

School Board of Broward County

High Level Assessment of:

**SAP R/3 HR/Payroll
Implementation and
Supported Business
Processes**

April 2002



Ernst & Young LLP
200 S. Biscayne Blvd
Miami, Florida 33131

April 4, 2002

School Board of Broward County
600 S.E. Third Avenue
Ft. Lauderdale, Florida 33301

Honorable School Board Members:

We are pleased to present the results of our high level assessment of the SAP system implementation. Our assessment was performed as part of the 25-hour of advisory services included as part of the audit agreement. This Report summarizes the actual procedures performed and the results of our review.

We commend the foresight of the School Board of Broward County in recognizing the need to assess the SAP implementation to date and benchmark the results against industry leading implementations and processes. The results of this high level assessment should be used as a blueprint to enact corrective action by addressing all observations noted.

We appreciate the cooperation and assistance provided to us during the course of our engagement. If you have any questions or concerns regarding any of our recommendations, please contact Alvaro Florez at (305) 415-1659 or Jeffrey Sopshin at (305) 415-1684.

Very truly yours,

Ernst & Young LLP

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Executive Summary

Project Objectives

The objective of this engagement was to provide SBBC with a limited, high-level assessment of the following areas within the SAP R/3 implementation:

- Human Resources Processes
- Payroll Processes
- Payroll Interfaces to Accounting Processes
- Reporting Requirements

Procedures Performed

- Obtained an understanding of the current state of the SAP implementation through interviews with Management, key members of the SAP implementation team, functional area leads and Information Technology.
- Reviewed selected key project documentation.
- Identified “Lessons Learned” from SBBC’s SAP implementation over the last two years.
- Prepared summaries of observations with corresponding recommendations to improve the effectiveness of the SAP implementation

Summary of Significant Findings

The implementation of a system such as SAP is a major endeavor, requiring significant resource commitments during the implementation life cycle, especially in light of an aggressive implementation timeline. The SAP application has presented and continues to present a significant challenge to the entire School Board.

There has been a sense of commitment and urgency within the entire school board, including functional areas, the school locations, the SAP support team and Educational Technology Services department (ETS) to ensure all School Board Human Resource and Payroll business processes are properly transitioned and stabilized in the SAP environment. While we focus this report on exceptions identified during our review, it is important to note the majority of human resource and payroll processes are supporting the School Board’s initiatives. While the implementation team should be commended for their efforts to date, it is imperative to highlight that critical business processes remain to be properly implemented and/or stabilized in the SAP environment. Specifically:

- Closing of the financial books has not been completed for any month within the current fiscal year. The Board and all its key departments, at this time, cannot accurately determine their financial state. As such, the School Board's ability to provide financial information to satisfy state and Federal requirements is compromised. Critical financial processes such as bank reconciliation for payroll accounts and payroll postings have not been completed. Salary and payroll expense is the major component of SBBC's disbursements. In addition, 3rd party remittances, such as union dues, TSA and payroll taxes etc. have not been fully reconciled or analyzed. Corrective action is required promptly in order to meet state and federal requirements, including the completion of the Annual Financial Report.
- There are payroll overpayments of approximately \$2.1 million as of April 8th to both active employees and personnel not currently employed by the School Board. This resulted primarily from changes as a result of the SAP implementation in regards to job/positions transfers and timing gaps and the learning curve resulting from transitioning to a paperless PAF (Personnel Action Form).
- Key reports required by the Accounting department, Budget department and school locations are not currently available. Such reports are required to manage and analyze current year budget accruals and to plan payroll requirements for the next fiscal year. Budgetary control is a key business process within the School Board of Broward County and should be utilized to its fullest extent within SAP to effectively monitor school and departmental payroll.
- Insufficient formalized knowledge transfer from consultants to SBBC employees has occurred, especially in the functional areas. Effective and timely knowledge transfer minimizes the reliance on external consultants and helps alleviate the frustration of the transition to a new system. This will ultimately enable the Board to take ownership of the system with the ability to operate, maintain and control it.

The SBBC Management, HRMS staff, functional leads, school locations and consultants have provided candid feedback regarding the current state of the SAP implementation and have also presented opportunities for improvement. In addition, project management in conjunction with departmental management and staff, are actively addressing issues outlined in this report. As a result, some of the observations are already being addressed. Based on our findings, we believe that action plans should be drafted for each of the observations and resources should be assigned to resolve critical issues on a timely manner.

The attached detail of Observations and Recommendations captures:

- The detailed observations for each of the four major areas reviewed in connection with our SAP assessment.
- The effort required for implementing corrective action. Each observation is rated as a High, Medium or Low. "High" requires immediate and significant resource commitments to implement corrective action. "Medium" observations require moderate resource commitments. Observations rated "Low" observations require a lower resource commitment than observations rated as "High" or "Medium".
- The urgency needed in addressing each of the observations noted. Each observation is rated as a High, Medium or Low. "High" requires immediate attention and prompt resolutions. "Medium" requires corrective action and the urgency for their resolution requires a lower

priority than “High”. Observations rated as “Low” can be addressed after those rated as “High” or “Medium”.

- Recommendations for improvement based on our experience with Public Sector and Private industry-leading practices.

