



Chesterfield County, Virginia Internal Audit

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GREG L. AKERS
Director

DATE: December 22, 2016

TO: Dr. James F. Lane
School Superintendent

FROM: Greg L. Akers
Director of Internal Audit

SUBJECT: School Payroll, Compensation, and Benefits Audit

The Office of Internal Audit completed an audit of School Payroll, Compensation, and Benefits and the final report is attached.

We would like to thank Robert Aylor and his staff for their cooperation and assistance during this audit.

Attachment

Copy: Robert Aylor, Director of Finance
Francine Bouldin, Director of Human Resources
Kim Carter, Director of Compensation and Benefits
Susan Newton, Director of Management and Budget
Christopher Sorensen, Assistant Superintendent for Business and Finance
Robert Wingfield, Director of Transportation
Patsy Brown, Director of Accounting (County)



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School Payroll Compensation & Benefits

December 2016



Chesterfield County Public Schools
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Highlights

Internal Audit Report to the Board of Supervisors/School Board

Why We Did This Review

Internal Audit conducted this review as part of our FY2015 audit plan approved by the County Administrator and School Board Superintendent.

The audit focused on reviewing the school payroll function for accuracy and compliance. Our primary objectives were to:

- Test payroll and leave transactions.
- Evaluate compliance with policies, procedures, laws, and regulations.
- Perform exception testing of payroll master file.
- Report results to School Board management.

What We Recommend

- Limit employee's system access to the level needed to perform their duties. Develop and distribute user access reports for periodic management review.
- Provide departments with detail of employees paid by period.
- Consider opportunities to streamline processes and have more employees directly report their time and attendance electronically.
- Define a consistent payment method for noted employees to comply with FLSA.
- Assign responsibility for reconciliations of all revenue accounts to ensure proper accounting.



For more information, please contact Greg Akers, at 804-748-1240 or akersg@chesterfield.gov

School Payroll Compensation & Benefits



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What We Found

Payroll is a core financial function that includes responsibility for paying approved positions at authorized rates, time and leave reporting, wage deductions, depositing and reporting taxes, and W-2 reporting. Payroll was responsible for processing over \$320 million to roughly 11,000 school employees during CY14 including part-time, substitutes and temporary workers. Over the past several years, change and complexity of regulatory requirements and benefits, combined with periodic system update testing has increased payroll employee workload.

Overall we noted School Finance, Human Resources, and Compensation and Benefits maintained supporting documentation and accurately processed payroll in a timely manner. We identified the following concerns and opportunities for improvement:

- Proper segregation of system access does not exist. Three Payroll and Finance personnel also have access to Human Resource functions within the system. Human Resource functions include the ability to add personnel, establish or adjust pay assignments, and change employee status (active or separated).
- Management does not receive a departmental report detailing employees paid to verify accuracy and proper cut-off for any terminations.
- The timecard system is not used to report hours by all employees. Certain employees submit manual timesheets for central processing by Payroll.
- Inconsistent compensation for employees scheduling fieldtrips and non-compliance with policy prohibiting non-exempt employees from volunteering was noted.
- School Transportation bills for certain school fieldtrip cost, including bus driver time. Reconciliations of the corresponding interdepartmental transportation revenue accounts were not performed.

Management concurred with 21 of 21 recommendations to be implemented from December 31, 2016 to December 31, 2017.

We appreciate the cooperation received from management and staff while conducting this audit.

INTRODUCTION

BACKGROUND

The School Board payroll audit was included in the FY15 audit plan as a regularly scheduled audit. Payroll is a core financial function that includes responsibility for paying approved positions at authorized rates, time and leave reporting, wage deductions, depositing and reporting taxes, and W-2 reporting. The Finance Department processes payroll every two weeks using information submitted by employees and approved by supervisors. Coordination occurs for salary and benefits with the Human Resources and Compensation & Benefits departments. Schools use the same financial system as the County for human resources and payroll.

