



# Office of Internal Compliance (OIC)

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***Audit Committee Meeting***

***May 20, 2021***

***2:00 PM***

Presented By: Connie Brown  
Executive Director – Office of Internal Compliance

# Content

- Audit Report Presentation
  - ☐ Payroll Audit
  
- OIC Update
  - ☐ SY2022 Audit Plan Update
  - ☐ Administrative Update

# Payroll Audit Report

**Audit Start Date:** March 10, 2020

**Report Issue Date:** May 13, 2021

## Objectives:

- Gain an understanding of the payroll function, payroll processing for all employees, and associated risks.
- Determine whether regular and off-cycle payrolls are authorized, correct, and supported by required documentation.
- Determine whether payroll reconciliations were performed timely and reviewed by management.
- Determine whether payroll taxes and associated forms and filings are completed accurately, performed timely, and reviewed by management.
- Identify business process and information technology internal controls and assess the adequacy of key controls and the safeguarding of payroll information.
- Evaluate compliance with any applicable Federal, State, and Local laws.
- Evaluate compliance with APS policies and procedures.
- Determine if opportunities for process improvement exist.

## Tasks Performed to Achieve Objectives:

- Interviewing key personnel.
- Reviewing APS, Payroll, and Finance Policies and Procedures.
- Testing of internal controls

A high-performing school district where students love to learn, educators inspire, families engage and the community trusts the system.



# Payroll Audit Report (cont)

## **Scope:**

All payroll runs for FY 2018-2019 and the first six months of FY 2019-2020

## **Results:**

We observed that controls related to proper system interfaces (i.e., PeopleRecord, KRONOS, Lawson, Employee Self-Service, AESOP), monitoring of extra hours worked, validation of the accuracy of duplicate time records, and accurate processing of salary changes were operating effectively.

Opportunities exist to strengthen the system of internal controls and increase oversight by obtaining adequate support for pay rates, proper coding of attendance exceptions, accurate calculation of manual and adjusted payments, managing system access, and provisioning access to minimize the occurrences of conflicting duties.

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## Payroll Audit Report (cont)

The observations are summarized below:

#	Payroll Audit Findings Summary	Risk Level
1	Timekeepers are not always coding exceptions, loading employee schedules, and updating time for missed punches.	High
2	Budget Center Managers and Timekeepers do not always approve time-cards timely.	Moderate
3	AESOP & Kronos time record uploads are not reconciled.	High
4	One-time payments are not always accurate and lack adequate support.	Moderate
5	Support for regular pay rates, as well as overtime pay is not always documented.	High
6	Resolution of payroll exception reporting is not always accurate.	Moderate
7	Information Technology: Periodic access reviews of Kronos and Lawson are not being performed; Segregation of Duties could not be tested due to lack of reporting; Lawson access is not being managed in accordance with district policy; and the Kronos timeclock does not restrict employees from punching time for another employee who is not set up with biometrics.	High
8	Preparer/Reviewer evidence was missing on the Federal (Form 941) and State (Form G-7) tax returns.	High
9	The document retention policy is not consistently followed.	Moderate

### Risk Level Legend:

	<b>High Risk:</b> Findings are significantly impactful to maintaining a good internal controls framework and corporate governance, mitigation of material financial statement and regulatory compliance risk, reputational damage, and fraud risk.
	<b>Moderate Risk:</b> Findings are moderately impactful to maintaining a good internal controls framework and corporate governance, mitigation of financial statement deficiencies, reputational damage, regulatory compliance, and fraud risk.
	<b>Low Risk:</b> Findings are weaknesses that do not seriously detract from the internal control framework and corporate governance but still have an impact.