The “Lessons Learned” presented in the detailed document, represent best practices essential to the successful and timely implementation of an ERP system such as SAP. These practices were identified during our interviews with Management, key members of the SAP implementation team and functional team members through a retrospective self-analysis of initiatives and strategies used during the implementation proce

Detailed Findings and Recommendations

Task No.	Observation	Priority	Agency	Recommendation	Management Response
Accounting					
1	The School Board has not been able to complete month-end close procedures for each month dating back to July 2001, when SAP was implemented. As a result, the School Board cannot accurately determine its financial position and may not be able to provide year-end financial statements. Currently, the School Board cannot accurately determine actual salary expense for the year given the inability to complete bank reconciliations, inability to verify payroll postings, and the lack of reporting required for reconciling accounts.	H	H	Develop a strategic plan and assign resources in order to resolve exceptions in key payroll business processes currently preventing the School Board from completing month-end procedures.	Administrative responses from Accounting Department – See page 16 Administrative responses from SAP Support Center – See page 22
2	Key reports required by accounting (i.e., payroll register, labor distribution reports, 941 documentation, SUI, etc.), budget	H	H	Identify the reporting requirements. Determine which requirements can be met with SAP delivered	Administrative responses from Accounting Department – See page 17

Title	Description	Priority	Frequency	Administrative responses from SAP Support Center – See page 22
3	<p>(grant reports, encumbrance reports) and school locations are not currently available. Such reports are required to manage and analyze current year budget accruals and to plan payroll requirements for the next fiscal year. In addition, Federal and State required reports, such as Grant reports (Title I, Title IV) and the Board's Monthly Financial Statements have not been produced.</p>	H	H	<p>reports and/or drill down functionality and provide such training to accounting end-users. Identify which reports must be developed and design such reports based on end-user requirements, priority and cost factors.</p> <p>Determine whether timely compliance with regulatory requirements is in jeopardy and take steps to work with these agencies to obtain extensions, if necessary.</p>
3	<p>Bank reconciliations for payroll bank accounts have not been performed since July 2001 and questionable items have been carried forward from one period to the next. In addition, payroll check voids information have not been identified. As such, the School Board cannot be ensured it is compliant with certain grants and programs that are based on payroll dollars and labor hours. As</p>	H	H	<p>Administrative responses from Accounting Department – See page 18</p> <p>Administrative responses from SAP Support Center – See page 24</p>

Task	Objective	Priority	Frequency	CIC	Risk	Comments	Administrative Responses
	a result, the School Board cannot produce interim financial statements that appropriately disclose payroll expenses.	H	H	H	H	Verify the accuracy of all payrolls processed and post such postings to the financial system. Information that has been posted incorrectly must be identified and corrected. Research all payroll entries and clear all payroll accounts such as the Salaries Payable GL account. Develop necessary reports to facilitate the reconciliation and verification of payroll postings.	Administrative responses from Accounting Department – See page 18 Administrative responses from SAP Support Center – See page 25
4	Some payroll postings to date, including third party remittances (i.e., payments to credit union, union dues, garnishments, etc.) have not been posted in the Financial system (MSA) nor have they been reconciled. Reports to facilitate such reconciliation have not been provided. As such, the accounting department cannot analyze payroll accounting postings and third party remittances to determine the accuracy of the payments to third parties.	H	H	H	H	Verify that all wage types are mapped to the correct General Ledger account. In addition, verify and reconcile actual postings. If exceptions are identified, assign all	Administrative responses from Accounting Department – See page 19 Administrative responses from SAP Support Center – See page 25
Payroll	5	Payroll account categories (Wage types) amounts have not been reconciled to corresponding General Ledger account postings. In addition, Payroll account categories (Wage types) to	H	H	H		

Task No.	Observation	Priority	Frequency	Recommendation	Management Response
6	<p>General ledger account relationships have not been verified. As such, payroll results may be posted incorrectly in the general ledger and delay the month-end closing process.</p> <p>There are payroll overpayments of approximately \$2.1 million to both active employees and personnel not currently employed by the school board. Project management has developed a report to identify overpayments has established a payback strategy and deduction schedule for all personnel that has been overpaid. Overpayments resulted primarily from:</p> <ul style="list-style-type: none"> o Changes as a result of the SAP implementation in regards to job/positions transfers (i.e., salary to hourly) and the corresponding payroll areas during the middle of a payroll cycle o Timing gaps and discrepancies 	H	H	<p>postings to the correct general ledger account.</p> <p>Identify the causes for overpayments, whether systematic or due to process inefficiencies and make appropriate corrections to prevent further overpayments. Continue to train personnel on the new business processes and update the system as soon as paperwork dictating a change in personnel's employment status is received. Also, consider making all changes across payroll areas effective on the first day of the attendance period.</p>	<p>Administrative responses from Accounting Department – See page 19</p> <p>Administrative responses from SAP Support Center – See page 26</p>