Payroll was over \$320 million for roughly 11,000 school employees during CY14 including part-time, substitutes and temporary workers. Over the past several years, change and complexity of regulatory requirements and benefits, combined with periodic system update testing has increased payroll employee workload.

OBJECTIVES

Objectives of the audit were to:

- Test payroll and leave transactions.
- Evaluate compliance with policies, procedures, laws, and regulations.
- Perform exception testing of payroll master file. Report results to School Board management.

SCOPE

The audit focused on Calendar Year 2014 payroll. We considered the following code, policies, and procedures during our audit:

Federal Fair Labor Standards Act	Procedures for Reporting Time for Non-Exempt Employees.
Virginia Code Section 22.1-302(a) and (c)	8VAC 20-440-160:2
CCPS School Board Policies and Regulations #s: 5120, 5220, 5221, 5230, 5240, 5250, 5260, 5400, 5450, 7190	

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Matt Dini, Audit Manager, and Michelle Heckel, Senior Auditor, performed the audit work. Chesterfield County Internal Audit is a department within the organization of Chesterfield County/Schools.

METHODOLOGY

Detailed information regarding the methodology can be found in the individual findings listed in the report. Our methodology included testing payroll and leave transactions, and evaluating compliance with policies, procedures, laws, and regulations.

INTERNAL CONTROL CONCLUSION

According to Government Auditing Standards, internal controls, in the broadest sense, encompass the agency's plan, policies, procedures, methods, and processes adopted by management to meet its mission, goals, and objectives. Internal controls include the processes for planning, organizing, directing, and controlling program operations. It also includes systems for measuring, reporting, and monitoring program performance. An effective control structure is one that provides reasonable assurance regarding:

- Efficiency and effectiveness of operations;
- Accurate financial reporting; and
- Compliance with laws and regulations.

Based on the results and findings of the audit test work, auditors concluded that there are several opportunities for improvement to internal control procedures to better provide reasonable assurance to assist management in meeting its missions, goals, and objectives. Recommendations specific to improving these controls can be found in detail further in the audit report.

CLOSING

We would like to thank Bob Aylor, Francine Bouldin, Kim Carter, Susan Newton, Patsy Brown, Robert Wingfield and their staffs for their cooperation and assistance during this audit.

FINDINGS, RECOMMENDATIONS, RESPONSES

Payroll Processing/Commendations

(Point Sheet C-1.1)

CRITERIA:

Payroll is a core financial function in all organizations and includes responsibility for:

- Paying approved positions at authorized rates,
- Time and leave reporting,
- Wage deductions,
- Depositing and reporting taxes,
- W-2 reporting

In general, the work schedule hours and total number of hours required for full-time CCPS employees does not exceed 40 hours in a workweek. According to School Board Policy 5000-Human Resources Appendix A-Section 12, “Department administrators may adjust work hours as necessary to *accomplish unusual work requirements and emergency conditions*, but any permanent change in work hours which extend an employee’s workday must be approved by the Superintendent.”

CONDITION(S):

For one pay period, we selected 40 exempt and 40 non-exempt employees for testing. Testing included reviewing supporting documentation for the following:

- Accuracy of pay based on employee’s base rate per contract or hourly rate,
- Federal, State, and FICA tax withholdings,
- Deductions for Medical and Dental insurance,
- VRS withholdings,
- Elective withholdings for: Flexible Spending Account (FSA) medical, optional life insurance, AFLAC, Hartford Disability, and 457 Supplemental Retirement withholdings.

No exceptions were noted in employee pay or deductions.

In addition, the following payroll testing was performed:

- Payroll master file was reviewed to determine there was no duplicate SSN’s, names, addresses, or employee ID’s.
- W-2’s reviewed to ensure all “Active” employees and only “Active” employees were issued a W-2.
- Review of manual checks issued were supported with documentation and reason.
- Review of employees with no leave taken to determine reasonableness.
- Determine accuracy of leave accruals based on employee’s hire date.
- Determine reasonableness for individuals with income in excess of \$100,000.
- Determine employee was eligible to receive benefits by review of position and file documentation.
- Review Superintendent’s direct reports to determine leave taken was properly approved, documented, submitted timely, and complied with policies.