## Payroll Audit

<b>Time Record Reconciliation &amp; Approval</b>	<b>Recommendation (s)</b>	<b>Manager's Corrective Action Plan</b>
<ol style="list-style-type: none"> <li>1. Timekeepers are not always coding exceptions, loading employee schedules, and updating time for missed punches.</li> <li>2. Budget Center Managers and Timekeepers do not always approve time-cards timely.</li> <li>3. AESOP &amp; Kronos time record uploads are not reconciled.</li> </ol>	<ol style="list-style-type: none"> <li>A. The payroll department should perform a reconciliation of time record uploads to the completed records report.</li> <li>B. Payroll management should consider creating a short quick-reference Kronos tutorial document that is tailored specifically to how APS operates and requires time to be managed and coded in the Kronos system.</li> <li>C. Performance metrics related to oversight of employee timecards should be implemented.</li> </ol>	<ol style="list-style-type: none"> <li>A. Each pay period cycle the Kronos and Aesop time record interface files (PR530) record count will be reconciled with the Kronos and Aesop record count that was uploaded in the Lawson S3 system.  Shared drive will be created to house data.</li> <li>B. Additional videos will be added with periodic reminder communications to the appropriate audience as well as incorporating more virtual training sessions and lunch and learns targeting specific topics. A targeted suite of Finance related training will occur over the summer.</li> <li>C. Metrics will be determined, implemented, and communicated by the CFO to ensure accountability.</li> </ol> <p><b>Implementation Date:</b> <i>Effective 7/1/21</i></p> <p><b>Responsible Party for Implementation:</b> Executive Director of Payroll/Benefits/Risk Management</p> <p>Executive Director of IT Infrastructure</p>

## Payroll Audit

Approval & Support of Pay Rates	Recommendation (s)	Manager's Corrective Action Plan
<p>4. One-time payments are not always accurate and lack adequate support.</p> <p>5. Support for regular pay rates, as well as overtime pay is not always documented.</p>	<p>A. The Chief Financial Officer should determine who will be responsible for reviewing pay support for mathematical accuracy and completeness to provide more oversight of payments and potentially minimize errors in employee pay.</p> <p>B. The Human Resources department should enhance their process to ensure that pay rates are reviewed for accuracy, approved, and documented.</p> <p>C. The Human Resources department should collaborate with those departments where employees work special shifts to determine a pay schedule or pay rate for shift differential pay.</p> <p>D. The Chief Financial Officer should develop, document, and distribute procedures for handling overpayments made to employees to assist with consistent application of error resolution.</p>	<p>A. Currently there is a Black Belt Six Sigma taskforce working on the One Time Payment (OTP) process.</p> <p>An immediate recommendation is to change the approval order process flow of the OTP. This will address the accuracy of the payments.</p> <ul style="list-style-type: none"> <li>○ Human Resource – verify pay rate prior to the authorization of the OTP</li> <li>○ Budget – verify the calculation of the hours and amount to determine the amount is within the budget item</li> <li>○ Payroll – ensure the upload balance to the approve OTP</li> </ul> <p>B. The human resources department will implement the compensation module in the Enterprise Resource Planning (ERP) system to track employees' step and pay grade to reduce the chances of manual errors from spreadsheets used in the past.</p> <p>The compensation guidelines document will be updated to provide more detail about how pay is calculated for employees who are not on a pay scale</p>

## Payroll Audit

Approval & Support of Pay Rates (Cont.)	Recommendation (s)	Manager's Corrective Action Plan
		<p>C. Human Resources will recommend updates to existing administrative regulations or propose a new administrative regulation to provide guidance for authorization and methods for shift differential pay (similar to GCRD-R1 for overtime pay).</p> <p>D. A standard operating procedure (SOP) will be developed to document the over/under payment process.</p> <p><b>Implementation Date:</b></p> <p>A. 7/1/21 Chane Approval Order; Black Sigma - TBD</p> <p>B. 7/1/21 Update Compensation Guidelines; Implement Compensation Module - immediately</p> <p>C. 8/1/21</p> <p>D. 7/2/21</p> <p><b>Responsible Party for Implementation:</b>            Chief Financial Officer            Executive Director, Payroll/Benefits/Risk Management            Chief Human Resources Officer</p>

## Payroll Audit

Payroll Exception Report Reviews & Oversight	Recommendation (s)	Manager's Corrective Action Plan
<p>Resolution of payroll exception reporting is not always accurate.</p>	<p>A. Expand Payroll team to provide oversight of calculations (on a sample basis), perform additional coaching and/or training to team members regarding errors noted, and perform quality assurance checks for proper support and documentation of payroll activities.</p> <p>B. The Payroll and Human Resources departments should work together to implement a process that will identify people, in a timely manner, who have terminated employment with the district so that their status can be updated in the Lawson system.</p>	<p>A. Request a quality assurance position.</p> <p>B. Will collaborate with the Executive Director of IT Infrastructure and the Executive Director of Human Resources Services to create smart notifications to notify both teams of terminations.</p> <p><b>Implementation Date:</b> 7/1/21</p> <p><b>Responsible Party for Implementation:</b> CFO, Executive Director of Payroll/Benefits/Risk Management, Payroll Program Director &amp; Executive Director Human Resources Services &amp; Executive Director of IT Infrastructure.</p>

