



**TO:** Lamont A. Jackson, Area Superintendent  
**FROM:** Stephen Carr, Director, Office of Internal Audit *SC*  
**DATE:** March 19, 2014  
**RE:** Audubon K-8 School – Time & Labor Audit, Associated Student Body (ASB) Audit, and Purchase Card Audit

---

Our office conducted an audit of the Audubon K-8 School Time & Labor, ASB, and Purchase Card for the period July 1, 2011 through June 30, 2012. The audit report contains information regarding the audit findings and recommendations. Enclosed are copies of the audit report and the response.

The site administrator was responsive to all of our recommendations and corrective actions had been taken or are planned.

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

c: Members, Board of Education  
C. Marten  
S. Monreal  
A. Donovan

email: Members, Audit Committee  
C. Marten  
S. Monreal  
M. Hudson



## **Payroll Time and Labor Audit Report**

### **Audubon K-8 School**

**March 19, 2014**

### **Introduction**

The Office of Internal Audit conducted an audit of the payroll time and labor at Audubon K-8 School for the period July 1, 2011 through July 31, 2012.

The review included an examination of PeopleSoft time and labor computer records, applicable district procedures, and payroll documentation maintained at the school site.

The employees assigned at Audubon K-8 Schools totaled 51, including the principal.

### **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, 2011 through July 31, 2012.

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 payable hours were recorded timely and accurately.
- To verify that all absences are payable hours, are authorized and properly documented.
- To determine that monthly positions are valid and full time equivalent agrees to employee's actual hours worked.

## Audit Findings Summary

1. A total of 65 hours of additional pay amounting to \$2,510.60 were posted to Time and Labor without supporting documentation on file.
2. The former Elementary School Assistant took two days Floating Holiday benefit during the school year 2011/2012.
3. There were errors in recording payable time for three employees that need to be corrected.
4. Absences of several employees totaling 132.75 hours were not recorded in the Time and Labor system.
5. Supporting documentation for absences of several employees totaling 97 hours were missing. As a result the propriety of the absences could not be determined.

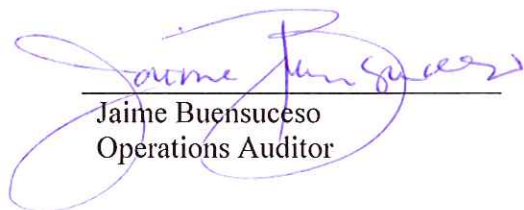
## Conclusion

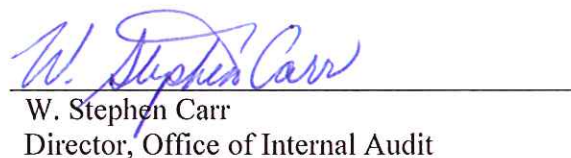
In our opinion, the time and labor at Audubon K-8 School for the period July 1, 2011 to July 31, 2012 was generally in order except for the above findings that need attention and reforms.

The principal must ensure that additional pay entered into the payroll time and labor is properly supported by timecards and authorized to protect district's assets.

Internal controls that include appropriate reviews and approvals of timecard transactions must be implemented immediately. The principal is to 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 during the examination.

  
\_\_\_\_\_  
Jaime Buensuceso  
Operations Auditor

  
\_\_\_\_\_  
W. Stephen Carr  
Director, Office of Internal Audit

## Audit Findings and Recommendations

**1. A total of 65 hours of additional pay amounting to \$2,510.60 were posted to Time and Labor without supporting documentation on file.**

Our review of the payroll records for the period July 1, 2011 through July 31, 2012, revealed that a total of 65 hours were entered into the Time and Labor System without timecards on file as follows.

TRC	Description of Hours	No. of Hours	Amount
SAT	Saturday School	32.00	1,297.34
CRG	Regular Time Certificated	16.00	1,002.56
REG	Regular Time Classified	16.00	180.96
TUT	Tutor	1.00	29.74
	Totals	65.00	2,510.60

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

As a result, there was an increased risk in loss of funds because employees may have been paid for time that they did not work due to lack of appropriate written approval that will validate the work performed.

**Recommendation:**

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

The principal is to institute payroll processes that satisfy district requirements designed to effect accuracy and integrity in the payroll process. While having signed the required "Audit To Paid Time Report," the report's purpose, through review, is to assure accuracy in the payroll process. We recommend that the principal incorporate the use of this report in reviewing payroll processing to assure staff properly completes the required documentation.

**2. The former Elementary School Assistant took two days Floating Holiday benefit during the school year 2011/2012.**

The former Elementary School Assistant took two days Floating Holiday during the school year 2011/2012. The first one was taken on 10/21/11 and the second was taken on 7/20/12. Per district administrative procedure a classified employee is only entitled for one Floating Holiday during a school year.