FINDINGS, RECOMMENDATIONS, RESPONSES

Payroll Processing/Commendations

(Point Sheet C-1.1 Continued)

- Review final pay to terminated and retired employees for accuracy and to determine employees were removed from Active status in a timely manner. Also tested to ensure benefits were terminated timely.
- Review supporting documentation for payments to temporary work assignments (TWA) employees for accuracy.
- Review third party reconciliations for health, dental, and VRS for one month to determine timeliness, and proper preparation and approval.

No exceptions were noted in the testing performed.

Over the past several years, change and complexity of regulatory requirements and benefits, combined with periodic system update testing has increased payroll employee workload. We understand Finance employees routinely work overtime including nights and weekends. The payroll department also has many manual and time consuming processes as follows:

- The timecard system is not used to report hours for all employees, such as Temporary Work Assignments (TWA). Manual timesheets are submitted to Payroll for processing, which includes, contract comparison for TWA hours, manual pay calculation, and system entry.
- Processing pay adjustments (over \$2 million in 2014) for various reasons.
- Processing and issuing of manual checks.
- Calculating and recovery efforts for employee overpayments.

Three of the four School Division employees having the greatest accumulated vacation hours work in the Finance and Payroll department. At the time of the audit, their accumulated leave balances were greater than the 360 hours allowed for carryover.

CAUSE(S):

Possible factors that may contribute to excessive overtime:

- Available resources to work on special projects and process payroll timely in a standard work week.
- The current process is very cumbersome and includes many manual steps, and numerous adjustments.

Employees may not consistently use their annual vacation based on perceived lack of resources.

EFFECT(S):

Possible effects of continuous overtime include:

- Problems in hiring and retaining qualified individuals.
- Health issues, absenteeism, poor morale and less productivity.
- Limited capacity for coverage in the event of turnover.

FINDINGS, RECOMMENDATIONS, RESPONSES

Payroll Processing/Commendations

(Point Sheet C-1.1 Continued)

COMMENDATION(S):

School Finance, Human Resources, and Compensation and Benefits are commended for obtaining supporting payroll documentation for employee deductions, maintaining the documentation in the employee's file and accurately processing payroll in a timely manner. We also commend Management for successful W-2 distribution, ensuring no duplicates in Master file, processing of manual checks, accuracy of leave accruals, timely reconciliations of third party vendor payments, accuracy of final payments to terminated and retired employees, and accuracy of payments to TWA employees.

ACTION(S) TAKEN:

- A policy revision was made effective 1/1/15 that prevents continuous carry over of unused accumulated vacation as noted, "The Superintendent or the Superintendent's designee may approve a six-month extension one time during the employee's tenure in the school division, provided unusual workload conditions or emergency circumstances existed which prevented the employee from using excess vacation prior to October 1.
- Management is exploring potential system improvements with Accounting and software vendor.
- Accumulated leave balances for all employees have now been brought into conformity with the school's carryover vacation policy.

RECOMMENDATION(S):

We recommend Management:

1. Consider strengthening resources in the Finance/Payroll area to reduce overtime.
2. Identify opportunities to streamline processes and have more employees directly report their time and attendance electronically.

MANAGEMENT'S RESPONSE(S):

1. *Concur. Director of Finance and Assistant Director of Payroll are responsible for implementing by June 30, 2017. The school division, in partnership with the County, has already initiated a review by a OneSolution team to determine if our processes can be streamlined. The review is tentatively scheduled for February 2017. Implementation dates would be based on the outcome of the review.*
2. *Concur. Director of Finance is responsible for implementing by December 31, 2017. The school division, in partnership with the County, has already initiated a review by a OneSolution team to determine if our processes can be streamlined. The review is tentatively scheduled for February 2017. Implementation dates would be based on the outcome of the review.*

FINDINGS, RECOMMENDATIONS, RESPONSES

IFAS System Access

(Point Sheet C-1.9)

CRITERIA:

Schools use the Finance and Human Resource applications within the In Focus Accounting System (IFAS, which has subsequently been updated to ONESolution) for day-to-day accounting, personnel, payroll and purchasing functions.