Task	Observation	Priority	Frequency	Impact	Action
7	<p>between receiving the required paperwork required to change personnel's employment status (terminations, retirements, disability, etc) and updating such information in the system.</p> <ul style="list-style-type: none"> o Lack of exception reporting required to identify potential payroll discrepancies o Insufficient training of payroll and human resource personnel on business processes modified as part of the SAP implementation. 	L	M		<p>Off-cycle payroll (manual) runs are generated as requested, sometimes on a daily basis. Payrolls are processed and generated to meet individual requests or to issue corrections. Each payroll run must then be processed, generated and then posted to the general ledger separately. This may result in increased processing and maintenance costs as well as</p>
					<p>Process off-cycle payroll on a predetermined schedule to improve the effectiveness and efficiency of the posting and reconciliation process. Consider the cost of providing off-cycle payroll checks as requested.</p>
					<p>Administrative responses from Accounting Department – See page 20 Administrative responses from SAP Support Center – See page 28</p>

Task No.	Observation	Priority	Legal	Recommendation	Response
	increase the number of possible errors and/or omissions.				
Human Resources					
8	Recruitment and Applicant tracking functionality was not implemented by the SAP go-live date of July 2001, as originally required by the RFP. As such, key Human Resource business processes are still manually intensive and paper based. This might cause delays during high demand times such as the opening of new schools or at year-end.	H	M	Establish contingencies to make sure that HR and payroll personnel have adequate resources in order to provide adequate support during expected peak times.	Administrative responses from SAP Support Center – See page 29
9	The concurrent employment (multiple position assignment) capabilities of SAP do not fully support the requirements of the School Board. The current SAP HR personnel administration functionality is not fully integrated with all HR administration tasks, such as the hiring process, termination process, including organizational reassignments,	H	H	The lack of integration is a limitation of current SAP functionality. As such, a solution that meets all of SBBC's requirements, including the development of supporting reports and viable system alternatives should be developed.	Administrative responses from SAP Support Center – See page 30

Observation	Priority	Frequency	Category	Comments	Administrative responses from SAP Support Center – See page 30
<p>salary increases and reporting.</p> <p>10</p> <p>In order to pay teachers for workshops attended (workshop stipends), each workshop is treated as an employment position and assigned to the teacher for payment. This may result in increased processing and maintenance costs as well as increase the number of possible errors and/or omissions</p>	M	M	M	<p>Consider changing current process of assigning positions for workshop attendance compensation, as it is maintenance intensive. Provide compensation through the one-time payment functionality, currently provided in SAP.</p>	<p>Administrative responses from SAP Support Center – See page 30</p>
Information Support					
<p>11</p> <p>The current security structure does not fully support the school location and functional departments access requirements. For example, school locations cannot access information of personnel not assigned to the primary organizational unit, such as special grant assignment or teachers that work in multiple school locations.</p>	H	H	H	<p>Assess the adequacy of the current SAP security strategy, given all the changes performed after the go-live implementation. Review user access, security profiles definition and assignment of such profiles, to determine whether the security is aligned with SBBC's business process and security initiatives.</p>	<p>Administrative responses from SAP Support Center – See page 31</p>

12	Insufficient formalized knowledge transfer and training has occurred. As such, inadequate knowledge required to support the SAP system has been developed.	H	M	Ensure that formalized training and knowledge transfer is provided to all functional users requiring such training. Effective and timely knowledge transfer helps alleviate the frustration of the transition to a new system and fosters ownership of the new business processes and underlying application system.	Administrative responses from SAP Support Center – See page 32
13	Though the SAP technical support structure has been staffed by SBBC Information Technology staff, insufficient formalized knowledge transfer from consultants to SBBC employees in critical technical support functions such as Database Administrator, Basis, Network Manager, and Security Administration has occurred.	M	L	Ensure that formalized training and knowledge transfer occurs before a consultant's contract expires. Effective and timely knowledge transfer minimizes the reliance on external consultants	Administrative responses from SAP Support Center – See page 32
14	Users have stated that system performance is sometimes slow.	M	M	Analyze the causes for the deterioration of system performance and enact	Administrative responses from SAP Support Center – See page 33

List No.	Priority	Action	Recommendation	Information Response
			<p>corrective action. Consider the possibility of optimizing database access by creating indexes as required. Additionally, consider the usage of a data warehouse to support daily reporting and to separate transaction processing from reporting.</p>	

Lessons Learned

Develop a support structure of SAP Specialists and technical team members (SAP Competency Center) to support the implementation after go-live. Establish a support organization to continue to stabilize the implementation, optimize the functionality of SAP and integrate SAP into legacy systems. Clearly define the roles and responsibilities of each team member.

Allow adequate time to plan design and implement a complex, integrated system such as SAP. The implementation of SAP R/3 often mandates enterprise-wide changes in business processes, organizational culture and technology infrastructure. Business processes previously supported by isolated legacy applications can significantly change as SAP R/3 predicated the importance of business process integration across the entire enterprise. Adequate timing is required for the implementation of planned functionality and reporting, adequate testing, formalized training and the execution of a thorough communication plan

Develop a comprehensive test plan to ensure high level of quality by evaluating the functionality, performance and fit of the application software. Adequate testing demonstrates the application software's ability to meet the business objectives as operating within the constraints of the technical environment. Ensure the school locations are fully involved in the testing process. Develop testing scripts representative of business processes from a school perspective. In addition, all critical functionality should be thoroughly tested before go-live.

Develop a comprehensive reporting strategy and address early in the implementation process. Identify all SAP delivered reports that can be used, and minimize the number of customized reports developed.