*District Administrative Procedure No. 7435, section C.2 states "A classified monthly employee who is in a paid status on September 9 (California Admission Day) is entitled to a floating holiday in lieu of Admission Day. This benefit is not to be taken before it is earned.*

*District Administrative Procedure No. 7435, section C.3 states “Limitations. This holiday does not accrue from year to year and must be taken as a single day off, or in increments of not less than one-half day, as determined by the number of hours in the employee’s workday.*

**Recommendation:**

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

**3. There were errors in recording payable time for three employees that need to be corrected.**

We noted that payable time to three employees were recorded incorrectly that resulted in overpayment totaling \$761.11 as follows.

Employee	Date	TRC	Recorded as	Should be	Difference	Amount
1	10/10/11	CRG	9.50	0*	9.50*	595.27
2	03/19/12	NCT	4.00	0**	4.00**	118.96
3	05/12/12	SAT	4.00	3***	1.00***	46.88
		Total	17.50	3	14.50	761.11

\* - The employee indicated that she was absent on 10/10/11 and the timecard for the week of 10/10/11 to 10/14/11 did not show time worked on 10/10/11 but the Elementary School Assistant entered 9.5 hours of CRG that resulted in overpayment of 9.5 hours.

\*\* - The timecard for week of 3/19/12 to 3/23/12 did not show time worked on 3/19/12 but the Elementary School Assistant entered 4.0 hours of NTC that resulted in overpayment of 4.0 hours.

\*\*\* - The timecard submitted by the employee for 5/12/12 had a total of 3.0 hours worked (8:00AM – 11:00AM) but the Elementary School Assistant entered 4.0 hours of SAT that resulted in overpayment of 1.0 hour.

**Recommendation:**

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

**4. Absences of several employees totaling 132.75 hours were not recorded in the Time and Labor system.**

Our review of payroll records for the period July 1, 2012 through June 30, 2013, revealed that 132.75 hours of employee’s absences were not reported to the Time and Labor system. As a result employee’s accrued benefit balances in some instances were overstated.

Specifically, we noted the following:

No. of employees	Date	TRC	Hours
10	8/26/11 – 7/18/12	SLF	77.75
3	9/23/11 – 3/1/12	PRN	32.00
1	6/18/12 - 6/19/12	SLH	16.00
1	6/26/12	FLH	7.00
Total Hours			132.75

Absences reported in the Substitute Assignment Management System (SAMS) are to be reported in the Time and Labor system and timecards are required to support the absences.

**Recommendation:**

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

The principal has the responsibility to institute practices that assures the accuracy and completeness of payroll records and data prior to processing and reporting of payroll.

**5. Supporting documentation for absences of several employees totaling 97 hours were missing. As a result the propriety of the absences could not be determined.**

We examined the benefit absences reported for the period July 1, 2012 through June 30, 2013 for certificated and classified employees. We found that 97 hours of absences did not have leave forms to support several employees' absences reported in Time and Labor. As a result, we were not able to determine the propriety of the absences as follows.

TRC	Description of Hours	Total
SLF	Sick Leave	73.00
PRN	Personal Necessity	24.00
Total Hours		97.00

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

**Recommendation:**

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

The principal has the responsibility to institute practices that assures the accuracy and completeness of payroll records and data prior to processing and reporting of payroll.

**MEMORANDUM**

**TO:** W. Stephen Carr, Director, Office of Internal Audit  
**FROM:** Lamont A. Jackson, Area Superintendent  
**DATE:** February 19, 2014  
**RE:** Audubon K-8 Audit Reports

---

On February 3, 2014, I received a memo regarding Audubon K-8 audit reports. Based on the audit there were major findings with the Associated Student Body (ASB), Payroll Time and Labor, and Purchase Card:

Major findings with ASB:

1. Five ASB check stubs totaling \$2,646.44 and supporting documentation are missing.
2. Bank reconciliations were not prepared in timely manner.
3. A stale check for seventeen months was not cancelled.
4. Collections totaling \$333.35 were not receipted.
5. An ASB receipt no. 167067 issued on 7/17/11 were missing.
6. The amount of collections recorded in the books was based on the amount of the deposit ticket. However, this differed from the amounts on the receipts.
7. The documents supporting the expenditures are not cancelled upon payment.
8. The school allowed the Audubon PTA to conduct fundraisers on school premises although they are not recognized as a charitable organization by the Internal Revenue Service.
9. The school allowed the Audubon PTA, an organization not recognized as a charitable organization by the Internal Revenue Service, to control all the funds they raised for the benefit of the school.