County Administrative Policy 1-19: Accounting – In Focus Security and Responsibilities outlines the responsibilities for all Chesterfield County Government and School Board Departments to ensure that there is ownership and security around the processes related to the In Focus Accounting System. The policy includes responsibilities for the user, Department Head, Accounting's In Focus Support Team, Department Security Liaison, and System Users.

- Department Head responsibilities include ensuring there are processes in place to identify the appropriate personnel as financial system users, and to ensure adherence to established procedures so that appropriate internal controls are maintained over transactions. The policy states that an example of an internal control is maintaining the proper separation of duties.
- The Policy also states that the In Focus Support Team will maintain security documentation that identifies authorized users and their authorized functions and approval authority and monitor user accounts to ensure that system access is controlled and appropriate.

School Board Policy 5361- Proper Handling of Personal, Sensitive and Confidential Information includes information about unauthorized access to employee information, disclosure, use or loss by state or federal law, or School Board Policy, regardless of whether the information is maintained in hard copy, electronically, or in any other manner. The policy states that “unauthorized access” includes any access to personal, sensitive or confidential information by an employee, a volunteer, or any other person who has no expressed, legal right to the information, whether such access occurs purposefully or inadvertently.

Implementing proper internal controls protects the organization as well as the individual.

FINDINGS, RECOMMENDATIONS, RESPONSES

IFAS System Access

(Point Sheet C-1.9 Continued)

CONDITION(S):

Three Finance personnel have full system access to both Payroll and Human Resource (HR) functions. In addition to the expected payroll functions to change addresses, bank routing and account numbers, leave and hours worked, they have access to HR functions including: adding personnel assigning, or changing pay assignments, changing employee status (active or separated).

The Payroll manager said HR access is only used when it is an emergency or no one else is available and something needs to be done. We found certain Finance employees made changes to paygrade information and employee status using the HR functionality.

The Director of Human Resources was unaware Finance personnel had system access to the HR functions.

CAUSE(S):

- The Assistant Director of Finance requested access for all individuals in Payroll, Budget and Finance based on their job responsibilities when the IFAS system was first implemented in 2009. The Production Access request showed that certain individuals were granted “School Payroll Module Master” access, but it was not clear that the School Payroll Module Master included full access to all Human Resource functions, creating a segregation of duties issue.
- The available One Solution User HR and Payroll Security Report (routinely provided to County departments) is not distributed to School department heads for periodic verification that user access is appropriate based on employee’s role.
- Human Resources indicated that there are no system reports or logs that are reviewed to determine transactions are proper and performed by only authorized users.

EFFECT(S):

Proper segregation of duties does not exist when individual(s) are granted system access to both the HR and Payroll capabilities. Having this access creates the opportunity for fraud and errors (unintentional and intentional) to occur. In addition, there are no system edit reports of changes for review to detect errors or unusual activity.

FINDINGS, RECOMMENDATIONS, RESPONSES

IFAS System Access

(Point Sheet C-1.9 Continued)

RECOMMENDATION(S):

We recommend Management:

3. Evaluate and immediately limit employee's access to the level needed to perform their respective duties.
4. Designate the appropriate department management with the authority to approve requested access to their system functions or data (i.e. HR versus payroll processes).
5. Request the OneSolution automation coordinator develop user access verification reports for distribution to HR and School department heads responsible for approving system access.
6. Develop system edit reports for verification of HR changes for reasonableness.