## Payroll Audit

Information Technology & System Access	Recommendation (s)	Manager's Corrective Action Plan
<p><u>Information Technology</u></p> <p>Periodic access reviews of Kronos and Lawson are not being performed</p> <p>Segregation of Duties could not be tested due to lack of reporting;</p> <p>Lawson access is not being managed in accordance with district policy;</p> <p>Kronos timeclock does not restrict employees from punching time for another employee who is not set up with biometrics.</p>	<p>A. Develop a plan for periodic (i.e., monthly, quarterly, etc.) access reviews with Department Heads including how it will be administered, how often it will be performed, and who in the IT Services department will be responsible for performing the review. Once completed, implement the periodic access review, and maintain evidence to support that the review was performed.</p> <p>B. Revise Kronos security parameters such that no employee can clock time for another employee.</p> <p>C. Implement a process to manage Lawson access and ensure that the appropriate approvals are obtained prior to granting system access.</p> <p>D. Determine the knowledge and resources required to run the Segregation of Duties reporting functionality in Lawson, run the report and review employee system access with the appropriate Department Heads .</p>	<p>A. Generate quarterly reports of Kronos user access for review by department leads to verify and confirm appropriate user access setup recurring quarterly task in Nimbus to ensure compliance.</p> <p>Generate quarterly reports of Lawson user access for review by department leads to verify and confirm appropriate user access setup recurring quarterly task in Nimbus to ensure compliance.</p> <p><b>Implementation Date:</b> June 2021</p> <p><b>Responsible Party for Implementation:</b> Executive Director of IT Infrastructure; Director – IT Applications</p>

## Payroll Audit

Time Record Reconciliation & Approval	Recommendation (s)	Manager's Corrective Action Plan
		<p>B. Management is aware that during the interim period between when a new employee is hired and when that employee's biometric profile is updated to the Kronos system, the employee still can punch in using the clocks. Since the beginning of the pandemic, APS has transitioned to using mobile apps to record employee attendance (except for a handful of employees in departments, i.e., transportation). With timekeepers performing a secondary verification check, the risk of payroll mistakes is low due to this finding.</p> <p style="padding-left: 40px;">Management understands and assumes the risk associated with this finding.</p> <p><b>Implementation Date:</b> N/A</p> <p>C. Update process and procedures for Lawson Payroll and Absence Management access requests to require access request form, Module owner's approval and Director's approval prior to granting system access.</p> <p><b>Implementation Date:</b> Completed March 2021 (pending verification)</p> <p>D. Develop Segregation of Duties report. (Note: There is no segregation of duties report available in Lawson. This will require some additional development work and will be added to the ERP project as part of a future release.)</p> <p><b>Implementation Date:</b> March 2023 (Est.)</p> <p><b>Responsible Party for Implementation:</b> Executive Director of IT Infrastructure Director – IT Applications</p>

## Payroll Audit

Information Technology & System Access	Recommendation (s)	Manager's Corrective Action Plan
	<p>The Payroll Department should work with IT Services to determine how to identify and flag those employees for review that have Timekeeper access and have transferred jobs, to minimize occurrences of inappropriate access.</p>	<p><b>Payroll Response</b>            The Payroll department will work with the Information Services team to determine how to identify when there is a timekeeper/manager role change. Because this is not a position in the GHR/Lawson S3 system, it is more challenging to identify, therefore; we do not have a long-term corrective action now.</p> <p>A short-term corrective action will be the following:</p> <ul style="list-style-type: none"> <li>○ Generate the timekeeper/managers report with the department/school information per pay period.</li> <li>○ Compare the timekeeper/managers information with personnel action for transfers and terminations.</li> <li>○ Send report to the department/school to verify any role changes/updates.</li> <li>○ Payroll team make the applicable updates.</li> </ul> <p><b>Implementation Date:</b>            8/1/21</p> <p><b>Responsible Party for Implementation:</b>            Executive Director Payroll/Benefits/Risk Management,            Director IT Applications.</p>

