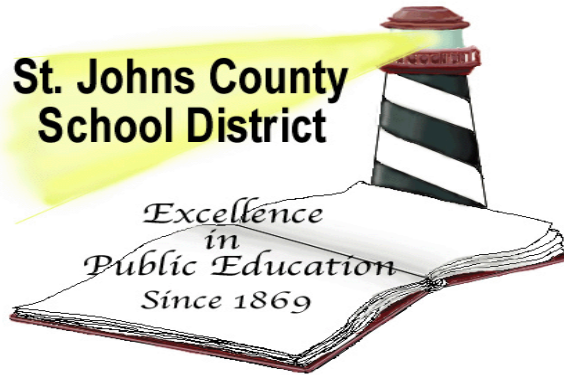


**St. Johns County
School District**



St. Johns County School District

**Timekeeping Cycle Audit
2013-14**

Prepared By:



April 7, 2014

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April 7, 2014

The Audit Committee of the
St. Johns County School Board, Florida
40 Orange Street
St. Augustine, Florida 32084

Pursuant to the St. Johns County School District (“District”) approved Audit Plan for 2013-14, we hereby submit our Timekeeping Cycle Audit report. We will be presenting this report to the Audit Committee at the next scheduled meeting on April 17, 2014.

Our report is organized in the following sections:

Executive Summary	This provides a summary of the issues related to our internal audit of the Timekeeping process.
Background	This provides an overview of the Timekeeping process.
Objectives and Approach	The internal audit objectives and focus are expanded upon in this section as well as a review of the various phases of our approach.
Issues, Recommendations and Management Responses	This section gives a description of the issues, recommended action and provides a risk rating of high, moderate or low. Management’s response has been incorporated into this section as well.
Process Map	This section includes a detailed flowchart mapping the process.

We would like to thank the various schools, departments and all those involved in assisting the Internal Auditors in connection with the review of Timekeeping.

Respectfully Submitted,

INTERNAL AUDITORS



Executive Summary

Executive Summary

Tracking and paying the District's workforce is a complex and high risk function. The District has over 4,300 employees working in 34 schools and 30 plus departments. Approximately 66% of the District's operating fund expenditures are salaries and benefits. The District employees have various differing schedules depending on the position, including 9, 10, and 12-month employees. Our last internal audit report covering the overall District timekeeping process was issued in Fiscal Year 2009-10. Follow-up has not been performed on the issues identified in that report until now, as the District has since implemented an automated timekeeping process, SunGard Timecard Online, through the District's conversion to SunGard July 2011. As such, this cycle audit included gaining an understanding of the current timekeeping process, with the inclusion of SunGard, and follow-up on the previously identified issues. We conducted 6 site visits at 1 department and 5 schools based on risk criteria including varying timekeeping categories.

The District's conversion to an automated timekeeping process has significantly enhanced the internal controls within decentralized timekeeping process. The District's automated timekeeping system has streamlined the timekeeping process and reduced the required manual documentation and review requirements in the prior process. Prior to this date, the timekeeping process was manually intensive and relied on the use of manual timesheets, manual review and approval by Principals/Department Heads and accompanied by manual key entry by payroll specialists. As part of the current process, all employees enter their own time (non-exempt employees) or time exceptions (exempt employees) into an electronic timecard within SunGard. Each pay period, the designated timekeeper at each school or department is responsible for verifying that all non-exempt employees have completed and submitted an electronic timecard, and that exempt employees have entered any time exceptions. Exempt employees are not required to enter or certify any time records if they have no time exceptions, such as sick or personal leave. The timekeepers are also responsible for validating the accuracy of timecards submitted. To accomplish this, timekeepers may compare the electronic time records to employee roster, manual sign in/out sheets, absence reporting system reports, leave slips, email documentation, or other records. If an employee with hours worked (non-exempt) or time exceptions (exempt) fails to submit a timecard, the designated timekeeper enters time on the employee's behalf using other timekeeping records or knowledge of attendance. The Principal/Department Head is responsible for review and approval of all electronic timecards. This approval is performed within SunGard, via individualized username and password. Once the payroll period has been locked, changes can only be made by the Payroll department. The District's Payroll department is responsible for processing payroll, after verifying that all schools/departments have entered and approved time. (See process map at the back of this report for a pictorial overview of this process). We would like to highlight that although the function is high risk, we did not note any instances of fraud during our testing.