Develop a knowledge transfer strategy. Ensure all consultants provide complete documentation and work closely with a School board employee. Include knowledge transfer as one of the main objectives in agreements with third parties and outside consultants.

Minimize the number of modifications, user exits and workarounds to the core SAP functionality in order to reduce incremental costs from long-term maintenance and testing. Customization should be justified with detail cost-benefit analysis for each change request resulting from unique SBBC Business Practices and software functional limitations. Ensure all modifications comply with a formal

change management process.


Ensure all functional areas affected by the implementation, such as the School Board office departments, school location administrative staff, and teachers, are actively involved, throughout the system implementation process. Such involvement will ensure the new business processes include each department's perceived best practices and will foster functional project ownership.

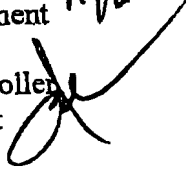
Administrative Responses

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA
OFFICE OF THE COMPTROLLER/BUDGET

April 30, 2002

TO: Pat Riley, Executive Director
Management/Facility Audits Department

FROM: Nell Johnson, Director 
Accounting Department

VIA: Ben Leong, Comptroller 
Comptroller/Budget

SUBJECT: Response to Ernst & Young, LLP Audit Report Dated April 2002, entitled
"SAP R/3 HR/Payroll Implementation and Supported Business Processes"

Please accept the following responses to findings noted in the above-mentioned report.

Audit Observation AC1:

The School Board has not been able to complete month-end close procedures for each month dating back to July 2001, when SAP was implemented. As a result, the School Board cannot accurately determine its financial position and may not be able to provide year-end financial statements. Currently, the School Board cannot accurately determine actual salary expense for the year given the inability to complete bank reconciliations, inability to verify payroll postings, and the lack of reporting required for reconciling accounts.

Audit Recommendation AC1:

Develop a strategic plan and assign resources in order to resolve exceptions in key payroll business processes currently preventing the School Board from completing month-end procedures.

Response and Action Plan:

On April 22, 2002, the District engaged Ernst & Young to assist the School District in obtaining information so that the Accounting Department can perform month-end closing procedures, produce year-end financial statements and generate accurate and complete payroll information so that we can perform all necessary accounting functions.

Since March 2001, the Accounting Department provided staff and MSA reports to assist the HRMS team. These reports provide an example of the type of information expected from HRMS. Since the implementation of HRMS, the Accounting Department has not been provided with the information needed to complete bank reconciliations, verify payroll postings, and perform month-end closings, although we have continually stated the importance of providing these reports.

- The Accounting Department will continue to work closely with the HRMS team in their efforts to add the needed reporting functions to complete the tasks cited in the audit finding as well as completing the year-end closing.
- The Accounting Department will also work closely with Ernst & Young to obtain accurate and complete payroll information in order to resolve exceptions in key payroll processes.
- The Accounting Department will immediately resume the month-end closing process and complete bank reconciliations, once the information needed from HRMS is made available.

Audit Observation AC2:

Key reports required by accounting (i.e., payroll register, labor distribution reports, 941 documentation, SUI, etc.), budget (grant reports, encumbrance reports) and school locations are not currently available. Such reports are required to manage and analyze current year budget accruals and to plan payroll requirements for the next fiscal year. In addition, Federal and State required reports, such as Grant reports (Title I, Title IV) and the Board's Monthly Financial Statements have not been produced.

Audit Recommendation AC2:

Identify the reporting requirements. Determine which requirements can be met with SAP delivered reports and/or drill down functionality and provide such training to accounting end-users. Identify which reports must be developed and design such reports based on end-user requirements, priority and cost factors.

Determine whether timely compliance with regulatory requirements is in jeopardy and take steps to work with these agencies to obtain extensions, if necessary.

Response and Action Plan:

In March 2001, the Accounting Department provided 52 labor reports from the old payroll system and requested similar information be provided by HRMS. The Accounting Department and Grant Coordinators alerted the HRMS team of reporting issues that affected grants at the HRMS meeting held in early November 2001. Since accurate grant reports cannot be produced by the new system, the District cannot obtain reimbursement from state and federal agencies for grants. Payroll functions were transitioned back to the Accounting Department in early March 2002, and Accounting is also currently working with the HRMS team to access information to complete bank reconciliations, balance HRMS labor information to postings in the general ledger, complete quarterly 941 filings, reconcile balance sheet accounts, and reconcile third party postings.

The Accounting Department has scheduled a meeting with all grant coordinators to determine if financial estimates can be used for state and federal agencies for reimbursement purposes. In addition, we will ascertain whether extensions and regulatory requirements for reimbursement applications are necessary.

- We will continue to work with HRMS to develop grant reports so that grant management can perform its accounting function and keep HRMS informed of accounting requirements.

Audit Observation AC3:

Bank reconciliations for payroll bank accounts have not been performed since July 2001 and questionable items have been carried forward from one period to the next. In addition, payroll voids information has not been identified. As such, the School Board cannot be ensured it is compliant with certain grants and programs that are based on payroll dollars and labor hours. As a result, the School Board cannot produce interim financial statements that appropriately disclose payroll expenses.