MANAGEMENT'S RESPONSE(S):

3. *Concur. Director of Finance and Director of Human Resources are responsible for implementing by January 31, 2017.*
4. *Concur. Director of Finance and Director of Human Resources are responsible for implementing by March 31, 2017.*
5. *Concur. Director of Finance is responsible for implementing by March 31, 2017.*
6. *Concur. Human Resources is responsible for implementing by March 31, 2017.*

FINDINGS, RECOMMENDATIONS, RESPONSES

Accounting Policies and Procedures

(Point Sheet C-1.10)

CRITERIA:

The County's Accounting Department provides certain financial services to Chesterfield County Public Schools (CCPS), including financial system support. The School's Finance Department has primary responsibility for processing payroll, student activity funds oversight, general ledger reconciliation, federal grants and the capital improvements fund accounting, coordinating financial system security, and serving as the purchasing liaison to the County Purchasing Department from whom CCPS purchases its services.

Chesterfield County's Accounting Policy 1-8 provides guidance on controls and responsibilities for cash receipts. General Ledger revenues should be reconciled by an employee independent of handling funds. Any differences in the general ledger to the detailed cash receipts should be researched and resolved.

CONDITION(S):

The School Division primarily uses the County's accounting policies and procedures, but has not formally adopted accounting policies and procedures, including revenue collection, remittance, recording and reconciliation requirements.

School Transportation bills for certain school fieldtrip cost, including bus driver time. Reconciliations of the related Transportation general ledger revenue accounts were not performed. Fiscal year 2015 bus charges were budgeted at \$249,360 (actual revenue \$223,492, GL#446010) and fieldtrip recoveries were budgeted at \$889,550 (actual revenue \$658,247, GL#446991). Recorded revenues were under budget by 10% and 26%, respectively. However, there was no documented analysis of budget variances.

Transportation's Fieldtrip Office maintains spreadsheets by school for fieldtrip billings and collections. The Fieldtrip Office delivers collections to the School Finance department, which in turn prepares the remittance (i.e. General Ledger ticket) and makes deposit to the Treasurer's Office. The General Ledger revenues are posted as daily totals. Remittance ticket detail is needed to compare with amounts paid by individual schools. Transportation's spreadsheets are not reconciled to general ledger revenues.

EFFECT(S):

General ledger revenue is not evaluated for accuracy or completeness.

ACTION(S) TAKEN:

Budget has drafted reconciling procedures and is working with Transportation to implement the process. The Budget and Management Office conducted mandatory employee training on cash controls earlier in the year for all departments responsible for handling cash remittances.

FINDINGS, RECOMMENDATIONS, RESPONSES

Accounting Policies and Procedures

(Point Sheet C-1.10 Continued)

RECOMMENDATION(S):

We recommend Management:

7. Adopt and document the accounting policies and procedures they adhere to and specify the responsible roles and responsibilities within Departments, Finance, and Budget and Management.
8. Assign responsibility for reconciliations of all revenue accounts to ensure proper accounting. Significant variances from budgeted estimates should be evaluated and documented.

MANAGEMENT RESPONSE(S):

7. *Concur. Management and Budget are responsible for implementing by June 30, 2017.*
8. *Concur. Management and Budget are responsible for implementing by December 31, 2016.*

FINDINGS, RECOMMENDATIONS, RESPONSES

Transportation Overtime

(Point Sheet C-1.5)

CRITERIA:

Transportation contracts with bus drivers to establish base daily hours for regular routes, usually 6 to 8 hours per day. As non-exempt employees, driver pay is based on reported hours worked. Overtime is paid for hours worked above contract time. Employees report hours worked for supervisory approval prior to payroll processing. Hours worked in excess of 40 hours per week are paid at time and a half.

Transportation has a central Fieldtrip Office that individual Schools can contact to schedule bus transportation for fieldtrips and athletic events. The office has the T.O.M. (Transportation Operations Manager) software capable of scheduling and billing all fieldtrips. The Fieldtrip Office has 23 part-time drivers available for fieldtrips and substitute duty that are not contracted for regular routes.

Per **School Board Policy Section 5000 Appendix A – Section 23**, non-exempt employees may **not** volunteer for any position without compensation.

