorded charges totaled \$7,591. Further two individuals whose leave charges for District Business – Personal Development (DSBPD) were not supported with documentation. The absence of documentation resulted in \$1,103 of questioned costs.

With the exception of the October 2015, *Audit of Reported to Paid Time* report had not been reviewed by the former Principal prior to the start of our fieldwork. In our opinion, a timely review of this report could have reduced the amount of the questioned costs related to documentation.

21 October 2016

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This report responds to a March 2016 request from the General Counsel and the Executive Director, Human Resources Department for the Office of Internal Audit (OIA) to review the additional compensation payments made to the staff at the iHigh Virtual Academy (iHigh). Specifically, we were asked to review the additional compensation payments for individuals teaching a 6/5 schedule during school year 2016 (SY-16).

As part of the preparation for this review, we reviewed the additional compensation costs incurred by iHigh during school year 2015 (SY-15). We determined, based on our analysis of the data, a review of the SY-15 additional compensation payments was warranted. OIA provided the results of its review of these payments to you on 21 October 2016.

Results in Brief

Our review identified \$8,979 in overpayments to the iHigh staff who received 6/5 Assignments. A significant portion of the overpayments resulted from an error in the calculation of the hourly rate applied to the additional teaching time for this assignment.

Further, we identified additional questioned costs of 8,694 due to missing documentation or T&L charges for various leaves that were not entered into the payroll system.

Recommendations

OIA provides five recommendations in this report. One recommendation is addressed to the Area Superintendent, Area 1

and four recommendations are addressed to the iHigh Acting Principal. Our recommendations include the:

The Area Superintendent, Area 1 should take the necessary actions to collect the overpayments from the individuals identified in this report.

The iHigh Principal¹ take the following actions:

- Ensure the timekeeper make the necessary adjustment for all unreported leaves and submit *Time Reporting Error Notice* to the Payroll Department as necessary;
- Ensure that all staff working more than five hours per day take a minimum 30 minute lunch period, that is not included at the end of the day;
- Mandate that all employees submit to the timekeeper an approved timecard prior to recording a “District Business” absence in the T&L system; and
- Ensure that the Audit of Paid to Reported Time report is produced monthly, reviewed, and certified via signature.

Background

iHigh provides the San Diego Unified School District (District or SDUSD) students with the ability to obtain required and elective courses online. This permits students who are students at other District high schools to participate in various courses while maintaining their enrollment at their current school. Also, students have the opportunity to enroll in courses for additional credit or to make-up for courses that are required for graduation.

At the start of SY-16, iHigh experienced a significant increase in its student enrollment. However, sufficient teachers were not available to meet the demands for additional classes. In order to provide the students with the needed classes, the former iHigh Principal requested that four teachers not receive a preparation period and instead teach a course for the balance of the first semester. These teachers were compensated in a manner similar to the 6/5 assignment model used by the District to compensate middle and high school teachers for teaching an additional class on a short term basis.

As of 29 February 2016, iHigh expended \$648,690 in compensation. The iHigh staff was composed of thirteen employees.

¹ The recommendations in a draft version of this report were addressed to the Acting Principal whose response to the report is included as Appendix I. The references in final report have been changed to the Principal.

Objectives and Scope

The objectives of this review were to determine whether iHigh:

- Complied with the applicable Board of Education (BOE) policies and District administrative procedures (AP) for compensation of employees;
- Supported all of the entries into the time and labor (T&L) system for additional compensation and leave, and that the entries were approved by the Principal; and
- Maintained the payroll records and supporting documentation for all entries into the T&L system.

Our review included the period 1 July 2015 through 29 February 2016. We reviewed only the compensation provided to the iHigh staff. Benefit and other related costs were not included in this review.

The procedures and tests that we applied to the payroll data, provided to us by iHigh, were not sufficient to constitute a review in accordance with generally accepted government auditing standards; the objective of which is an expression of an opinion on the payroll data taken as a whole. We do not and will not express such an opinion. Had we conducted a review in accordance with generally accepted government auditing standards other matters may have come to our attention that we would have reported to you.

Use of Computerized Data

OIA did not rely on computerized data in conducting this review.

Overpayment of 6/5 Assignment Compensation

OIA identified that iHigh overpaid the five individuals who received additional compensation for working a 6/5 assignment. We determined that the total overpayments were \$8,979. The overpayments resulted from an erroneous calculation of the hourly multiplier used for the rate, and for payments for the additional time not worked by the staff.

The staff receiving 6/5 assignments are compensated for forgoing their preparation period and teaching another class period. The District provides additional compensation for this. In the past according to District staff, the individuals with 6/5 Assignments were compensated using their hourly rate for short term assignments. The staff with a long term assignment is compensated through the payment of a stipend at the end of the semester.

