


Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

November 25, 2019

MEMORANDUM

To: Mr. Rock A. Palmisano, Principal
Watkins Mill Elementary School

From: Mary J. Bergstresser, Acting Supervisor, Internal Audit 

Subject: Report on Audit of Payroll for the Period
September 1, 2018, through August 31, 2019

Payroll audits are conducted to evaluate compliance with Board of Education policies, 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 (SEMS)'s 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 meeting on November 6, 2019, with you: Ms. Kimberly A. Henriquez, principal intern; and Mrs. Leshia M. Murray, school administrative secretary, we reviewed the status of the conditions described in this audit report that were disclosed during our audit of payroll records conducted at your school on September 19, 2019. It should be noted that the school administrative secretary's assignment was effective October 14, 2019. 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

For the four pay periods selected, information was obtained from the MCPS SEMS to compare with the corresponding 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, a few timesheets did not have the proper leave request form attached when required. All staff members must prepare their MCPS timesheets accurately to indicate hours worked and leave taken for each day, including the daily and bi-weekly hourly totals. Certification that attendance data has been correctly reported on timesheets and accurately entered by the timekeeper into PACS is an important internal control process. You or your designee must promptly review for validity and accuracy all the timesheets and leave request forms, ensuring that all required documentation is included prior to approval signature (refer to *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 November 6, 2019, meeting.

We found that the use of professional leave did not always conform to the procedures established in the attached memorandum from the chief operating officer, which requires that all professional leave be approved in advance on MCPS Form 430-94: *Professional Leave (PRO)*, and if a substitute is required, the funding source, including the account number, must be identified on this form. It was noted that staff taking professional leave who required a substitute did not always indicate the funding source account number on the leave form and most of the leave forms were not approved by the principal prior to leave being taken. The funding source should be provided by the office or department conducting the meeting or training. We recommend that you review the referred memorandum with all staff to ensure that they adhere to the established procedures.

We found that leave forms (MCPS Form 430-1A) were approved by the principal after leave was already taken (authorized exception: call in of unscheduled leave), no explanation was listed for advance sick leave, proper documentation was not present for civil leave and the leave form did not state the relationship for bereavement leave. When staff members are requesting advance sick leave, they should list an explanation for the absence. Civil leave is used when an employee is subpoenaed in a civil or criminal case, or called to serve on a jury, provided that the unit member is not a party to the civil or criminal case, except as a defendant in an action regarding his/her authorized MCPS duties. The employee must provide documentation that not only were they subpoenaed, but that they actually appeared or served on the jury. Bereavement leave must state the relationship to the deceased to determine the number of bereavement leave days the employee is entitled to. We recommend that leave forms be completed by employees and only approved if they have the necessary information completed.

We also noted that your payroll was frequently not released on PACS by a designated individual who is independent of the timekeeper for data entry. In some cases payroll was released by the timekeeper entering the data and sometimes it was not released at all, but taken by payroll without having been verified and released. An important internal control process is certification by the independent staff member that attendance data has been correctly reported on timesheets, and accurately entered by the timekeeper into PACS. We recommend that payroll be released by a staff member independent of the timekeeper processing PACS data entry (refer to *MCPS Finance Manual*, chapter 13, pp. 1 and 5).

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 *MCPS Financial Manual*, chapter 13, page 1). We noted that overtime reported on employee timesheets was not always authorized by principal or direct supervisor, and did not always have the appropriate overtime forms attached. Incorrect overtime codes were entered into PACS for some employees that resulted in MCPS rather than Interagency Coordinating Board paying for the overtime hours. We recommend that the timekeeper and payroll supervisors ensure that a properly authorized overtime form is attached to employee's timesheet with overtime hours correctly reported.

Class coverage is a premium hourly rate of pay in addition to the regular hourly salary rate of pay for individuals covering classroom teaching responsibilities as described in both the Montgomery County Education Association (MCEA) and the Service Employees International Union (SEIU) Local 500 contracts. The SEIU Local 500 contract states that in order for a paraeducator to be compensated for the additional premium pay for covering a class in the absence of a teacher, the coverage must be for a minimum of one hour or a class period of at least 45 minutes in a given day. We noted that paraeducators were paid for the classroom coverage premium pay, but did not list the reason coverage was needed on their timesheets. Without a reason listed, it is impossible to know if the teacher was attending a student meeting or on leave. (Refer to *MCPS Financial Manual*, chapter 13, page 10). We recommend that all class coverage timesheets state a reason for the coverage and that when the reason is a teacher's absence requiring leave that the teacher's timesheet be checked to ensure that leave was taken.

Timesheets signature review, including review of PACS Summary Attendance Approval Reports, was delegated by the principal to the assistant principal and signature review was often not done prior to timesheets being entered into PACS and in some cases timesheets were not signed at all by the supervisor. Timesheets must be reviewed and signed by the supervisor prior to being entered into PACS.