Audit Recommendation AC3:

Post all payrolls to SAP FI and MSA as soon as possible and on a retroactive basis complete bank reconciliations for all periods. Ensure the person(s) responsible for bank reconciliation is properly trained. Verify that all payroll check voids are also reconciled as part of the bank reconciliation process.

Response and Action Plan:

As stated in our response in AC1, we have engaged Ernst & Young to assist the Accounting Department to obtain all necessary financial information from the new payroll system to perform bank reconciliations on a timely basis. On a long-term basis, we will explore whether the system can produce those reports.

Audit Observation AC4:

Some payroll postings to date, including third party remittances (i.e., payments to credit union, union dues, garnishments, etc.) have not been posted in the Financial system (MSA) nor have they been reconciled. Reports to facilitate such reconciliation have not been provided. As such, the accounting department cannot analyze payroll accounting postings and third party remittances to determine the accuracy of the payments to third parties.

Audit Recommendation AC4:

Verify the accuracy of all payrolls processed and post such postings to the financial system. Information that has been posted incorrectly must be identified and corrected. Research all payroll entries and clear all payroll accounts such as the Salaries Payable GL account. Develop necessary reports to facilitate the reconciliation and verification of payroll postings.

Response and Action Plan:

The Accounting Department assisted the HRMS team by alerting them to the fact that the payrolls posted to MSA were not comparable to the prior year's postings. The current year postings were drastically less than postings in prior years. Accounting completed an analysis and comparison, and outlined their concerns to HRMS project leaders so that those postings could be corrected.

The District engaged Ernst & Young to assist the School District in obtaining information to perform the following:

1. Ascertain the accuracy of the posting function of various systems.
2. Determine the adjusting entries necessary to correct accounting records.
3. Produce accurate third party remittances.

Audit Observation PR5:

Payroll account categories (Wage types) amounts have not been reconciled to corresponding General Ledger account postings. In addition, Payroll account categories (Wage types) to General ledger account relationships have not been verified. As such, payroll results maybe posted incorrectly in the general ledger and delay the month-end closing process.

Audit Recommendation PR5:

Verify that all wage types are mapped to the correct General Ledger account. In addition, verify and reconcile actual postings. If exceptions are identified, assign all postings to the correct general ledger account.

Response and Action Plan:

Management has engaged Ernst & Young as our consultant to assist us to verify the completeness and integrity of the interface to ensure that accurate and complete payroll information is posted from the HRMS system to the general ledger.

- When the integrity of the interface is assured, the accounting department will immediately reconcile all payroll categories amounts to the general ledger accounts.

Audit Observation PR6:

There are payroll overpayments of approximately \$2.1 million to both active employees and personnel not currently employed by the school board. Project management has developed a report to identify overpayments has established a payback strategy and deduction schedule for all personnel that has been overpaid. Overpayments resulted primarily from:

- *Changes as a result of the SAP implementation in regards to job/positions transfers (i.e., salary to hourly) and the corresponding payroll areas during the middle of a payroll cycle*
- *Timing gaps and discrepancies between receiving the required paperwork required to change personnel's employment status (terminations, retirements, disability, etc) and updating such information in the system.*
- *Lack of exception reporting required to identify potential payroll discrepancies*
- *Insufficient training of payroll and human resource personnel on business processes modified as part of the SAP implementation.*

Audit Recommendation PR6:

Identify the causes for overpayments, whether systematic or due to process inefficiencies and make appropriate corrections to prevent further overpayments. Continue to train personnel on the new business processes and update the system as soon as paperwork

dictating a change in personnel's employment status is received. Also, consider making all changes across payroll areas effective on the first day of the attendance period.

Response and Action Plan:

Because of the complexity of the overpayment issue, it demands that we solve the problem through a comprehensive plan based on accurate and complete information so as to not cause any future issues with our employees. Having accurate and complete information is necessary not only for resolving the current problem of recovering the overpayments but it also has an effect on the year-end fund balance.

For months, the Accounting Department has been requesting overpayment information from the HRMS Team. After many attempts, finally, in early March the Comptroller sought the assistance of both the Associate Superintendent in charge of the Education Technology Services Department (ETS) and the Steering Committee Chair, the Associate Superintendent of Human Resources. It was not until we received the report on or about April 8, 2002, that we could formulate a plan to recover the overpayments. The overpayment amount is significant and the number of employees involved is substantial, involving approximately 4,300 active and inactive employees.

First, regarding the overpayments in excess of \$50 to all union employees, Management instructed the Payroll Department to initiate the collection process using existing School Board procedures.

Second, regarding overpayments under \$50, it is clear that for all unions other than Broward Teachers Union (BTU), there is a requirement that notice is given to all such employees and that a repayment schedule is negotiated with each employee individually. At a meeting a few days after the issuance of the overpayment report, we concluded that in order to expedite the recovery process, we need to request a waiver from the unions to collect overpayment under \$50 without a negotiated repayment schedule. Management decided that the HRMS Team would prepare a report separating out the overpayments by union membership so that Labor Relations could present all the unions with the actual number of employees involved and the dollar amounts at issue. On April 25, 2002, the overpayment report sorted by union membership was successfully produced; Labor Relations is now able to meet with all the unions.