Major finding with Payroll Time and Labor:

1. A total of 65 hours of additional pay amounting to \$2,510.60 were posted to Time and Labor without supporting documentation on file
2. The former Elementary School Assistant took two days Floating Holiday benefit during the school year 2011/2012.
3. There were errors in recording payable time for three employees that need to be corrected.
4. Absences of several employees totaling 132.75 hours were not recorded in the Time and Labor system.
5. Supporting documentation for absences of several employees totaling 97 hours were missing. As a result the propriety of the absences could not be determined.

Major finding with Purchase Card:

1. Use/Sales tax was not reported.
2. Three purchases totaling \$573.66 did not have adequate supporting documentation.

There was a high administrative transition rate at the Audubon K -8 School during the 2011-2012. Operational systems and internal controls have been established by the Audubon principal to implement and certify compliance with the district's policies and procedures with Payroll Time and Labor, Associated Student Body (ASB) and Procurement Card purchases. I am satisfied with the principal's direction to remedy the audit findings. Thank you for providing me with the information and I look forward to a positive audit in the future.





TO: Jaime Buensuseco, Operations Auditor  
FROM: Jean Freeman, Principal *J.F.*  
DATE: February 18, 2014

SUBJECT: RESPONSE TO AUDIT REPORT FINDINGS FOR AUDUBON K-8 SCHOOL  
FISCAL YEAR 2011-2012 SCHOOL YEAR

CC: Lamont Jackson, Area 1 Superintendent

On Friday, January 31, 2014, I received a copy of the 2011-2012 audit for Audubon K-8 School from Jaime Buensuseco, Operations Auditor. I was not the principal of Audubon for the complete 2011-2012 school year. I was appointed Principal of Audubon in January 2012. My first day on the Audubon campus was January 26, 2012. Audubon had nine interim principals and vice principals prior to my appointment.

Upon my first few weeks at Audubon, I discovered some irregularities which caused me concern. In February 2012, I discovered [redacted], Noon Duty personnel, was being paid daily from 6:00-7:30 a.m. with school funds to "babysit" children in the auditorium whose parents did not have morning childcare. I immediately notified my direct supervisor, Dr. Brenda Campbell of this irregular use of school funds. Dr. Campbell instructed me to inform parents they had two weeks to make alternative arrangements before the morning program was stopped. Dr. Campbell also instructed me to call for an audit.

In early March of 2012, I called Stephen Carr, Director, and Office of Internal Audit to request an internal audit after noticing some additional irregular operational systems with regards to mandated reports. [redacted] failed to provide the five mandatory audit paid reports when requested for January, February, and March of 2012. In April 2012, upon return from spring break, [redacted] and I met with Judith Wind-Waker to review and establish needed systems in place to ensure SDUSD procedures were being followed.

In early May of 2012, I received the January and the February mandatory time reports, however upon review of the reports along with the SAM's systems reports, timecards, and other relevant reports, I notified Dr. Brenda Campbell that I was hesitant to sign any documents due to incomplete and incorrect information being provided in the reports to my office.



Upon review of documentation provided to me by \_\_\_\_\_, I discovered hourly time inputted without signed and approved timecards, instances where there was a failure to deduct sick time from staff members who had called in sick, and incorrect time recorded to staff for extended day hours.

#### Payroll Time and Labor Audit

I accept the Payroll and Labor Audit findings. Many of the errors found during the 2011-2012 audit matched many of the same findings discovered when I reviewed the mandatory reports in May 2012.

\_\_\_\_\_ left Audubon in September of 2012. Since her departure from campus, the following operational systems and internal controls have been established:

- The Audubon Time Keeper has an established a process to verify absences and payable hours to ensure they are recorded in a timely and accurate manner
- Time cards are submitted to my office for approval prior to time being input in Time and Labor

All identified errors will be corrected and policies will be implemented to certify compliance with SDUSD procedures.

1. With regards to the 65 hours of additional pay amounting \$2,510.60 which was posted on Time and Labor without supporting documents, identified staff members will complete timecards and my current Adm. Aide will ensure the proper supporting documentation is on file when Time and Labor is processed.
2. With regards to my former ESA, \_\_\_\_\_ taking two days Floating Holidays during the 2011-2012 school year, I will submit to Payroll a correction via a Time Error Correction Notice.
3. With regards to the errors in recording payable time for three employees that need to be corrected, I will require the Time Keeper to make corrections by submitting a Time and Error Correction Notice to Payroll to recover overpayments
4. With regards to the absences of several employees totaling 132.75 hours which were not recorded in Time and Labor, I will have the Time Keeper make corrections by submitting Time Error Correction Notices to Payroll.
5. With regards to supporting documentation for absences of several employees totaling 97 hours which were missing, I will require staff to complete an absence request form and the Time Keeper will ensure all absence requests' have supporting documents are on file.



### Associated Student Body (ASB)

I accept the Associated Student Body Audit findings. Many of the findings discovered in the audit were also discovered by myself when examining operational procedures for the Audubon PTA.