The following represents the District Level issues identified in our last audit report dated December 14, 2009, as well as a status of the issue as determined during this current cycle audit, in which 8 of the 10 issues have been closed. No new district-level issues were identified during this cycle audit. We have assigned relative risk factors to each issue identified. A summary of issues identified and their relative risk rating is provided below. This is the evaluation of the severity of the concern and the potential impact on the operations. There are many areas of risk to consider including financial, operational, and/or compliance as well as public perception or 'brand' risk when determining the relative risk rating. Items are rated as High, Moderate, or Low.

- *High Risk Items* are considered to be of immediate concern and could cause significant operational issues if not addressed in a timely manner.
- *Moderate Risk Items* may also cause operational issues and do not require immediate attention, but should be addressed as soon as possible.
- *Low Risk Items* could escalate into operational issues, but can be addressed through the normal course of conducting business.

Executive Summary - continued

Issues	Risk Rating	Status
1. Compensatory Time	High	Open
<p>Absent from Duty Leave</p> <p>The District's agreement with the SJEA, Article VI, Section R, states that "absent from duty" leave may be taken up to 2 hours at a time, as long as the employee makes up the time within 10 working days as approved by the principal. The agreement states that if the "absent from duty leave" is not made up within 10 working days, it will be charged to normal leave balances. The agreement further requires proper record-keeping. We noted exceptions such as maintenance of records (either incomplete or non-existent), compliance with usage and knowledge of the policy.</p> <p>We recommend the District document a standardized procedure for the approval, documentation, and tracking of absent from duty leave under the Union agreement. This will protect the District and reduce the opportunity for employees to be paid for time not worked, and strengthen accountability of the employees and Principals/Department Heads for accurate reporting and payment of employee time.</p> <p>Compensatory Time</p> <p>Compensatory time (or 'comp' time) is time that may be granted in lieu of overtime pay for hours worked in excess of 40 hours each workweek. FLSA requires that employers keep records on all wages and hours (time). We noted the following:</p> <ul style="list-style-type: none"> • Each year, teachers have the option of working on a designated Optional Planning Day, for which they are allowed to take off a day later in the year; • Each school is tracking compensatory time differently; • The District does not have formal policies and procedures for the schools/departments to follow for documenting and monitoring compensatory time earned and taken; and • Compensatory time used is recorded as regular time within SunGard. <p>We recommend that the District establish formal policies and procedures regarding compensatory time. This will protect the District and reduce the opportunity for employees to be paid for compensatory time not earned, and strengthen accountability of the employees and Principals/Department Heads for accurate reporting and payment of employee time.</p>		

