INTERNAL AUDIT REPORT

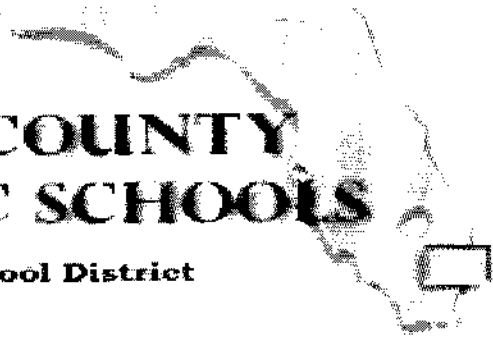## "Review of the Payroll Processes, Overtime and SAP/R3 HR Payroll Application"

April 2003

BROWARD COUNTY PUBLIC SCHOOLS

The Nation's Fifth Largest School District

To be presented to:

The Audit Committee on
June 20, 2003

And then to the

School Board of Broward County, Florida
July 15, 2003

The Office of Management/Facility Audits

The School Board of Broward County, Florida

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Superintendent of Schools

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

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June 13, 2003

Members of The School Board of Broward County, Florida
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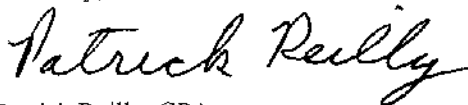
Ladies and Gentlemen:

In accordance with the 2002-2003 Audit Plan, the Office of Management/Facility Audits performed a "Review of the Payroll Processes, Overtime and the SAP/R3 HR Payroll Application." It includes a review of the payroll processes, which included a review of employee's covered under the Fair Labor Standards Act of 1938 (FLSA), overtime procedures and payments, site visits and a review of various SAP/R/3 HR Payroll Application records and available payroll reports. The objectives of the review were to determine whether current payroll processes and related internal controls have been established and are adequate, pursuant to sound business practices and are in compliance with applicable laws, regulations, and Board Policy, and to determine whether the organizational structure and payroll processes were adequate to assure that the operations were proficiently executed.

We noted a significant weakness in the control environment as it relates to the payroll processes, overtime and the SAP/R3 HR Payroll Application. We identified several payroll processes that need to be corrected in order to comply with the Fair Labor Standards Act of 1938 (FLSA) and improve payroll processes and overtime payments. In addition, we found several practices in the District that have an impact on the overall payroll functions which need to be addressed to enhance operations and/or improve internal controls. We have made several recommendations to remedy these conditions. The recommendations were discussed with appropriate staff. We generally concurred with the responses that were received, except for ten (10) of the responses received, which required follow-up responses from our office.

This report was presented to the Audit Committee at its May 16, 2003 meeting. The Committee requested the re-submittal of the audit report at its June 20, 2003 meeting with completed administrative responses.

This report will be presented to the Audit Committee at its June 20, 2003 meeting and to the School Board at its July 15, 2003 meeting.

Sincerely,

Patrick Reilly

Patrick Reilly, CPA
Executive Director
Office of Management/Facility Audits

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EXECUTIVE SUMMARY

SCOPE, OBJECTIVES, METHODOLOGY AND OPINIONS

The review of the Payroll Processes, Overtime and the SAP/R3 HR Payroll Application was conducted in accordance with the Office of Management/Facility Audits 2002-03 Audit Plan and as required by School Board Policy 1003. We examined the District's payroll processes, which included a review of employee's covered under the Fair Labor Standards Act of 1938 (FLSA), overtime procedures and payments, site visits and a review of various SAP/R/3 HR Payroll Application records and available payroll reports. The objectives of our review were to:

> Determine whether current payroll processes and related internal controls have been established and are adequate, pursuant to sound business practices and are in compliance with applicable laws, regulations, and Board Policy,

> Determine whether the organizational structure and payroll processes were adequate to assure that the operations were proficiently executed,

> Performed site visits at District locations and reviewed overtime procedures and payments for compliance with District payroll policies and procedures,

> Determine whether District assets were properly safeguarded,

> Provide recommendations, as needed, related to the payroll processes, overtime and the SAP/R3 HR Payroll Application.