Third, as to all overpayments, there is the issue of the time and personnel required to collect the overpayments. Without regard to the amount of the overpayment, the Payroll Department has estimated that it would take on average approximately 1.5 hours per employee to meet with each employee, explain the problem and set up a repayment schedule. If notices were to be sent out to all affected employees, we would be flooded with an unmanageable number of phone calls and requests for appointments with employees to settle their accounts.

At the Steering Committee Meeting on April 26, 2002, we further discussed the overpayment issue focusing on the administrative costs of collecting the overpayments. It was suggested that it might be more cost effective to write off overpayments less than a certain amount. However, any such action may need the Board's approval.

Having finally received the information from the HRMS Team, the Payroll Department is now developing a comprehensive action plan and determining appropriate action to

identify the causes for overpayments whether they are systematic or procedural. We expect the plan to be finalized by early May.

Audit Observation PR7:

Off-cycle payroll (manual) runs are generated as requested, sometimes on a daily basis. Payrolls are processed and generated to meet individual requests or to issue corrections. Each payroll run must then be processed, generated and then posted to the general ledger separately. This may result in increased processing and maintenance costs as well as increase the number of possible errors and/or omissions.

Audit Recommendation PR7:

Process off-cycle payroll on a predetermined schedule to improve the effectiveness and efficiency of the posting and reconciliation process. Consider the cost of providing off-cycle payroll checks as requested.

Response and Action Plan:

Prior to HRMS the accounting department established Mondays and Fridays for running scheduled off-cycle payrolls. At this point in the HRMS implementation, it has not been practical to adhere to this and it has been our practice to issue a check upon the request of the employee to correct payroll errors.

- Accounting is working with the HRMS team to increase training at sites and develop procedures that will reduce the data entry errors in order to reduce the off-cycle requests.
- The Accounting Department will work with HRMS team to identify procedural, systems or training issues that might lead to payroll errors.
- Accounting will also explore ways to make off-cycle payroll runs a more effective and efficient process.

If you have questions or concerns related to the Accounting Department's response, or would like to review documentation on the issues noted herein, please call me at 765-6738.

NJ:vt

Compt Doc 300.10.609

**THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA
SAP SUPPORT CENTER**

Paul J. Zielinski
Director

Telephone: (954) 712-2304

Facsimile: (954) 747-5677

May 2, 2002

TO: Pat Reilly
Executive Director, Office of Management and Facility Audits

FROM: Paul J. Zielinski
Director, SAP Support Center

SUBJECT: Response to Ernst & Young
High Level SAP Assessment – April, 2002

I have reviewed the Ernst and Young High Level Assessment of SBBC's SAP R/3 HR/Payroll Implementation and Supported Business Processes and, with only slight exception, fully agree with their Findings, Recommendations and Lessons Learned. I feel that in the short time that they had to assess the project status that they did an outstanding job in identifying those issues that need to be quickly resolved.

As I stated in my letter dated March 20th, 2002, when I requested the School District retain their services, Ernst and Young has shown itself to be able to effectively bridge any communication gap that may exist between the End- User and the Project Team. I look forward to continuing to work with them to final resolve and conclusion of all issues.

I feel, however, that it is important to note that from the time that their assessment was conducted to the time that their report was published the Accounting Department and the HRMS Project team had made significant progress toward resolving a lot of the issues they raised. This in no way is meant to diminish the effort of Ernst and Young but simply is meant as a way to confirm that SBBC's efforts have been and continue to be directed toward addressing the appropriate priorities.

The attached document has my responses and comments. Please feel free to call me if you have any questions or need further clarification.

Paul J. Zielinski

Cc: Dr. Everett Abney, Associate Superintendent
Kal Mistry, Associate Superintendent

Detailed Findings and Recommendations

Task No.	Observation	Effort (H:M:S)	Urgency (H:M:L)	Recommendation	Management Response
1	<p>The School Board has not been able to complete month-end close procedures for each month dating back to July 2001, when SAP was implemented. As a result, the School Board cannot accurately determine its financial position and may not be able to provide year-end financial statements. Currently, the School Board cannot accurately determine actual salary expense for the year given the inability to complete bank reconciliations, inability to verify payroll postings, and the lack of reporting required for reconciling accounts.</p>	H	H	<p>Develop a strategic plan and assign resources in order to resolve exceptions in key payroll business processes currently preventing the School Board from completing month-end procedures.</p>	<p>On January 23, 2002 the Accounting Department and the HRMS team met to discuss informational needs. It was decided that, in lieu of recreating legacy reports, specific informational requirements to meet critical business processes would be identified by Accounting and provided to HRMS. The Accounting Department subsequently identified 12 critical business processes and the informational needs of each. All parties have been working together, as well as meeting weekly, to address these needs. E & Y is now an active participant.</p>
2	<p>Key reports required by accounting (i.e., payroll register,</p>	H	H	<p>Identify the reporting requirements. Determine</p>	<p>The reporting requirements have been determined as presented in</p>