Executive Summary - continued

Issues	Risk Rating	Status
2. Policies and Procedures	Moderate	Open
<p>Existing Board rules and documented policies and procedures regarding the timekeeping process are as follows:</p> <ul style="list-style-type: none"> • Board Rule - Chapter 6.00 Personnel, 6.20 Leave of Absence and 6.30 Compensation; and • Timecard Online training for employees and timekeepers, respectively. <p>The District has not implemented policies and procedures regarding employee certification of time reported and Principal/Department Head approver roles and responsibilities.</p> <p>We recommend that the District further enhance existing timekeeping policies and procedures by including guidance and procedures noted above and in Issues #1 - #3. Formal, written guidelines and procedures increase accountability and protect the District, employees and schools/departments and provide vital information to employees in the event of absences, employee turnover or other occurrences. These guidelines and procedures would provide detailed instructions on roles and responsibilities, routine functions, as well as any non-routine occurrences in order to help ensure consistency and compliance with District guidelines and FLSA.</p>		
Payroll Time Input and Output Report	High	Closed
<i>This issue is considered closed as of this cycle audit.</i>		
Manual Timekeeping Process	High	Closed
<i>This issue is considered closed as of this cycle audit.</i>		
Segregation of Duties/User Access	High	Closed
<i>This issue is considered closed as of this cycle audit.</i>		
Incomplete and Inaccurate Employee Timecards	High	Closed
<i>This issue is considered closed as of this cycle audit.</i>		
Overtime Reporting	High	Closed
<i>This issue is considered closed as of this cycle audit.</i>		
Incomplete Leave of Absence Forms	Moderate	Close
<i>This issue is considered closed as of this cycle audit.</i>		
Inconsistent Timekeeping Procedures	Moderate	Closed
<i>This issue is considered closed as of this cycle audit.</i>		
Insufficient Recordkeeping for Non-Exempt Employees	High	Closed
<i>This issue is considered closed as of this cycle audit.</i>		

Background

Background

Overview

Timekeeping is the tracking and documentation of employment related hours for all District employees. The process is inherently high risk, due to the size of the District's workforce, volume of transactions and decentralization of the timekeeping process. It should be recognized that at any given time there are at least 34 schools and 30 plus departments operating independently throughout the District. This covers exempt as well as non-exempt employees, and includes work time, leave time, compensatory time, vacation time, holidays and all other employment related time.

The District implemented an automated timekeeping system, SunGard Timecard Online, in July 2011. The District's conversion to an automated timekeeping process has significantly enhanced the decentralized timekeeping process. The District's automated timekeeping system has streamlined the timekeeping process and reduced the documentation and review requirements of the process. Prior to this date, the timekeeping process was manually intensive and relied on the use of manual timesheets, manual review and approval by Principals/Department Heads and manual key entry by payroll specialists. As part of the current process, all employees enter their own time (non-exempt employees) or time exceptions (exempt employees) into an electronic timecard within SunGard. Each pay period, the designated timekeeper at each school or department is responsible for verifying that all non-exempt employees have completed and submitted an electronic timecard, and that exempt employees have entered any time exceptions. Exempt employees are not required to enter or certify any time records if they have no time exceptions, such as sick or personal leave. The timekeepers are also responsible for verifying the accuracy of timecards submitted. To accomplish this, timekeepers may compare the electronic time records to employee roster, manual sign in/out sheets, absence reporting system reports, leave slips, email documentation, or other records. If an employee with hours worked (non-exempt) or time exceptions (exempt) fails to submit a timecard, the designated timekeeper enters time on the employee's behalf using other timekeeping records or knowledge of attendance. The Principal/Department Head is responsible for review and approval of all electronic timecards. This approval is performed within SunGard, via individualized username and password. Once the payroll period has been locked, changes can only be made by the Payroll department. The District's Payroll department is responsible for processing payroll, after verifying that all schools/departments have entered and approved time. (See process map at the back of this report for a pictorial overview of this process). We would like to highlight that although the function is high risk, we did not note any instances of fraud during our testing.

Consistent with the risk identified in the risk assessment, our internal audit focused on timekeeping at schools and departments and not payroll processing by the District. Accordingly, our objectives, approach and testing specifically target the timekeeping at the schools and departments as described in the following sections.