Documentation of Eligibility for 6/5 Assignment Compensation

AP 7236, *Additional Hourly Assignments for Contract Teachers*, § C.2.a requires, “Only teachers specifically approved for compensation shall be paid.” Section C.3.c requires that, “Approval in writing from appropriate division head/instructional leader must be obtained (D.1) before teachers are employed to perform services covered in this procedure.”

The District’s practices require that approved timecards be provided to the timekeeper for individuals to receive additional compensation. In this instant, however, the school submitted a modified *Personal Action Request* (PAR) to the Human Resources Department including the 6/5 Assignment into the PAR. This impacted four of the five teachers receiving a 6/5 Assignment. The fifth teacher, a substitute, did not receive a PAR indicating the 6/5 Assignment.

According to the school staff we spoke with, timecards would not be required if the additional duties were included in the PAR. This resulted in the timekeeper’s inclusion of the additional compensation for the 6/5 Assignment in the individual’s compensation, without documentation. This practice appears to violate the documentation and approval requirements outlined in AP 7236. Further, the iHigh timekeeper appeared to be unaware that the substitute teacher would need timecards to support the additional compensation, and did not obtain timecards from the substitute that supported the additional payments of \$2,028 (see Table 1 Employee E).

Calculation of the Rate Used for 6/5 Assignment Compensation

In our discussions with staff from Payroll/Benefits, and iHigh, we learned that iHigh was told to use a calculated rate of 160 percent of the current teacher’s hourly rate. This calculation appears to be based on a budgetary projection of 0.20 of a full-time equivalent (FTE) position. iHigh and Payroll/Benefits determined that 0.20 of an eight hour day is 1.60 hours.

This budgetary estimate does not fully align with the teachers’ collective bargaining agreement (CBA). At the high school level, the CBA indicates that a full time teaching assignment is five classes of approximately one hour and a one hour preparation period. When a teacher receives a 6/5 Assignment, they forgo the preparation period and teach for an additional hour, an additional 20 percent of their full time assignment. The actual increased teaching level for which compensation may be due is one hour. This position is supported by e-mail messages from Budget regarding other 6/5 Assignments provided to us by Payroll/Benefits.

The compensation calculation using the 160 percent of the teacher’s hourly rate is erroneous, and resulted in overpayments to the teachers involved. Table 1 provides a summary of the overpayments received for the hours taught by each of the teachers.

Table 1: Schedule of Overpayments

Employee	Calculation of Hours ^a			Compensation ^a		
	Hours at 6/5	Hours at	60 Percent	6/5 Assignment	Contract	Calculated
	Assignment Rate	Contract Rate	Differential	Rate	Rate	Overpayment
A	91.20	57.00	34.20	\$ 4,965.01	\$ 3,103.13	\$1,861.88
B	92.80	58.00	34.80	4,306.82	2,691.76	1,615.06
C	68.80	43.00	25.80	4,021.36	2,513.35	1,508.01
D	99.20	62.00	37.20	6,171.17	3,856.98	2,314.19
E	96.00	60.00	36.00	2,028.00	1,267.50	760.50
Total	448.00	280.00	168.00	\$21,492.36	\$13,432.72	\$8,059.64

Source: OIA analysis of payroll data.

Note: ^a Calculated hours and compensation does not include the data in tables 2 through 4 which reflect deductions for hours not worked by the employees.

Compensation Received for Hours Not Worked

OIA identified instances when the teachers with the 6/5 Assignments received compensation for periods when they did not teach resulting in \$920 of overpayments to the impacted teachers. These periods included time recorded as bereavement, district business, personal business and sick leave. Tables 2 through 4 provide additional detail for the impacted employees. In our discussions with iHigh’s former Principal and timekeeper, they indicated that providing the additional compensation in these instances was in error.

Table 2: Improper Additional Compensation – Employee A

Employee	Date	Leave Type	Hours	Overpayment
A	9 Oct 15	Sick Leave	1.60	\$ 87.10
	19 Nov 15		1.60	87.10
	7 Dec 15	Bereavement	1.60	87.10
	8 Dec 15		1.60	87.10
	9 Dec 15		1.60	87.10
Total Hours and Overpayments			8.00	\$435.50

Source: OIA analysis of payroll data.

Table 3: Improper Additional Compensation – Employee B

Employee	Date	Leave Type	Hours	Overpayment
B	30 Sep 15	District Business	1.60	\$ 74.26
	21 Oct 15	Personal Business Leave	1.60	74.26
	22 Oct 15		1.60	74.26
	23 Oct 15		1.60	74.26
Total Hours and Overpayments			6.40	\$297.04

Source: OIA analysis of payroll data.