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	<p>labor distribution reports, 941 documentation, SUI, etc.), budget reports) and school locations are not currently available. Such reports are required to manage and analyze current year budget accruals and to plan payroll requirements for the next fiscal year. In addition, Federal and State required reports, such as Grant reports (Title I, Title IV) and the Board's Monthly Financial Statements have not been produced.</p>			<p>which requirements can be met with SAP delivered reports and/or drill down functionality and provide such training to accounting end-users. Identify which reports must be developed and design such reports based on end-user requirements, priority and cost factors.</p> <p>Determine whether timely compliance with regulatory requirements is in jeopardy and take steps to work with these agencies to obtain extensions, if necessary.</p>	<p>ACI above.</p> <p>The informational requirements of each of the 12 business processes provided by Accounting are currently being addressed by using the appropriate combination of all SAP available informational sources. The HRMS Team determines the most expeditious and effective access method available. This may include End-User access directly to on-line information. It may include using standard SAP Reports or the development of custom reports. Finally, the system is reconfigured if the information is not available but critical to the business enterprise. The Accounting Department assists in determining the adequacy of these sources and once agreement is reached they are trained by the HRMS Team.</p> <p>Mr. Leong has instructed End-Users to make every effort to get</p>

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3	<p>Bank reconciliations for payroll bank accounts have not been performed since July 2001 and questionable items have been carried forward from one period to the next. In addition, payroll voids information has not been identified. As such, the School Board cannot be ensured it is compliant with certain grants and programs that are based on payroll, dollars and labor hours. As a result, the School Board cannot produce interim financial statements that appropriately disclose payroll expenses.</p>	H	H	<p>Post all payrolls to SAP FI and MSA as soon as possible and on a retroactive basis complete bank reconciliations for all periods. Ensure the person(s) responsible for bank reconciliation is properly trained. Verify that all payroll check voids are also reconciled as part of the bank reconciliation process.</p>	<p>extensions to regulatory deadlines wherever necessary and feasible.</p> <p>During the initial months after "Go-Live" the posting of information from the SAP system to the Financial System fell behind. The new system is designed to post SAP Payroll information immediately to SAP Finance after each payroll processed. As in the past, a limitation of the legacy system allows the MSA Finance system to be posted once week. We continue to follow that process.</p> <p>Significant efforts have been taken in the past several weeks to "catch-up" with the posting backlog. Postings will be current shortly.</p> <p>The Accounting Department has been provided the necessary information and reports to perform monthly Bank Reconciliation's. The Accounting Department has already completed several months'</p>

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4	Some payroll postings to date, including third party remittances (i.e., payments to credit union, union dues, garnishments, etc.) have not been posted in the Financial system (MSA) nor have they been reconciled. Reports to facilitate such reconciliation have not been provided. As such, the accounting department cannot analyze payroll accounting postings and third party remittances to determine the accuracy of the payments to third parties.	H	H	Verify the accuracy of all payrolls processed and post such postings to the financial system. Information that has been posted incorrectly must be identified and corrected. Research all payroll entries and clear all payroll accounts such as the Salaries Payable GL account. Develop necessary reports to facilitate the reconciliation and verification of payroll postings.	Efforts to reconcile postings have been underway for some time now and, as a result of recent assistance from E & Y, there has been some significant progress. They have assisted and guided in the development of reports and informational analyses when appropriate. Systemic issues when identified have been addressed through reconfiguration to facilitate as much in the way of mass corrections as is possible. However, coding errors to individual employees will need to be addressed on a one-at-a-time basis by End-Users
Payroll					
5	Payroll account categories (Wage types) amounts have not been	H	H	Verify that all wage types are mapped to the correct	Both the Accounting Department and the HRMS Team have

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	<p>reconciled to corresponding General Ledger account postings. In addition, Payroll account categories (Wage types) to General ledger account relationships have not been verified. As such, payroll results may be posted incorrectly in the general ledger and delay the month-end closing process.</p>			<p>General Ledger account. In addition, verify and reconcile actual postings. If exceptions are identified, assign all postings to the correct general ledger account.</p>	<p>expended considerable effort to identify account-mapping issues. When identified these issues have been corrected by adjusting the account translation tables and by identifying the detail and amount miscoded so as to allow the Accounting Department to journalize a correction.</p> <p>Efforts by all parties involved will continue in the area until mapping is correct.</p>
6	<p>There are payroll overpayments of approximately \$2.1 million to both active employees and personnel not currently employed by the school board. Project management has developed a report to identify overpayments has established a payback strategy and deduction schedule for all personnel that has been overpaid. Overpayments resulted primarily from:</p> <ul style="list-style-type: none"> o Changes as a result of the SAP implementation in regards to job/positions transfers (i.e., 	H	H	<p>Identify the causes for overpayments, whether systematic or due to process inefficiencies and make appropriate corrections to prevent further overpayments. Continue to train personnel on the new business processes and update the system as soon as paperwork dictating a change in personnel's employment status is received. Also, consider making all changes</p>	<p>To the best of our knowledge we have and corrected all programmatic issues that had resulted in overpayments to employees. We will continue to monitor the system to insure no others issues exist.</p> <p>However, it is the retroactivity attribute that was sought by SBBC in a new HR/Payroll system, coupled with SBBC's inability to immediately collect monies owed, that continues to generate</p>