Timekeeper had no mechanism to record absences of employees not required to get a substitute when absent. Without a record of absence, it was impossible to verify that all leave was properly accounted for. We recommend that the timekeeper have employees, not required to get a substitute, call into the office when they are going to be absent or late. We recommend that the timekeeper

keep a record of absences to compare with the timesheets when processing payroll. Time was entered into PACS under the wrong job codes for employees with multiple assignments which resulted in employees getting paid at a higher rate than their assigned position and hours being posted to the wrong budgeted accounts. The timekeeper should pay careful attention to employees with multiple positions. A timesheet should be prepared for each position and the hours must be posted in PACS to the correct job code. Employees must record the hours worked on timesheet for the correct job code and that timekeepers post the hours to the correct job code in PACS.

We found that substitutes were called into the sub system for the entire day when the teacher was only scheduled for 3.5 hours of leave. The substitutes were paid for 7 hours, the amount prefilled by the sub system, rather than the 3.5 hours reported on the substitute's timesheet since the timekeeper did not correct the prefilled hours in PACS. Substitute hours prefilled in PACS must be compared to the substitute's timesheet to ensure that hours are posted correctly.

A list of possible payroll discrepancies and their potential corrections was provided to you and your timekeeper.

Notice Findings and Recommendations

- Time and attendance must be accurately reported.
- Principal or designee must ensure validity and accuracy of the payroll.
- Timesheets should be reviewed and signed by supervisor prior to entry in PACS.
- Leave forms must be approved in advance with a reason stated, with the exception of unscheduled leave. Professional leave must have a funding source and account number listed. Proper documentation should be obtained from employee for civil leave, and bereavement leave must state the relationship of the deceased.
- Overtime must have approval form attached to timesheet.
- Class coverage timesheets must state a reason for the coverage.
- Timekeeper must keep a record of absence for employees not requiring a substitute.
- Payroll must be released by a staff member independent of the PACS entry.
- 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 School Support and Improvement. In your response, please share a detailed plan for addressing these issues including appropriate staff training and support. The Office of School Support and Improvement will follow up on this audit.

MJB:SMY:lsh

Attachments

Copy to:

Members of the Board of Education

Dr. Smith

Dr. McKnight

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Mr. Koutsos

Mrs. Camp

Mrs. Chen

Ms. Diamond

Mr. Tallur

Mr. Wilson

Mr. Marella

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: 2019 -2020	Fiscal Year: 2019 -2020
School: Watkins Mill ES - 561	Principal: Rock A. Palmisano
OSSI Associate Superintendent: James Koutsos	OSSI Director: Eric Wilson
Strategic Improvement Focus: As noted in the financial audit for the period <u>9/1/18 -8/31/19</u> , strategic improvements are required in the following business processes :	


Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools / Data Points	Monitoring: Who & When	Results/Evidence
The timekeeper will keep a calendar/listing of who was out of the building and compare it with timesheets. All employees who are not working and should indicate the reason they are not in the building should let the front office know.	Leshia Murray, Administrative Secretary	Calendar Timesheets	Timesheets Leave slips All pay periods	Rock Palmisano, Principal Assistant Principal	
The timekeeper will initial timesheets in the upper corner to indicate entered into PACs.	Leshia Murray, Administrative Secretary	Timesheets for all employees	All pay periods	Rock Palmisano, Principal	
Payroll should be entered by one person and then checked and released by a second person. This includes the principal, assistant principal and attendance secretary in the event that the principal and assistant principal are out of the building. Simply stated, payroll should always be released by the reviewer to indicate that the job has been completed.	Rock Palmisano, Principal	Leave slips PACs	All pay periods Documentation of who released pay	Rock A. Palmisano, Principal	
A leave slip should be attached to the timesheet whenever an employee is not working his/her regular hours. Leave slips should be prepared by employee and given to the principal with enough time to approve prior to leave being taken (professional, personal and advance sick leave). A reason for advance sick leave should be given on	Rock Palmisano, Principal Leshia Murray, Admin Secretary	Timesheets Leave slips	Completed leave slips All pay periods	Rock Palmisano, Principal Leshia Murray, Admin Secretary	

Action Steps	Person(s) Responsible	Resources Needed	Monitoring Tools/ Data Points	Monitoring: Who & When	Results/Evidence
the leave slip. Berevement laaye must state the relationship to the person who died. Civil leave must have documentation showing that the person served					
All timesheets, attendance approval reports and payroll corrections should be filed together. PAC records should be retained in another location as they have a different retention period. If a payroll correction is needed, it should be noted on the employee's timesheet and a copy of the	Leshia Murray, Administrative Secretary	Timesheets Payroll corrections Attendance approval	Filing system in place Ongoing	Rock Palmisano, Principal Assistant Principal Leshia Murray, Admin secretary	
correction kept prior to submitting.		reports, PAR records			
Timesheets should be signed by the principal and/or his designee prior to time being entered in PACS. The approval signature is to indicate that the time has been reviewed and appears accurate. leave forms should be attached to the timesheet when leave is taken.	Rock Palmisano, Principal and/or designee	Timesheets Leave slips	Timesheets and leave slips All Pay periods.	Rock Palmisano, Principal Assistant Principal Leshia Murray, Admin Secretary	

OFFICE OF SCHOOL SUPPORT AND IMPROVEMENT (OSS) REVIEW & APPROVAL

Approved Please revise and resubmit plan by _____

Comments: I will check in with the principal quarterly to review the plan.

Director: Eric  Date: 12/18/19