Financial and Other Statistical Data

The current year budgeted and prior years payroll expenditures are as follows:

Fiscal Year	Payroll Expense
2010-11	\$197,413,955
2011-12	\$190,415,464
2012-13	\$195,652,694
2013-14 (Budgeted)	\$218,962,067

Background – continued

Financial and Other Statistical Data - continued

The District's Payroll department consists of 5 full-time equivalents, and the District has over 4,300 employees. The following is a summary table of employees by functional category (fiscal year 2013-14):

Administrative Staff	• District Administrators	79
	• School-Based Administrators	93
Instructional Staff	• Teachers	2,097
	• Guidance	65
	• Other Instructional Support	270
Support Staff	• Administrative Support Workers	281
	• Laborers	22
	• Other Professional Staff	147
	• Paraprofessionals and Aides	309
	• Service Workers	890
	• Skilled Crafts	43
	• Technicians	71
Total		4,367

As illustrated by the table above, the individual schools account for the majority of the District employees. With such a large employee population at the schools, an appropriate timekeeping and control system is imperative to provide adequate internal control over compensation related expenditures.

Generally, timekeeping is separated into two categories, as follows:

Classification	Staff Descriptions
Exempt (salary)	<ul style="list-style-type: none"> • Teachers • District Administrators
Non-exempt (hourly)	<ul style="list-style-type: none"> • Teacher Aides/Assistants • Clerical/Secretarial • Food Service Workers • Custodians • Etc.

Current Policies and Procedures

The Federal government and the State of Florida have many laws and statutes that the District must comply with regarding timekeeping, hourly pay and labor related issues. They include, but are not limited to, the Fair Labor Standards Act ("FLSA"), Family & Medical Leave Act ("FMLA") of 1993, and Florida Statutes 17, 112 and 119 which address direct deposit, conditions of employment, and public records. In addition to these, The Board also has issued School Board Rule 6.20, Leave of Absence, and School Board Rule 6.30, Compensation. These policies address specific areas related to timekeeping including sick and leave time accrual/reporting, and overtime. The District has not issued formal policies and procedures around some timekeeping areas, including leave approval and documentation, compensatory time, and time entry/review requirements.

The District is currently involved with 2 collective bargaining agreements for Union employees. The collective bargaining agreements utilized for purposes of our testing included the following:

- Agreement between the District School Board of St. Johns County and the St. Johns Educational Support Professional Association ("SJESPA").
- Agreement between the District School Board of St. Johns County and the St. Johns Education Association ("SJEA").

Objectives and Approach

Objectives and Approach

Objectives

The objectives of this internal audit of timekeeping were to:

- Validate that controls over timekeeping at the schools/departments include procedures and documents to assess that the data used to generate payroll disbursements are adequate and in compliance with District policies and procedures.
- Evaluate controls to assess the accuracy and completeness of time calculated and entered into SunGard.
- Identify and assess the effectiveness of accounting, administrative and user access controls over timekeeping and reporting at the schools/departments.
- Determine that the records and documentation for timekeeping at the departments is sufficient to establish an audit trail for all transactions involving employees' time.
- Identify differing practices for timekeeping at individual departments and identify best practices for the timekeeping and reporting process.

Approach

Our audit approach consisted of the following phases:

Understanding and Documentation of the Process

During the first phase, we conducted interviews with responsible personnel at various schools and departments, who have responsibilities related to timekeeping and documented their role in the process. We also conducted interviews with payroll personnel at the District to discuss the scope and objectives of the audit work and obtain preliminary data. In addition, we researched and reviewed the Fair Labor Standards Act and applicable District Board Rules related to timekeeping. We reviewed the Negotiated Agreements between the District and the St. Johns Educational Support Professional Association and the St. Johns Education Association, noting union requirements and leave provisions. Our understanding of the current automated process is documented in a process map, included as Appendix A of this report.

Detailed Testing

The purpose of this phase was to test compliance and internal controls based on our understanding of the timekeeping process. During this phase, we conducted interviews with responsible personnel at the 5 schools and 1 department selected for testing, who have responsibilities related to timekeeping and documented their respective roles in the process. The phase also included the execution of applicable tests of compliance and controls around time records and transactions for the departments selected. The time period covered by testing was July 1, 2013 through January 31, 2014. Our fieldwork was conducted at the selected schools and department where we utilized sampling and other auditing techniques to meet our audit objectives outlined above. Specific procedures performed include:

- Assessing timekeeping at the departments:
 - On-site visit and inquiry of department personnel to obtain detailed documentation of the process.
 - Testing of employee time tracking methods, practices, documents and procedures.
 - Testing of overtime approval, documentation and reporting.
 - Testing of leave time and compensatory time tracking and approval process.
 - Review of forms utilized.
 - Testing of monitoring of overall time worked by the Principals/Department Heads/Managers.
- User access testing:
 - Verified access is restricted to appropriate department personnel.
 - Testing of access levels (e.g., timekeeper versus approver).
 - Testing of user rights (e.g., edit rights versus read only rights).