In July 2012, on the last work day for office staff, I discovered over \$1,400.00 in an unlocked cabinet under the direct control of [redacted]; admitted to accepting the money prior to the last day of school from ASB Advisor [redacted]. Funds had been collected from the sale of school yearbooks. [redacted] had collected the funds daily from students and failed to turn in the money. This action was a direct violation of SDUSD policy. Once learning about this, I met with [redacted] and reviewed policy and procedure for accepting ASB funds. In addition, I called [redacted] who was on vacation at the time to review her responsibilities as the ASB Advisor. [redacted] did not continue to serve as the ASB Advisor during the 2012-2013 school year. In addition, I accompanied [redacted] to Yvonne Jones office to secure the ASB deposit. Ms. Jones escorted [redacted] and myself to Julie Nguyen's office to complete the deposit.

Since [redacted] departure from Audubon in September of 2012, we have implemented the following procedures:

- Strict control and overall management of ASB funds and checks
- Careful maintenance and control of ASB records
- Strict adherence of prescribed accounting procedures

Lastly, in closing, [redacted] took data, receipts, and other documents from Audubon when she left in September of 2012. Administration contacted Mitzi Merino, Area 5 Superintendent to secure the return of the documents. Documents were returned to Audubon within three weeks after [redacted] left campus. I have no way of knowing if all documents were returned to Audubon.

All identified errors will be corrected and policies will be implemented to certify compliance with SDUSD procedures.

1. With regards to the five ASB checks stubs totaling \$2,646.44, and supporting documents missing, I am unable to locate this information due to the lack of proper records kept by my former ESA.
2. With regards to bank reconciliation not being prepared in a timely manner, Audubon had four temporary staff members filling in the ESA position from September 2012 through October 2013, we now have a new Adm. Aide who has



- met with Yvonne Jones several times, attended mandatory ASB training, and reconciling ASB deposits on a monthly basis.
3. With regards to a stale check for seventeen months not being cancelled, the Adm. Aide will cancel / void this check and any checks not cashed by the six months after the date of the check.
  4. With regards to collections totaling \$333.35 which were not receipted, Audubon's Adm. Aide will issue receipts in triplicate for all money collected.
  5. With regards to the missing ASB receipt no 167067, all written ASB receipts will be maintained and kept on file.
  6. With regards to the amount of collections recorded in the books, the total amount of the receipts must be reconciled with the total amount of money collected to be deposited in the bank.
  7. With regards to the documents supporting the expenditures being not cancelled upon payment, the financial clerk will stamp the vendor's invoice PAID to eliminate duplicate payments. She will also write the date and the number of the ASB check on the invoice or receipt supporting the expenditures.
  8. With regards to the school allowing the Audubon PTA to conduct fundraisers on school premises, the Audubon PTA has been disbanded and will no longer operate in any function. The Audubon PTA was approved during an earlier administration prior to my coming to Audubon in January 2012. Audubon's PTA has lost its charter and can no longer function as a PTA.
  9. With regards to allowing the Audubon PTA not recognized as a charitable organization by the IRS to control all funds they raised for the benefit of the school, I will control the collection, deposit, and expenditures of money raised by parent groups not having a 501.C.3 nonprofit status.

### Purchase Card

I accept the Purchase Card findings. I \_\_\_\_\_ took data, receipts, and other documents from Audubon when she left in September of 2012. Administration contacted Mitzi Merino, Area 5 Superintendent to secure the return of the documents. Documents were returned to Audubon within three weeks after I \_\_\_\_\_ left campus. It is uncertain whether all documents were returned to the school.

All identified errors will be corrected and policies will be implemented to certify compliance with SDUSD procedures.

1. With regards to not reporting sales tax, \_\_\_\_\_ : should have known to pay the sales tax because she is the purchase cardholder. I will ensure that staff



pays the sales tax by continuing to review the monthly purchase card statements particularly for this specific reason.

2. With regards to three purchases totaling \$573.66 which did not have adequate supporting documents, I will ensure Purchase Card policies and procedures are being followed and related records and reports are maintained. My former, ESA, I did not keep the original receipts and thus replaced them with the substitute transaction receipts from the bank. I will ensure that we obtain duplicate receipts if the originals are misplaced.

#### Summary

Thank you for the opportunity to respond to the audit at Audubon K-8 School. I agree, that overall, the finances at Audubon K-8 School was generally in good order. Please keep in mind that there was a high administrative transition rate during the 2011-2012 school year. It is evident that ESA, , who had been in this role for at least four years failed to follow policy.

I thank you for the opportunity to strengthen internal controls and comply with SDUSD procedures. I have learned from this audit and have already taken steps to comply with the recommendations provided to me.

*Jean Freeman*