

Internal Audit Unit
MONTGOMERY COUNTY BOARD OF EDUCATION
Rockville, Maryland

February 14, 2019

MEMORANDUM

To: Mr. William J. Collins, Principal
Damascus Elementary School

From: Roger W. Pisha, Supervisor, Internal Audit



Subject: Report on Audit of Payroll for the Period
January 1, 2018, through December 31, 2018

Payroll audits are conducted to evaluate compliance with MCPS policies, 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 there is compliance with Board of Education policies, MCPS regulations, and procedures, and 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 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 January 31, 2019, with you and Ms. Tracy E. Paris, 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 January 9, 2019. It should be noted that Ms. Paris' assignment as school administrative secretary was effective January 23, 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, 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. Many timesheets were improperly completed or were missing information. 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 biweekly 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 also noted that your payroll was not always released by a designated staff member who is independent of PACS data entry. 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 either you or a direct supervisor review and sign all timesheets and leave requests and that payroll be released by a staff member independent of PACS data entry (refer to *MCPS Financial Manual*, chapter 13, pp. 1 and 5). A list of payroll discrepancies noted, and their potential corrections, was provided to you and your timekeeper at our January 31, 2019, meeting.

MCPS provides preprinted quarterly certification statements for all employees who have a grant-funded position or assignment. For those employees who are funded from both, a grant and the MCPS operating budget, or from more than one grant, a biweekly Personnel Activity Report (PAR) also is required to be completed and signed by the employee and supervisor. It is critical that these certifications are completed to satisfy federal documentation requirements and retained for seven years. We found that you had employees who received both the quarterly certification statements and biweekly PAR forms. These forms were filed among your regular payroll records rather than being filed in a separate binder or folder so they could be retained for the required seven years. We recommend that you file these certifications and PAR forms in a separate binder or folder, together with the timesheets, and retain them for seven years as required.

Summary of Recommendations

- Time and attendance must be accurately reported.
- Principal or direct supervisor must ensure validity and accuracy of the payroll.
- Payroll must be released by a staff member independent of PACS data 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*, please provide a response to the Internal Audit office with documentation of corrective actions taken, within 30 calendar days of this report, with a copy to Dr. Mary Jane Q. Ennis, director of school

support and improvement of elementary schools. 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.

RWP:MJB:lsh

Copy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Mr. Civin

Dr. Johnson

Mrs. Morris

Mrs. Camp

Mrs. Chen

Ms. Diamond

Dr. Ennis

Mr. Tallur

Ms. Webb

FINANCIAL MANAGEMENT ACTION PLAN

Report Date: FY19	Fiscal Year: FY19
School: Damascus ES - 702	Principal: Mr. William Collins
OSSI Associate Superintendent: Dr. Diane Morris	OSSI Director: Dr. Jane Ennis
<p><u>Strategic Improvement Focus:</u> As noted in the financial audit for the period <u>1.1.18 - 12.31.18</u>, 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
Time and attendance must be accurately reported: A cross check is performed on every timesheet prior to posting. At this time emails are sent to address any discrepancies such as incomplete timesheets, leave used but not reported, leave used but no leave slip, not signed, corrected errors not initialed by the staff member.	Tracy Pairs Admin Secretary	Daily sub system information. Approved leave Slips. Staff Bulletin.	A 1st request email is sent by Ms. Paris directly to the staff member. If a 2nd request is sent I'm copied on the email to follow up myself if necessary.	Ms. Paris monitors staff attendance daily and applies a cross check system as timesheets are turned in.	All issues are addressed in writing until resolved.
Principal must ensure validity and accuracy of payroll: All payroll related documents are made accessible to me to review for accuracy and signature approval. Staff are reminded that all leave slips must be approved by myself prior to using leave whenever possible. Timesheets are then reviewed and signed by myself as well.	Mr. Collins Principal	Completed timesheets. Daily staff attendance information.	Staff attendance information is provided to me daily by Ms. Paris to review.	Staff attendance is monitored by Ms. Paris and reviewed by myself.	Any discrepancies are flagged and addressed until resolved. PACS Correction Vouchers are processed if an error is discovered after posting.
Payroll must be released by a staff member independent of PACS data entry: Ms. Paris enters our payroll and every attempt is made for me to release it however there are times I am unavoidably occupied and therefore unable to release payroll by the cutoff. Only then will Ms. Paris be the one to release payroll. Currently only she and I have access.	Mr. Collins Principal	Access to Lawson.	The clock and calendar guide this process. The payroll report tracks who releases payroll each time.	I release payroll whenever possible. Ms. Paris and I are the only 2 DES staff members with payroll access.	Payroll is always released on time. Ms. Paris will note the circumstances on the payroll report whenever she has to release because I'm not available.
PAR forms: A "PAR" binder has been created and contains all signed quarterly certification statements, signed PAR forms and original signed timesheets. This binder will be set up for each fiscal year going forward and retained at the school for a 7 year period as required.	Tracy Paris Admin Secretary	PAR documents	Ms. Paris will collect all PAR forms and have them signed by staff before filing.	Ms. Paris will maintain the PAR binder as these forms come in.	PAR forms and corresponding documents will be filed and retained accurately.

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

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

Approved Please revise and resubmit plan by _____

Comments: Since our payroll audit, A general payroll "process" has been written and shared with staff detailing guidelines for accurately completing leave slips, timesheets and discrepancies.

Director:  Date: 4/9/19