Our review was conducted in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the review to afford a reasonable basis for our judgement and conclusions regarding the function under review. This review includes assessment of applicable internal controls and compliance with requirements of laws, rules and regulations, when necessary to satisfy the review objectives.

It is our responsibility to perform the review under these standards and report on recommendations to improve operations, strengthen internal controls as well as on those compliance matters selected for review. It is administration's responsibility to implement those recommendations deemed necessary, and to maintain an internal control environment that is conducive to the safeguarding of District assets and preserve its resources, as well as comply with applicable laws, regulations and School Board policies.

The procedures performed to gather data to satisfy these objectives were as follows:

> Review of relevant Federal, State and Local Laws, School Board Policies and Standard Practice Bulletins, respectively.

> Review of SAP/Support Centers' organizational structure.

> Review of SAP/R3 HR Payroll Processing Manual.

> Review of Operational/Performance Audits conducted by various consultants.

SCOPE, OBJECTIVES, METHODOLOGY AND OPINIONS (cont.)

- ➤ Review of reports prepared by ETS that summarized overtime payments made in the District for 1999-2000 and 2000-2001.
- ➤ Perform site visits to review overtime processes and payments.
- ➤ Interview selected staff at departments, schools and centers.
- ➤ Other auditing procedures deemed necessary.

We did not examine the records of vendors, consultants, or other governmental agencies beyond the documentation obtained and filed by the various locations as part of their required records.

This report represents a review of many of the processes involved with the payroll function. It is by no means intended as a complete review of all processes, nor is it to be looked at as a complete review of the implementation process used for SAP/R3 HR Payroll Application. The comments made regarding SAP/R3 HR Payroll Application are made as it relates to the processes that were reviewed. We did not look into the costs involved with implementing SAP/R3 HR Payroll Application. That review will take place separately, and be presented in a different report.

In our opinion, we noted a significant weakness in the control environment as it relates to the payroll processes, overtime and the SAP/R3 HR Payroll Application. We identified several payroll processes that need to be corrected in order to comply with the Fair Labor Standards Act of 1938 (FLSA) and improve payroll processes and overtime payments. In addition, we found several practices in the District that have an impact on the overall payroll functions which need to be addressed to enhance operations and/or improve internal controls. Details of our observations and recommendations to improve these conditions are presented in Section III, Review of the Payroll Processes, Overtime and SAP/R3 HR Payroll Application.

With respect to those provisions of the Audit Report which discuss issues under the Fair Labor Standards Act and the scenarios described in Section V; it should be noted that the Audit Report does not establish the School Board's position with respect to these issues of law or determine how these legal issues should be resolved. Instead, it is anticipated that the legal issues raised by the Audit Report will be examined further by appropriate legal professionals.

Our report is broken down into seven (7) sections:

Section I	*Background*
Section II	*The Payroll Processes of the District*
Section III	*A Review of the Payroll Processes, Overtime and SAP/R3 HR Payroll Application*
Section IV	*Site Visits*
Section V	*Attorney Review*
Section VI	*Exhibits*
Section VII	*Administrative Response(s)*

SCOPE, OBJECTIVES, METHODOLOGY AND OPINIONS (cont.)