CONDITION(S):

Overtime is separately budgeted and reported in the financial system. However, there is not periodic reporting to management of cumulative overtime by employee. We noted Transportation incurred 43% of School's 179,603 overtime hours in calendar year 2014. 19 of 27 School employees with 400 or more hours of overtime were in Transportation.

We surveyed eight schools and found that each school has their own designated scheduler, with one scheduling two of the schools. The seven schedulers have various positions as follows: three are field trip bus drivers, two are regular route bus drivers, one is a retired bus driver, and the other is a temporary employee. Their compensation to perform scheduling also varied:

- Three are paid:
 - Two through hourly time reporting (regular bus driver and temporary employee).
 - One regular bus driver for an agreed upon amount (\$670 per semester).
- Four schedulers **volunteer**:
 - Three fieldtrip bus drivers, that can schedule themselves.
 - Retired bus driver

CAUSE(S):

Individual schools have been using their own scheduling process versus using the central Fieldtrip Office to schedule fieldtrips.

FINDINGS, RECOMMENDATIONS, RESPONSES

Transportation Overtime

(Point Sheet C 1.5)

EFFECT(S):

There is no oversight of hours worked or cumulative overtime for transportation employees for reasonableness. Many fieldtrip schedulers can assign themselves or select particular drivers which can create inequities to earn overtime. Bus drivers have complained that there is favoritism and they do not get assigned to any fieldtrips.

ACTION(S) TAKEN:

The Director of Pupil Transportation sent an email November 15, 2016 to all Principals instructing Schools use the central Fieldtrip Office to request bus drivers.

RECOMMENDATION(S):

We recommend Management:

9. Monitor and require that schools use the central Fieldtrip Office for requesting drivers.
10. Define a consistent payment method for schedulers to comply with FLSA.
11. Develop periodic reporting for overtime monitoring by departments, with detail by employee. Management can use this tool to consider opportunity to reduce overtime pay, and ensure equity among employees.

MANAGEMENT'S RESPONSE(S):

9. *Concur. Director of Transportation and Assistant Director for Field Trips are responsible for implementing by November 15, 2016.*
10. *Concur. Director of Transportation is responsible for implementing by January 31, 2017.*
11. *Concur. Director of Finance, Assistant Director of Payroll, System Analyst, and All Departments are responsible for implementing March 31, 2017.*

FINDINGS, RECOMMENDATIONS, RESPONSES

Masterfile Maintenance

(Point Sheet C-1.4)

CRITERIA:

The In Focus system has many fields, one which indicates the employee's status as either "A" Active or "S" Separated. Those employee's that are "S" separated have a date in the Termination field. We understand when terminated employees are rehired, the termination date is removed from the system.

CONDITION(S):

In reviewing the Employee Master File for CCPS, we noted that two "Active" employees had termination dates still in the system.

CAUSE(S):

The In Focus HR Manual for Processing Personnel Actions does not provide instructions on how to handle the termination date in the system when rehiring employees.

EFFECT(S):

Active employees are eligible for pay and benefits.

ACTION(S) TAKEN:

Human Resources corrected the system information.

RECOMMENDATION(S):

We recommend Management:

12. Review all current active employees to ensure accuracy for any with a termination date in the system.
13. Document procedures for coding termination date field for rehires.
14. Consider developing edit reports to periodically evaluate coding for accuracy and inconsistencies.

MANAGEMENT'S RESPONSE(S):

12. *Concur. Human Resources is responsible for implementing by March 31, 2017.*
13. *Concur. Human Resources is responsible for implementing by March 31, 2017.*
14. *Concur. Human Resources is responsible for implementing by January 31, 2017.*

FINDINGS, RECOMMENDATIONS, RESPONSES

Employee Verification Reports

(Point Sheet C-1.8)

CRITERIA:

School Board Policy 5450, supervisors are responsible for reporting employee terminations.

CONDITION(S):

Monitoring tools are not in place for School management to verify only current department employees are paid. The In Focus Accounting System (IFAS, which has subsequently been updated to ONESolution) can produce reports listing employees paid by pay period by department. The County is currently distributing this report to department heads for review for accuracy and completeness. This reporting is not used by Schools.