Reporting

At the conclusion of our audit, we summarized our findings related to timekeeping at the District. We discussed the results of testing with the selected schools/departments, Chief Financial Officer, Director of Accounting and Payroll and the Payroll Supervisor. We have incorporated management's response into our report.

Issues, Recommendations and Management Responses

Rating	Issue		Recommendation	Management Response
High	1	Compensatory Time	<p>We recommend the District document a standardized procedure for the approval, documentation, and tracking of absent from duty leave under the Union agreement. The tracking is to evidence that absent from duty leave taken by employees was properly made up within 10 working days or that normal leave balances were utilized to cover the leave taken. This new procedure should be circulated and added to training workshops to ensure the process is thoroughly understood by all parties involved.</p> <p>We also recommend that absent from duty leave be separately coded in SunGard to assist in approval and monitoring of absent from duty leave. Once absent from duty leave is separately coded in SunGard, Principals/Departments can then review system generated exception reports that include the date and number of hours each employee used absent from duty leave. This report will help facilitate the Principal/Department Heads' ability to monitor and document that an employee's time was appropriately made up within 10 working days, in compliance with the Union Agreement.</p>	<p>Response: District personnel will establish policies and/or procedures as it relates to all aspects of compensatory time.</p> <p>ECD: June 30, 2015</p> <p>Person Responsible: Executive Cabinet</p>
		<p>Absent from Duty Leave The District's agreement with the SJEA, Article VI, Section R, states that "absent from duty" leave may be taken up to 2 hours at a time, as long as the employee makes up the time within 10 working days as approved by the principal. The agreement states that if the "absent from duty leave" is not made up within 10 working days, it will be charged to normal leave balances. The agreement further states that "a record-keeping system as determined by the principal (supervisor) or as required by the Board will be utilized by the professional employee to assure accurate records and meet auditing requirements."</p> <p><u>Absent from Duty Leave Usage</u> During our detailed testing, we noted the following:</p> <ul style="list-style-type: none"> • One of the 5 schools tested does not maintain records of absent from duty leave used. • The records of absent from duty leave taken at 1 school did not include the number of hours used for one instance of leave. We were therefore unable to verify that the leave amount taken was less than the limit stated in the Union Agreement. <p><u>Absent from Duty Leave Make-Up/Charge Off</u> During our detailed testing, we noted the following:</p> <ul style="list-style-type: none"> • Three schools did not maintain records of the "make up" of absent from duty leave. We were therefore unable to verify that leave was made up within 10 working days as required by the Union Agreement. • Absent from duty leave was not made up within the required timeframe under the Union Agreement for one instance of leave. The leave was not made up until 166 days after it was taken. • During inquiry at the sites, 4 of the 5 school timekeepers noted that were not aware of the 10-day make up period requirement for absent from duty leave. <p>Without proper controls in place to monitor absent from duty time, the District could inadvertently pay employees for time not worked.</p>		