Section III, contains eighteen (18) observations. These observations, include:

1.   *Employee's Covered Under FLSA, that Exceed 40 Hours per Week Contained Errors in the Computation of Hours*
2.   *Employee's Covered Under FLSA, that Exceed 40 Hours per Week Contained Errors in Compensation Paid*
3.   *Establish a New Hourly Rate for Child Care Worker II Position*
4.   *Implement Improved Business Processes to Correct Deficiencies in Current Payroll Practices*
5.   *The Current Lack of Overtime Reports Available in SAP/R3 HR Payroll Application Hinders Management's Ability to Properly Summarize, Compare and Analyze the District's Payroll*
6.   *Correct Overtime Hourly Rate for Employees who Receive Longevity Payments*
7.   *Expedite Necessary Software Programming to SAP/R3 HR Payroll Application to Correct Errors with Holiday Pay*
8.   *The Work Schedule and Budgeted Funds for Security Specialists and Campus Monitors does not Agree with the Provisions of Their Contract*
9.   *Update School Board Policy and Standard Practice Bulletins for the Effective Oversight of the Payroll Process*
10. *Modify the District's Payroll Schedule to Reduce the Number of Payroll Cycles In Order to Improve Efficiency*
11. *Recommend a Payroll Position be Created and Funded for the Effective and Efficient Operation of Payroll Functions*
12. *Develop Defined Workweeks Which Coincide with Pay Roll Schedules to Decrease the Errors Associated with the Calculation of Overtime Hours*
13. *Implement Processes Within SAP/R3 HR Payroll Application for Administrative Office in Pupil Transportation to Report Hours Worked by Staff*
14. *Improve Business Processes Used by Bus Terminals for Recording and Reporting of Hours Worked by Staff*
15. *Establish Procedures for Improving the Implementation Process for Major Software Systems*
16. *Immediately Establish Guidelines to Justify Operations of Software Applications Outside of ETS*
17. *Establish a School Board Policy on Lunch Periods*
18. *Establish Procedures so that Administration Properly Documents and Compensates Employees who are Covered under FLSA and Work Through Lunches/Breaks or "Off-the-Clock"*

We would like to thank the Associate Superintendent of Human Resources, the Director of SAP/Systems Support Center, the Director of the Accounting Department, the Director of Non-Instructional Wage and Salary, the Director of Employee Relations, school personnel and staff whose cooperation aided in the completion of this report.

Submitted by:

Patrick Reilly

Patrick Reilly, C.P.A.
Executive Director
Office of Management/Facility Audits

Report Completed and Field Work conducted by:
Paula Miller
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Hermine James

SECTION I

The Payroll Processes of the District

THE PAYROLL PROCESSES OF THE DISTRICT

The payroll process for the District is far different from the processes with which most people are familiar. This process is not reflective of the "mom and pop" shops that would record the hours worked, pull out their checkbook and then pay the employee. Pay systems and entities differ throughout the Country. The Federal Government has centralized many of their payroll functions so that time is recorded and checks are issued from a central location. Many companies look to outsource the payroll function of recording the time and cutting checks to employees.

The payroll processes for this District has generally three (3) distinct segments and each of these segments see their processes differently. We contacted representatives from each of these segments and asked them what they felt their roles and responsibilities are and the table below outlines their responses.

Schools/Departments:

We contacted three school-based individuals who have been involved with the SAP/R3 HR Payroll Application. The following represents their views on what they feel the schools should be responsible for:

1. Entering/Maintaining time for hours worked at own organizational unit only. Other schools/locations must maintain their own records for hours that they enter and pay.
2. Reconciling the payrolls using ZTIM (Report available in SAP) and maintaining all back-up documentation and required signatures. The back-up documentation includes, TDA's, Vacation requests, Certificate of Absences, Sign-in sheets, Overtime sheets, etc.
3. Time Report (ZTIM) confirming/validating hours entered.
4. ZEARNINGS – This is a report provided through SAP which confirms checks sent to the location for distribution. This also allows the payroll processor at the school to determine whether checks were issued to persons on leave or that had resigned or were terminated.

Many school-based personnel have stated that the workload and additional responsibilities have increased with the implementation of SAP/R3 Payroll HR Application. They provided us with a list of items that they feel schools should not be responsible for:

1. Obtain or verify any time or documentation for hours worked at other locations.
2. Explaining any unusual entries, which do not appear to be related to the input from the payroll processor.
3. Entering overtime for those employees not in their organization unit.
4. Payroll issues regarding leave – Family Medical Leave Act, etc.

