

Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

February 16, 2021

MEMORANDUM

To: Ms. Kisha Logan, Principal
Montgomery Village Middle School

From: Mary J. Bergstresser, Supervisor, Internal Audit 

Subject: Report on Audit of Payroll for the Period
January 1, 2020, through December 31, 2020

Payroll audits are conducted to evaluate compliance with Board of Education policies and Montgomery County Public Schools (MCPS) regulations and procedures, as well as to assess the effectiveness of existing controls for approval of employee absences and the accuracy of time and attendance reporting. A payroll audit does not review every transaction, but seeks to provide reasonable assurance that any significant errors or omissions in the payroll records are detected. The auditors selected four biweekly payroll periods falling within the audit period to examine employee timesheets, attendance reports, leave requests, and other related payroll documents.

For each of the four pay periods selected, the auditors examined all of the Payroll Attendance Collection System (PACS) timesheets (MCPS Form 430-70, *PACS Timesheet*) for required signatures. In addition, the auditors compared MCPS Form 430-17, *PACS Timesheet Short-Term Substitute Teachers and Staff Development Substitute Teachers*, and MCPS Substitute Employee Management System's (SEMS) automated substitute teacher assignment report to the professional staff MCPS Form 430-70 to determine if leave was reported. The auditors selected five employees' records in each pay period to review in detail. Their timesheets and leave requests (MCPS Form 430-70, MCPS Form 430-1, *Leave Request (Requiring ERSC Authorization)*, and MCPS Form 430-1A, *Leave Request (Not Requiring ERSC Authorization)*) were compared to the PACS Form MM 631, *Attendance Approval Report*, for evidence of adequate control over the approval and reporting of leave.

At our virtual meeting on January 22, 2021, with you, Mr. Vincent R. Liburd, principal intern and Ms. Tracy A. Katoski, school administrative secretary, we reviewed the status of the conditions described in this audit report that were disclosed during our audit of payroll records. This audit report presents the findings and recommendations resulting from our examination of the payroll records for your school for the period designated above.

Findings and Recommendations

Examination of all the timesheets from the selected pay periods disclosed that the majority of professional and supporting services staff timesheets for all four pay periods reviewed were not signed by the respective direct supervisor as required. We did note that the cafeteria manager and building service manager were signing the timesheets for the employees that report to them. We also found that you were not signing the leave requests to indicate your approval. An important internal control process is the certification by an independent staff member that attendance data has been correctly reported on timesheets and accurately entered by the timekeeper into PACS. We recommend that either you, or a direct supervisor, review and sign all timesheets and leave requests, (refer to the *MCPS Finance Manual*, chapter 13, pp. 1 and 5). You may designate your assistant principal the authority to approve payroll documents but the designation must comply with MCPS Regulation DLB-RA, *Authorized Signatures for Payroll Documents* procedures.

For the four pay periods selected, the corresponding information was obtained from the MCPS Substitute Employee Management System (SEMS) to compare with professional and supporting services timesheets and substitute timesheets. We found several instances in which staff members were absent from the school for all or part of the day without these absences being accurately recorded in PACS. It is critical that the SEMS report for each pay period be compared to individual leave requests and timesheets, as well as other records of staff absences to ensure payroll procedural compliance. A few timesheets were improperly completed or were missing information. In addition, many of these timesheets did not have the proper leave request form attached when required. It is imperative that all staff members prepare their MCPS timesheets to indicate hours worked and leave taken for each day, including the daily and bi-weekly hourly totals to reduce the potential for input errors by the timekeeper. Certification that attendance data has been correctly reported on timesheets and accurately entered by the timekeeper into PACS is an important internal control process. We recommend that you, or a direct supervisor, promptly review all the timesheets and leave request forms for validity and accuracy and ensure that all required documentation is included prior to approval signature (refer to the *MCPS Financial Manual*, chapter 13, page 4). A list of payroll discrepancies noted and their potential corrections were provided to you and your timekeeper at our virtual meeting.

It is the principal's or direct supervisor's responsibility to maintain fiscal control of payroll and to manage employee work schedules without the use of overtime, except when authorized in advance for emergency situations, outside use events, or school events. All overtime must be authorized in advance using the appropriate overtime form (refer to the *MCPS Financial Manual*, chapter 13, page 6). We noted that overtime reported on employee timesheets was not always authorized by the principal or a direct supervisor, and did not always have the appropriate overtime forms attached. We found that several building service employees were paid at the premium overtime pay rate using the incorrect overtime code. The overtime hours worked were for outside use events though the Interagency Coordinating Board (ICB) and the correct code to report these hours is outside use premium (OUP). We found that the employees and the timekeeper reported these hours as overtime regular (OTR), which is charged to the school plant operations account instead of being charged to ICB. We reviewed all overtime charged during fiscal years 2019 and 2020 and found that 783 hours were incorrectly charged to school plant operations instead of ICB. Entering

the overtime codes incorrectly into PACS resulted in MCPS, rather than ICB, paying for the overtime hours. Use of the correct pay code ensures funds are encumbered from correct accounts. We recommend that the timekeeper and payroll supervisors ensure that a properly authorized overtime approval form is attached to an employee's timesheet with overtime hours correctly reported.

Notice of Findings and Recommendations

- Timesheets must be reviewed and signed by supervisor prior to entry in PACS.
- Principal, or designee, must ensure validity and accuracy of the payroll.
- Approved leave forms and other required documentation must be attached to timesheets.
- Time and attendance must be accurately reported.
- Proper overtime codes must be used to ensure appropriate accounts are charged.
- The list of payroll discrepancies must be reviewed for potential corrective action.

We appreciate the cooperation and assistance of you and your staff. In accordance with MCPS Regulation DIA-RA, *Accounting for Financial Operations/Independent Activity Funds*, using the attached form, please provide a response to the Internal Audit Unit with documentation of corrective actions taken, within 30 calendar days of this report, with a copy to Mr. Eric A. Wilson, director of learning, achievement, and administration, Office of Teaching, Learning, and Schools (OTLS). In your response, please share a detailed plan for addressing these issues including appropriate staff training and support. OTLS staff will follow up on this audit.

MJB:lsh

Attachment

Copy to:

Members of the Board of Education

Dr. Smith

Dr. McKnight

Ms. Stratman

Dr. Wilson

Mrs. Williams

Mr. Koutsos

Mrs. Chen

Mr. Klausling

Mr. Marella

Mr. Tallur

Mr. Wilson

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date:	Fiscal Year:
School:	Principal:
OTLS Associate Superintendent:	OTLS Director:
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period _____, strategic improvements are required in the following business processes :</p>	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence

OFFICE OF TEACHING, LEARNING, AND SCHOOLS (OTLS) REVIEW & APPROVAL	
<input type="checkbox"/> Approved	<input type="checkbox"/> Please revise and resubmit plan by _____
Comments: _____ _____	
Director: _____ <i>Eric Wilson</i> _____	Date: _____