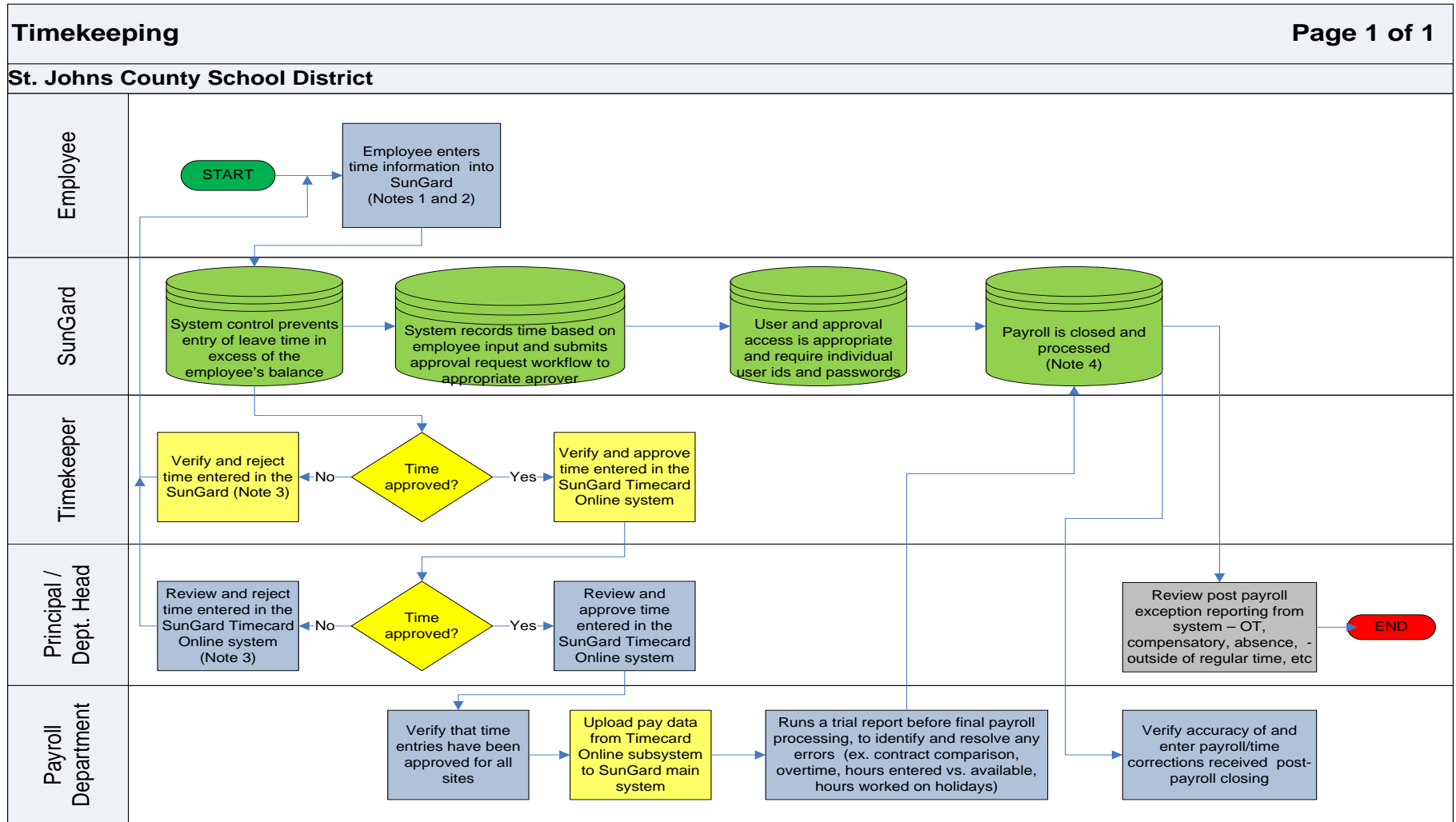
Rating	Issue		Recommendation	Management Response
High	1	Compensatory Time - continued	<p>We recommend that the District document and distribute policy regarding compensatory time. If compensatory time is going to be allowed, we recommend the following:</p> <ul style="list-style-type: none"> • Establish and implement a formal policy pertaining to the tracking, use and monitoring of compensatory time earned and used, including the monitoring of the optional planning days earned and taken by teachers and the like; • Circulate the policy and add it to annual training workshops provided by the District; • Require that compensatory time earned and used be separately coded in SunGard to assist in the approval and monitoring of compensatory tam (both earned and taken); • If compensatory time earned cannot be tracked via SunGard, a formal log of compensatory time earned must be maintained and reviewed/approved; and • Once compensatory time is separately coded in SunGard, Principals/Department Heads can then review system generated exception reports that include the date and number of hours each employee used compensatory time and compare to the newly established log of compensatory time earned. <p>The above will help strengthen accountability of the employees and Principals/Department Heads for accurate reporting and payment of employee time.</p>	