HRMS Support Center

We contacted the Director of the Systems/SAP Support Center and found that the Systems/SAP Support Centers responsibilities related to the payroll process include:

- The computer system, which includes the responsibility for its development, enhancement and operating support, up to but excluding, the maintenance of the mainframe computer.
- The support in changing business processes by modifying the software when necessary (including a Cost Modification Analysis) and by informing the End-User when the proposed changes cannot be accommodated in the SAP system.
- Training for End-Users, which includes; payroll contacts, PAF Processors, Administrators, and as required, Employee Self Service (ESS) users.
- Customizing training sessions to meet specific needs of schools and/or departments to address specific payroll and reporting needs, such as Grants.
- Follow-up site visits to locations that are experiencing problems or who have requested assistance.
- One-on-one training.

Accounting Department

In contacting the Director of the Accounting Department we were informed that the primary duties and responsibilities of the District's Payroll Department is to ensure that all of the employees within the district are paid in a timely and accurate manner as is the case for almost all payroll departments. The SAP system is designed such that Payroll will not be able to fulfill this responsibility solely. For employees to be paid timely and accurately, other departments such as Substitute Central, Personnel Records, Benefits, HRMS and all of the locations involved in data entry, play a crucial role in meeting this requirement. When employees are not paid correctly, they contact the Payroll area for receipt of proper payments. The Director of the Accounting Department has set-up several different areas which assist in making determinations. Some of these areas include:

- The Deductions area of the payroll department is responsible for ensuring that all deductions such as garnishments, child support payments, IRS and governmental payments, union dues etc are set up and processed in a timely manner.
- The Payroll Processing area is responsible for the timely and accurate payments to all employees. Each Payroll Processor is assigned the task of assisting several District locations. Payroll Processors guide and assist payroll contacts with day to day payroll issues. However, these processors are NOT trainers even though they guide their location contacts and explain procedures to them. They also assist locations by helping to expedite paperwork that will affect timely receipt of an employee's paycheck. Processors also assist all employees in reconciling payments due and received.

Accounting Department (cont.)

- **HRIS Payroll** is responsible for running the payroll and auditing payroll results. This group also verifies the payroll register for reasonableness before checks are actually printed. However, if and employee's record is either locked or an action has not been processed in a timely manner, said employee will not be paid in the regular payroll run. Staff in the HRIS area also communicates with HRMS staff and various departments to expedite employee payments.

- The **Exceptions** area is assigned the responsibility of researching and analyzing all exceptions. Their duties also include contacting employees to arrange meetings to discuss and collect amounts due the District. Notification is sent from this area to all employees that are overpaid to advise of overpayment amounts and repayment requirements.

A Payroll paycheck is the end product of the Payroll process. District employees are paid based on HRMS programmed processes and data and/or actions entered by personnel at locations throughout the District. Once payroll prints paychecks, these checks are then distributed by Accounting personnel.

The following review offers a glimpse into what we have determined to be a long needed review. But due to the breadth and width of the payroll process in the District, we feel that this report is really just a start, and the Office of Management/Facility Audits in cooperation with other Departments and Senior Management will need to conduct a number of subsequent reviews to determine whether additional problems exists related to the payroll process and what can be done to correct these problems.

The cooperation of all Departments and locations within the District will be required in order to resolve many of the issues that were uncovered during this review.