Audit learned that a terminated school employee continued receiving pay for multiple pay-periods. The department supervisor did not notify HR of the separation. Human Resources advised that the employee had submitted a change of address to Arizona, but had not submitted a formal resignation letter. When the department requested an additional position through Budget, it was found that the terminated employee was still being paid. Upon discovery, Payroll contacted and instructed the employee to reimburse Chesterfield County Public Schools for the overpayment of salary and taxes.

CAUSE(S):

- Supervisor did not notify HR of an employee termination for payroll and benefit purposes.
- The Employee Online implementation to eliminate manual paystub distribution, also ended the previous detail reporting to each department/school of employees paid.

EFFECT(S):

Management at the department/school level has limited tools to identify payroll errors or fraud. Not processing terminations timely in the system can result in overpayments, and require collection efforts for known overpayments.

RECOMMENDATION(S):

15. We recommend Management evaluate system options to provide departments with reports to validate employees paid, and that proper cut-off occurs for any terminations.
16. We recommend HR evaluate any active employees with an out of state addresses to validate current status.

MANAGEMENT'S RESPONSE(S):

15. *Concur. Director of Finance, Assistant Director of Payroll, and System Analyst are responsible for implementing by March 31, 2017.*
16. *Concur. Human Resources is responsible for implementing by March 31, 2017.*

FINDINGS, RECOMMENDATIONS, RESPONSES

Internal Control

(Point Sheet C-1.2)

CRITERIA:

The Fair Labor Standards Act (FLSA) establishes minimum wage, overtime pay, record keeping and child labor standards that affect full-time and part-time workers in the private sector and in Federal, State, and local governments.

The Fair Labor Standards Act applies to all employees not determined to be professional, managerial or executive by definitions outlined within the statute. These employees are referred to as non-exempt. FLSA requires that all non-exempt employees keep a timesheet.

Per CCPS Policy 5240- Personal Leave for Ten and Eleven Month Employees: *An employee who seeks to use any amount of personal leave shall first secure the written consent of her or his supervisor. Absent extenuating circumstances, such consent shall be secured in writing at least 10 work days prior to the commencement of the leave period.*

The In Focus Timecard Online manual instructs how substitute hours worked should be entered into the system.

CONDITION(S):

The following conditions were noted regarding employee's time and record keeping:

- There are multiple processes used by timekeepers to capture substitute time for payroll. Schools may use: Raptor (visitor management system), log-in sheets, and SubFinder (substitute database).
- There is no required method for documenting substitute's time submitted for payroll processing.
- There is no standard leave form required to be used in the schools. Inconsistencies in leave and timekeeping forms used by schools were observed. Additionally, the approval requirements varied for the same type of leave between forms.
- In a sample of 20 employees tested for adherence to leave policy, the following was noted:
 - Documentation supporting personal leave taken by an employee on 2/10/14 was prepared by employee on 2/17/14 and approved on 2/18/14, after the fact.
 - Sick leave taken on 2/20/14 was not reported until 3/13/14, outside the required 48 hours per school's absence form.
 - One employee failed to initial the attendance book upon return from leave.

FINDINGS, RECOMMENDATIONS, RESPONSES

Internal Control

(Point Sheet C-1.2 Continued)

- An internal control questionnaire was completed by 21 of the schools and departments selected for testing and the following conditions were identified:
 - 3 instances where the employee and the supervisor do not approve all time cards
 - 1 instance where the leave approval forms are given directly to the timekeeper who then routes to the supervisor for approval
 - 1 occurrence where the individual authorized to pick up the pay checks is the same as the payroll liaison
 - 1 occurrence where the leave approval forms are retained by the supervisor instead of giving them to the timekeeper

CAUSE(S):

Over the course of time, schools have created their own leave forms, used outdated forms or used the County's leave form that was not designed for schools.