Issue, Recommendation and Management Response

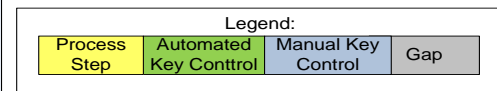
Timekeeping

Rating	Issue		Recommendation	Management Response
Moderate	2	Policies and Procedures		
		<p>Existing Board rules and documented policies and procedures regarding the timekeeping process are as follows:</p> <ul style="list-style-type: none"> • Board Rule - Chapter 6.00 Personnel, 6.20 Leave of Absence and 6.30 Compensation; and • Timecard Online training for employees and timekeepers, respectively. <p>In addition to what was noted in Issues #1, the District currently does not have standardized guidelines and procedures regarding the following:</p> <ul style="list-style-type: none"> • Within our sample selection of 60 timecards, we noted that 10 timecards were completed or modified by someone other than the employee. Although all employees have access to input their own time, it is not currently a system-controlled requirement that employees must input their own time as a way to enhance accountability and certify time worked; • Time approvers of the appropriate level such as Principals/Department heads have been designated as approvers of time in SunGard, with individual usernames and passwords. It was noted during inquiry at 1 of 6 sites that the timekeeper utilizes the approver's username and password to log into SunGard and approve the time for payroll processing. This is a segregation of duties conflict. It was noted that there is a manual review process by the designated Principal/Department Head, but we were unable to validate this has occurred due to lack of supporting documentation. <p>Formal, written guidelines and procedures increase accountability and protect the District, employees and schools/departments and provide vital information to employees in the event of absences, employee turnover or other occurrences. These guidelines and procedures would provide detailed instructions on roles and responsibilities, routine functions, as well as any non-routine occurrences in order to help ensure consistency and compliance with District guidelines and FLSA.</p>	<p>We recommend that the District further enhance existing timekeeping policies and procedures by including guidance and procedures on the following:</p> <ul style="list-style-type: none"> • Absent from Duty leave procedures (See Issue #1); • Compensatory time policy and procedures (See Issue #1); • System control enforcing the requirement for employees to input their own time, as this is the only means for an employee to certify the accuracy of their time reported; and • Guidance on the roles and responsibilities of the employee, timekeeper and approver. <p>Once created, the updated process should be distributed to all and provided in associated trainings. These standard guidelines and procedures and training materials should incorporate best practices from across the District and be posted on the intranet for the employees, timekeepers and approvers to reference throughout the year. This will assist in achieving consistent, standardized proper tracking and reporting of employee hours and ensure compliance with applicable District policies, payroll laws and regulations.</p>	<p>Response: District personnel will establish standardized policies and/or procedures as it relates to Board Rule 6.20 and the responsibilities of the employee, timekeeper and approver for online timecards.</p> <p>ECD: June 30, 2015</p> <p>Person Responsible: Executive Cabinet</p>

Process Map



Note 1: Salaried employees enter exceptions to the normal work week time. Hourly employees enter hours worked each day.
Note 2: When time is submitted, employees electronically certify that the entries are accurate.
Note 3: Rejected time entries are automatically routed back to the employee for correction and resubmission.
Note 4: After the payroll period is closed, changes to payroll can only be made by the Payroll Department. Requests for changes after period close must be made by emailing Payroll and must include notification of the School Principal/Department Head of the change.



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