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	<p>salary to hourly) and the corresponding payroll areas during the middle of a payroll cycle</p> <ul style="list-style-type: none"> o Timing gaps and discrepancies between receiving the required paperwork required to change personnel's employment status (terminations, retirements, disability, etc) and updating such information in the system. o Lack of exception reporting required to identify potential payroll discrepancies o Insufficient training of payroll and human resource personnel on business processes modified as part of the SAP implementation. 			<p>across payroll areas effective on the first day of the attendance period.</p>	<p>overpayment balances.</p> <p>The system, following SBBC business practices, has been structured to decentralize many personnel actions. Many of these actions can result in modifying historical data that is linked to past payroll results. In the legacy system resultant payroll adjustments needed to be, for the most part, hand-calculated. The new system will automatically calculate any overpayment that results from modifying an employee's history.</p> <p>SAP, as vendor designed, would collect overpayments automatically from subsequent paychecks. SBBC business practice does not allow this collection. As such, the system was modified to create a balance owed until repayment terms could be agreed upon by the Payroll Department and the employee. This is a major and very complex modification to the core SAP</p>

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					<p>system.</p> <p>Reports have been created to identify overpayment situations and can now be generated at will by the Payroll Department.</p> <p>SBBC should closely monitor this issue to see if training efforts and experience significantly reduce prior period adjustments by End-Users. If not, the automatic reactivity originally desired may need to be reconsidered. It may either need to be eliminated or, if possible, actions potentially initiating reactivity may need to be significantly focused in the End-User community.</p>
7	<p>Off-cycle payroll (manual) runs are generated as requested, sometimes on a daily basis. Payrolls are processed and generated to meet individual requests or to issue corrections. Each payroll run must then be</p>	L	M	<p>Process off-cycle payroll on a predetermined schedule to improve the effectiveness and efficiency of the posting and reconciliation process. Consider the cost of providing off-cycle payroll</p>	<p>During the months immediately following the "Go-Live" payroll processing was transferred to the project team. It was a period when payroll issues were significant and a large volume off-cycle checks were being created daily. Senior</p>

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	processed, generated and then posted to the general ledger separately. This may result in increased processing and maintenance costs as well as increase the number of possible errors and/or omissions.			checks as requested.	<p>Management, at one point, assured employees that a response to their payroll issue would be met within the same business day.</p> <p>Producing off-cycle checks on a set schedule would have conflicted with this directive.</p> <p>Payroll processing was returned to the Accounting Department on March 4, 2002. They can best address current feasibility of the recommendation.</p>
Human Resources					
8	Recruitment and Applicant tracking functionality was not implemented by the SAP go-live date of July 2001, as originally required by the RFP. As such, key Human Resource business processes are still manually intensive and paper based. This might cause delays during high demand times such as the opening of new schools or at year-end.	H	M	Establish contingencies to make sure that HR and payroll personnel have adequate resources in order to provide adequate support during expected peak times.	<p>The decision to postponement of the Recruitment Module until this year was made in order to allow adequate time to develop, test, pilot, train and roll-out the process.</p> <p>Each year SBBC hires and transfers several thousand teachers. Rushing deployment would have put the School District at a significant risk. This course of action was a recommendation of the Council of</p>

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					Great City Schools. The Recruitment Module is planned to become fully deployed during the next year. Until then, a combination of both and legacy systems are meeting SBBC's recruitment needs.
9	The concurrent employment (multiple position assignment) capabilities of SAP do not fully support the requirements of the School Board. The current SAP HR personnel administration functionality is not fully integrated with all HR administration tasks, such as the hiring process, termination process, including organizational reassignments, salary increases and reporting.	H	H	The lack of integration is a limitation of current SAP functionality. As such, a solution that meets all of SBBC's requirements, including the development of supporting reports and viable system alternatives should be developed.	This is recognized as a weakness in the release of SAP R/3 4.6b that we implemented. We developed and continue to develop reports and workarounds to best address this issue. It is anticipated that this issue will be resolved by core SAP functionality as SBBC migrates to future releases of the product.
10	In order to pay teachers for workshops attended (workshop stipends), each workshop is treated as an employment position and assigned to the teacher for	M	M	Consider changing current process of assigning positions for workshop attendance compensation, as it is maintenance intensive.	This recommendation is also being made as part of an overall review of the Position Control and PAF processes being conducted by the End-User community.

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	payment. This may result in increased processing and maintenance costs as well as increase the number of possible errors and/or omissions			Provide compensation through the one-time payment functionality, currently provided in SAP.	If adopted, the programming change will be addressed as soon as possible.
Information Support					
11	The current security structure does not fully support the school location and functional departments access requirements. For example, school locations cannot access information of personnel not assigned to the primary organizational unit, such as special grant assignment or teachers that work in multiple school locations.	H	H	Assess the adequacy of the current SAP security strategy, given all the changes performed after the go-live implementation. Review user access, security profiles definition and assignment of such profiles, to determine whether the security is aligned with SBBC's business process and security initiatives.	The difficulty is arising from the fact that SAP's system is based upon allowing securing access to specific Employee Positions. SBBC is not consistent with duties assigned to Positions across the District. As an example, specific security is needed to perform payroll duties, however, payroll duties are assigned to many Positions throughout the District from Budgetkeepers - to Bookkeepers - to Confidential Secretaries - to many others. This practice makes it challenging to assure every location has the security clearances needed by individual to meet their specific internal organizational structure.