EFFECT(S):

Leave forms do not provide the proper information and approval in accordance with the School Board Policies

ACTION(S) TAKEN:

Budget and Finance is currently reviewing the leave forms and working on implementing consistent method of reporting leave.

RECOMMENDATION(S):

We recommend Management:

17. Implement a consistent method to document substitute's time submitted for payroll processing.
18. Conduct regular training with both primary and backup timekeepers to ensure consistency in forms, tracking and maintaining of payroll records.
19. Continue to evaluate the various manual leave requests and determine if there is a more automated process that could be used to request and record leave.

MANAGEMENT'S RESPONSE(S):

17. *Concur. Director of Finance is responsible for implementing by August 31, 2017.*
18. *Concur. Director of Finance and Assistant Director of Payroll are responsible for implementing by October 31, 2017.*
19. *Concur. Director of Finance is responsible for implementing by October 31, 2017.*

FINDINGS, RECOMMENDATIONS, RESPONSES

I-9 Forms

(Point Sheet C-1.11)

CRITERIA:

The Immigration Reform and Control Act of 1986 (IRCA) prohibits employers from knowingly hiring unauthorized aliens and hiring individuals without completing the employment eligibility verification process. All employers must use *Form I-9, Employment Eligibility Verification* to document the verification for all employees hired on or after Nov. 6, 1986.

CONDITION(S):

A review of 40 exempt and 40 non-exempt employees noted I-9 forms on file for two employees were not properly completed and signed. These two employees were hired in 1989 and 2013.

CAUSE(S):

Certain I-9 forms tested were incomplete.

EFFECT(S):

Non-compliance with the IRCA of 1986. Employers have certain responsibilities under immigration law during the hiring process. Employers are subject to fines and penalties for non-compliance with the Act.

RECOMMENDATION(S):

20. We recommend Management ensure that all I-9 forms are completed and signed prior to employee hiring. Management should rectify the two employees I-9 forms to obtain compliance.

MANAGEMENT'S RESPONSE(S):

20. *Concur. Human Resources is responsible for implementing by March 31, 2017.*

FINDINGS, RECOMMENDATIONS, RESPONSES

Optional Long Term Disability Insurance

(Point Sheet C-1.3)

CRITERIA:

Employees hired after January 1, 2014 participating in the Virginia Retirement System (VRS) Hybrid plan are not eligible to receive benefits under the Hybrid Long Term Disability (LTD) coverage until they meet the one year waiting period. These employees may opt to purchase LTD coverage through Hartford Insurance Co. during the waiting period to ensure coverage if the employee is unable to work due to an illness, injury or disability.

CONDITION(S):

Hybrid employees that opt to purchase Long Term Disability Insurance through Hartford Insurance Co. during the employee's waiting period must notify the CCPS Benefits department when they wish to discontinue payroll deduction for the optional LTD coverage. After the one year waiting period when these employees qualify for the Hybrid LTD coverage, they receive a negligible benefit (\$100) from continuing to pay and participate in the optional LTD plan.

The County Benefits department stops the optional LTD coverage payroll deductions after one year without notification. The County acknowledges that most employees will forget to notify them to stop the deductions.

CAUSE(S):

CCPS Benefits department does not run a report to identify Hybrid employees meeting the one year waiting period that continue having optional LTD insurance payroll deductions.

EFFECT(S):

CCPS Hybrid Employees after one year waiting period are covered by Hybrid LTD coverage, and receive negligible benefit from continuing to pay for the optional LTD plan coverage.

ACTION(S) TAKEN:

Per Beverly Ezell, Benefits Administrator, she and Jonathan Miller have recently started working on a report that will identify Hybrid employees.

RECOMMENDATION(S):

21. We recommend that CCPS Benefits department identify Hybrid employees employed for over one year that opted for the Hartford LTD coverage during the 1-year waiting period and notify them that the deductions will be discontinued as they now qualify for coverage under the Hybrid Long Term Disability (LTD).

MANAGEMENT'S RESPONSE(S):

21. *Concur. Compensation and Benefits are responsible for implementing by March 31, 2017.*