SECTION II

Background

BACKGROUND

Juliet Schor, author of The Overworked Americans has stated that the promise made thirty years ago   that new computer technology would give us more leisure time – has been betrayed. Most Americans work longer hours, under more tension, than our parents or their parents had to work. "The percentage of Americans who work nine hours of overtime a week is up 6 percent since 1976…This percentage holds true even with all the trappings of the modern work force, such as robots in factories, e-mail, faxes and assorted other labor-savings devices that were suppose to free up time."[1]

Studies are being conducted throughout United States Institutions showing the costs of this overwork. Researchers at Cornell University's School of Industrial and Labor Relations found that workers who put in more than fifty (50) hours per week are more likely to experience severe work/family conflicts, and workers who are pressured into working overtime by supervisors suffer significantly higher rates of alcohol use, stress and absenteeism."[2]

As the District attempts to wrestle with budget shortfalls, employees are being asked to work longer hours to compensate for staffing shortages. This workload has created an enormous amount of overtime in the District. Recent articles have stated that the most mis-undertstood, mis-applied Federal Law is the Fair Labor Standards Act. Officially, the Fair Labor Standards Act (FLSA) was enacted in 1938, to allow "Congress to ensure the maintenance of the minimum standard of living necessary for health, efficiency, and the general well-being of workers." The two main components of this Act, were to establish a minimum hourly wage, and establishing "overtime" and how it was to be compensated.

Generally speaking, the School Board of Broward County, Florida complies with the minimum hourly rate. The Office of Management/Facility Audits has determined that the application of the "overtime" component of this Act has been inconsistently applied throughout the District. Depending on who you speak to, in general, much of the inconsistencies are based who provided information regarding who is eligible for overtime payments, how these payments are to be calculated, and other questions and not the "system" utilized for the calculation. For years, the calculation of overtime hours was the responsibility of the schools and departments. With the purchase of SAP/R3 HR Payroll Application, school staff members felt that this calculation burden and decision making process, (as to who was eligible and how the overtime was calculated) would not continue to be part of their job responsibilities. Currently, SAP/R3 HR Payroll Application will only calculate overtime for "Job 1." During our review we found that a substantial amount of overtime is generated in "Job 1" but an equally large amount of the overtime is generated in the District from "Job 2", "Job 3," etc.

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[1] ABCNEWS.com: GMA: More Americans Working Overtime
[2] www.shalomctr.org / Can American Learn from Shabbat?

BACKGROUND – DEFINITIONS

Listed below are some specific sections of the Fair Labor Standards Act of 1938 (FLSA) that must be defined and that effected our review of the District's Payroll Processes, Overtime and the SAP/R3 HR Payroll Application:

Section 29, Chapter 8, Section 207 –(a)(1) Maximum Hours:

> Except as otherwise provided in this section, no employer shall employ any of his employees...longer than forty hours unless such employee receives compensation for his employment in excess of the hours above specified at a rate not less than one and one-half times the regular rate at which he is employed.

Section 29, Chapter 8, Section 207 – (e) Regular Rate:

> As used in this section the "regular rate" at which an employee is employed shall be deemed to include all remuneration for employment paid to, or on behalf of, the employee, but shall not be deemed to include...

> (1) sums paid as gifts; payments in the nature of gifts made at Christmas time or on other special occasions, as a reward for service, the amounts of which are not measured by or dependent on hours worked, production or efficiency;

Section 29, Chapter 8, Section 213   Exemptions (1)

> Any employee employed in a bona fide executive, administrative, or professional capacity (including any employee employed in the capacity of academic administrative personnel or teacher in elementary or secondary schools)...

> (17) Any employee who is a computer systems analyst, computer programmer, software engineer, or other similarly skilled worker, whose primary duty is –
> {A} the application of systems analysis techniques and procedures, including consulting with users, to determine hardware, software, or system functional specifications:...

Some confusion exists for some employers in defining what is "work." The courts have held that "work" under FLSA includes all time spent in performing job-related activities which:

(a) genuinely benefit the employer,
(b) the employer "knows or has reason to believe" are being performed by an employee, and
(c) the employer does not prohibit the employee from performing.

BACKGROUND – DEFINITIONS (cont.)

These can include activities performed during "off-the-clock" time, a job site or elsewhere, both voluntary or not.