Table 4: Improper Additional Compensation – Employee C

Employee	Date	Leave Type	Hours	Overpayment
C	6 Nov 15	Sick Leave	1.60	\$ 93.52
	18 Nov 15		1.60	93.52
Total Hours and Overpayments			3.20	\$187.04

Source: OIA analysis of payroll data.

Conclusion

In reviewing the 6/5 Assignments, OIA identified \$8,979 in overpayments to employees. These overpayments were the result of an erroneous calculation of the salary multiplier for 6/5 Assignments and not ensuring that additional compensation is provided for only time actually worked. Table 5 provides a summary of the overpayments to each of the impacted individuals.

Table 5: Summary of Individual Overpayments

Employee	Calculation Error	Hours Not Worked	Total Overpayment
A	\$1,861.88	\$435.50	\$2,297.38
B	1,615.06	297.04	1,912.10
C	1,508.01	187.04	1,695.05
D	2,314.19	0.00	2,314.19
E	760.50	0.00	760.50
Total Overpayments	\$8,059.64	\$919.58	\$8,979.22

Source: OIA analysis

Recommendation

OIA recommends the following actions be taken:

1. Area Superintendent, Area 1 take action to recover the overpayments from the teachers receiving the 6/5 Assignments.

The Area Superintendent responded that he forwarded the issue regarding the recovery of the overpayments to Legal Services to determine the collectability (Appendix II)

Additional Time and Labor Issues

Our review of iHigh's time and labor (T&L) records identified additional issues regarding compliance with the teachers' collective bargaining agreement (CBA), leave charges that were not recorded in the T&L system, and absence of documentation to support all entries in the T&L system. As a result, we identified \$8,694 in questioned costs.

Compliance with the Collective Bargaining Agreement

Section 8.5 A of the CBA with the California School Employees Association states, in part, that:

Each unit member assigned for more than five (5) hours per day shall be entitled to an unpaid, duty-free lunch period of thirty (30) minutes.

Section 8.5 D of the same CBA states that:

Times when unit members may take their unpaid duty-free lunch periods shall be determined by the unit member's supervisor, taking unit members' preferences and program/assignment needs into consideration, and shall not vary from day to day within the workweek except as pre-

established at the time of employment or when mutually agreed to by the unit member and the supervisor. Normally, the lunch period shall be as close to the middle of the shift as feasible. (Emphasis added)

A member of the iHigh staff was permitted to work from 7:00 a.m. to 3:00 p.m. without taking a 30 minute unpaid lunch break during the period 17 through 21 August 2015. This practice may have violated the CBA regarding meal breaks. Similarly on 14 December 2015, this staff member worked from 7:00 a.m. to 4:00 p.m. again without the required lunch break. Additionally, the staff member was paid one hour of overtime (\$33.00) for the period between 3:00 and 4:00 p.m. instead of one half hour of overtime (\$16.50) for the period 3:30 to 4:00 p.m.

Unrecorded Charges and Documentation of Leave Charges

Our review of the T&L records and the supporting documentation identified that 19 T&L charges with value of \$7,591 were not recorded in the T&L system. Table 6 provides additional detail on these entries

The failure of the former Principal to use the *Audit of Paid to Reported Time* report and supporting documentation to review and verify the data entered into the T&L system increased the delay in identifying the missing entries. We noted that the *Audit of Paid to Reported Time* reports for the periods 1 July 2015 through 29 February 2016, with the exception of the 1 – 31 October 2015, which was approved by the former Principal, were not printed until 4 April 2016.

This report assists the principals in documenting that they have reviewed the additional compensation and leave entries. The report is the vehicle for a principal to certify the validity of the entries and payroll costs.

Table 6: Unrecorded T&L Charges

Employee	TRC ^a	Instances	Hours	Amount
F	PRN	6	48	\$2,996.64
	PPI	3	24	1,498.32
	PRB	2	16	998.88
B	PRB	3	24	788.25
E	DBS	2	16	479.90
C	SLF	1	8	352.19
G	SLF	1	8	176.01
H	SLF	1	8	301.08
Total Instances, Hours, Amounts		19	152	\$7,591.27

Source: OIA analysis of T&L data

Note: ^a TRC (Time Recording Code)

Additionally, our documentation reviewed identified four instances in which charges for leave for District business were not supported by documentation. The missing documentation

represents \$1,102.95 of payroll costs. Table 7 provides additional detail on these charges.

Table 7: Undocumented T&L Charges

Employee	TRC	Date	Hours	Amount
H	DSBPD	31 Jan 16	8.00	\$ 301.08
I	DSBPD	1 Feb 16	24.00	801.87
		2 Feb 16		
		3 Feb 16		
Total Unsupported Charges			32.00	\$1,102.95

Source: OIA analysis of T&L data

AP 2600, *Payroll and Time Reporting*, § C.3.b requires that principals establish and maintain functional procedures for:

- prompt and accurate reporting of assignments and time worked, signing in/out;
- ensuring absence information for employees is signed by the principal and authorized on designated forms; and
- certifying the accuracy of each payroll including:
 - reviewing and approving all payroll transactions,
 - validating and signing official payroll documents; and
 - assuring that payroll deadlines are met.