## Payroll Audit

<b>Payroll Taxes</b>	<b>Recommendation (s)</b>	<b>Manager's Corrective Action Plan</b>
<p>Prepare/Reviewer evidence was missing on the Federal (Form 941) and State (Form G-7) tax returns.</p>	<p>The payroll department should evidence (i.e., signature, email approval, etc.) preparer and reviewer to address accountability and oversight concerns.</p>	<p>The preparer, reviewers, and approvers will incorporate signatures on the federal and state forms.</p> <p><b>Implementation Date:</b> <i>1<sup>st</sup> Quarter 2021 (4/30/21)</i></p> <p><b>Responsible Party for Implementation:</b> CFO, Executive Director Payroll/Benefits/Risk Management, Payroll Program Director.</p>

## Payroll Audit

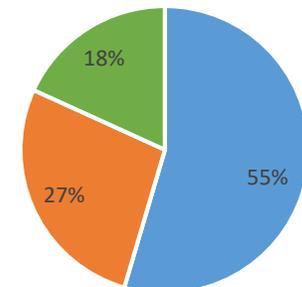
Document Retention	Recommendation (s)	Manager's Corrective Action Plan
<p>The document retention policy is not consistently followed.</p>	<p>A. IT Service and the Payroll Department: Establish and implement a plan and/or system to enforce the <i>APS Records Retention Schedule</i> for payroll supporting documentation.</p> <p>B. Payroll management should develop and implement a payroll shared space.</p> <p>C. Payroll management should consider establishing a Payroll Close Checklist.</p>	<p>A. The Executive Director of IT Infrastructure is in the process of providing a Payroll department “share drive” to house this data. Once this is established, the information will be housed in that share drive.</p> <p>B. Management will establish and identify payroll shared space to consolidate supporting documents.</p> <p>C. Management will consolidate an inclusive end to end “Payroll Close Checklist” as part of the Payroll standard operating procedures.</p> <p><b>Implementation Date:</b> 7/1/21</p> <p><b>Responsible Party for Implementation:</b> Executive Payroll/Benefits/Risk Management, &amp; Executive Director IT Infrastructure.</p>

# SY2022 Audit Plan Update

# SY2022 Audit Plan Update

Project Name	Status 05/20/2021
<b>SY20 Carry Over Audits</b>	
Transportation - Parts Vendor Oversight	In Process
Payroll Audit	Completed
Lawson ERP Upgrade Implementation Review (Outsourced)	Completed
Follow Up - Open Recommendations	In Process
Miscellaneous Cash Activity Account Funds (MCAAF) Audits	
School 1*	Not Started
School 2*	Not Started
School 3*	Not Started
School 4*	Not Started
School 5*	Not Started
<b>SY2021 Audit Projects</b>	
P-Card Continuous Auditing	Not Started
Grant Compliance/Management Program Review	In Process
<b>Recurring Projects</b>	
Investigations	Ongoing
Special Projects	Ongoing
Bus Operator Pay Review (Internal)	Completed
Bus Operator Pay Review (External)	Completed
COVID Health & Safety Review	In Process

Audit Plan Status  
5/20/2021



■ Not Started ■ In Process ■ Completed ■

\*Dependent on District reopening plans and availability of staff and documentation.

# SY2021 Audit Plan Update



Project Name	Budget Hours	Actual Hours	Variance Over (Under)	Comments
<b>SY20 Carry Over Audits</b>				
Transportation - Parts vendor oversight	400		(400.00)	
Payroll Audit	300	1,769.00	1469.00	OIC position vacancy; Lawson learning curve; manual nature of processes; IT data requests; system issues; unsuccessful Dashboard Gear training
Lawson ERP Upgrade Implementation Review	390	342.50	(47.50)	
Follow Up - Open Recommendations	400			
<b>Miscellaneous Cash Activity Account Funds (MCAAF) Audits</b>				
School 1*	80		(80.00)	
School 2*	80		(80.00)	
School 3*	80		(80.00)	
School 4*	80		(80.00)	
School 5*	80		(80.00)	
<b>SY2021 Audit Projects</b>				
P-Card Continuous Auditing	100		(100.00)	
Grant Compliance/Management Program Review	400		(400.00)	
<b>Recurring Projects</b>				
Investigations	400		(400.00)	
Special Projects	400		(400.00)	

\*Dependent on District reopening plans and availability of staff and documentation.

# Administrative Updates