Section D.1.b of the same AP requires that, “*All original timecards, leave forms, and signed audit reports must remain on file for three (3) years, plus the current year (a total of (4) years).*”

Recommendations

We recommend that the Principal, iHigh take the following actions:

2. Ensure that the timekeeper make the necessary adjustments for all unreported leaves and submit *Time Reporting Error Notice* to the Payroll Department, as necessary.
3. Ensure that all school staff who work more than 5 hours per day take a 30 minute unpaid lunch break.
4. Ensure that the timekeeper requires all school employees to submit authorized time cards and leave authorizations before the data is entered into the T&L system.
5. Ensure that the *Audit Paid to Reported Time* report is printed, reviewed, and certified each month, and that all necessary adjustments are made by the timekeeper.

The Acting Principal, in her response, generally concurred with our recommendations. The corrective actions outlined in the response were responsive to the recommendations (see Appendix I).

Contributor

Jaime Buensuceso, CFE, is the principal auditor and contributor to this report.

We will provide final copies of this report to the Board of Education, Audit and Finance Committee, the Superintendent of Public Education, the Chief of Staff, and the Director, Payroll/Benefits. A copy will be placed on the District's public webpage at <https://www.sandiegounified.org/audit-reports>.

Should you have any questions regarding this report or our work, please contact Mr. Buensuceso at jbuensuceso@sandi.net or 619.725.5694 or myself at cashmon@sandi.net or 619.725.5696.



John M. Cashmon
Director, Internal Audit

Appendix I: Comments from the Acting Principal, iHigh Virtual Academy



iHigh Virtual Academy

3939 Conde St • San Diego, CA 92110
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To: John M. Cashmon, Director Internal Audit

From: Maureen Cottrell, Acting Principal, iHigh Virtual Academy

Date: 31 May 2016

Subject: Written response to iHigh Virtual Academy: Review of Time on Labor Costs for School Year 2016

This memorandum provides a response to the findings of the audit of the review of time and labor costs for SY 2016 at iHigh Virtual Academy. The report identified that an erroneous rate was used to calculate the compensation for a 6/5 assignment. Additionally compensation to employees were not properly documented in the payroll system

The corrective action that will be taken moving forward.

- Mandated timekeeper completion of Time Reporting Error Notices for any absences and leaves that were not recorded properly in the Time and Labor System.
 - Timekeeper will identify when an employee for whom we are responsible has any of the indicated error scenarios and complete the form for the time.
 - Timekeeper will complete Time Reporting Error Notices for the specific hours noted in this report. ECD June 10, 2016.
- Teachers are required to take a 30 minute work free unpaid lunch break. ECD Immediately.
- Mandated timekeeper will ensure all timecards, and leave applications are complete and authorized prior to entry into the system.
 - Met with timekeeper 5/20 and 5/23 to review current methods and procedures to ensure they are consistent with approved methods.
 - Approved time and labor training for timekeeper at the start of SY 16-17.
- Conduct timely reviews of the Audit Paid to Reported Time to verify the accuracy of payroll and time reported.
 - Printed reports will be maintained in a binder. ECD immediately.
- Initial staff meeting was held on 5/20/16 to discuss improvements to current methods for time and labor related items. Continued discussion will be generated in order to formulate and enforce school based policies, procedures, and practices to ensure payroll records, documentation, and reports are accurate.
 - Records will be maintained in binders for the four years required by AP 2600.

Additional action items to be implemented:

- Prompt, accurate reporting of assignments, time worked, signing-in/out by the staff. ECD Immediately

- Employee absence information are reported and authorized on designated forms.
ECD Immediately
- Require timekeeper to ensure all timecards and leave applications are complete and authorized prior to entry into the payroll system.
- Certification of accuracy of each payroll and the data reported to include:
 - Reviewing and approving all payroll transaction
 - Validating and signing official payroll audit documents
 - Assuring that all payroll deadlines are met.

Appendix II: Comments from the Area Superintendent, Area 1

From: Bivins Bruce

Sent: Monday, September 26, 2016 2:29 PM

To: Cashmon John

Subject: Re: Follow-up on Outstanding Response to the Draft Reports on Review of iHigh Compensation for School Years 2015 and 2016

Good Afternoon Mr. Cashmon,

This matter has been referred to Legal Services for a determination of whether the district can or will take legal action to recoup any overpayments.

Bruce R. Bivins

Area 1 Superintendent

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One Team. One Dream.