Again, the courts have introduced another term that needs to be clarified, "off-the-clock." Courts have held that this term includes, time spent by employees maintaining equipment, staying late after normal shifts without putting in for overtime, doing job related paperwork at home, making and responding to job-related telephone calls, working through meal periods, and many other activities. Our research shows that many non-exempt employees may severely underestimate these "off-the-clock" hours.

BACKGROUND - EXEMPT VS NON-EXEMPT WORKERS

We have found various opinions as to who should be covered as exempt employees under FLSA. The arguments used by many of the lawyers cites the fact that the law as enacted was done so at a time when big business ruled the workers. Blue-collar workers were the main work force of the times and the Act centered on protecting their rights, not management or other administrators. Over the years there have been several court decisions that have caused certain parts of the FLSA to be repealed. More and more former "exempt" workers are suing employers under FLSA requesting additional compensation. In fact, one case currently pending pits a former prominent newscaster from this area vs. his employer, stating that the time required to be out in the field covering and reporting on live events, was actually overtime, and should be justly compensated. Merely paying an employee on a salary basis does not make an employee exempt from FLSA coverage. The courts have stated you must also look at whether the duties being performed are exempt duties.

In general terms, a professional exemption to the FLSA exists if:

> ...the work being performed requires advanced knowledge and education, work in an artistic field which is original and creative, work as a teacher, or work as a computer system analyst, programmer, software engineer, or similarly skilled worker in the computer software field; who regularly exercises discretion and judgement; who perform work which is intellectual and varied in character, the accomplishment of which cannot be standardized as to time; who then receive a salary which meets the requirements of the exemption, and who do not devote more than 20% of their time to work other than that described above...[3]

Also exempt workers are not subject to a reduction in pay based upon quality or quantity of work, but rather on the premise of "getting the job done."

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[3] University of Pittsburgh, Office of Human Resources definition of exempt vs. non-exempt workers. Found at www.hr.pitt.edu

BACKGROUND - EXEMPT VS NON-EXEMPT WORKERS (cont.)

"Overtime is not always the enemy. For many employees, it's really a double edged sword. On one hand, employees want to spend more time away from the workplace. But on the other hand, those extra hours can give a nice boost in your paycheck. The U.S. Department of Labor finds that overtime can make up as much as 10 – 20% of an individuals earnings."[4] In fact during our review we found that some persons within the District earned more than 100% of their "Job 1" salaries in overtime and additional jobs in the District. But on balance, the payment of overtime in this District is a sensitive subject. Budget shortfalls have created difficulties in hiring staff to replace persons who have left, and more persons are being asked to do more jobs than there is time in the day. Whereas this overtime may not be "forced", department heads, schools and other staff feel pressure to perform in order to keep their jobs.

When we began this review we requested overtime information from ETS and the Systems/SAP Support Center. ETS was able to provide us information on all persons who received overtime and was able to summarize the information by job class for the payments made during 1999-2000 and 2000-2001. Unfortunately, SAP/R3 HR Payroll Application was not programmed in a way that would allow a similar report to have been completed. Although, after the completion of our field work, Senior Management was presented with a report which was described as a District Overtime Report for 2001-02 and 2002-03. When we questioned the Director of the Systems/SAP Support Center about this report, he stated that this report "was a "directional management information" and not accurate accounting/auditing information." No staff within the Systems/SAP Support Center felt comfortable with this report accurately reflecting the overtime worked and paid in the District. The reasons for this trepidation was determined to center on the coding input into SAP/R3 HR Payroll Application for overtime payments. This coding differed for Job 1 and additional positions and would not allow a report, that would have been accurate and meaningful, to have been generated.

For 1999-2000 and 2000-2001 we reviewed overtime payments made in the District. We divided these payments into; Schools, Off-site locations and Departments. The chart below shows the total amount of these payments:

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[4] www.pbs.org / Livelyhood   How the Weekend was Won

Comparison of Funds Expended for Overtime

- ▣ 1999-2000 Total Paid
- ☐ 2000-2001 Total Paid
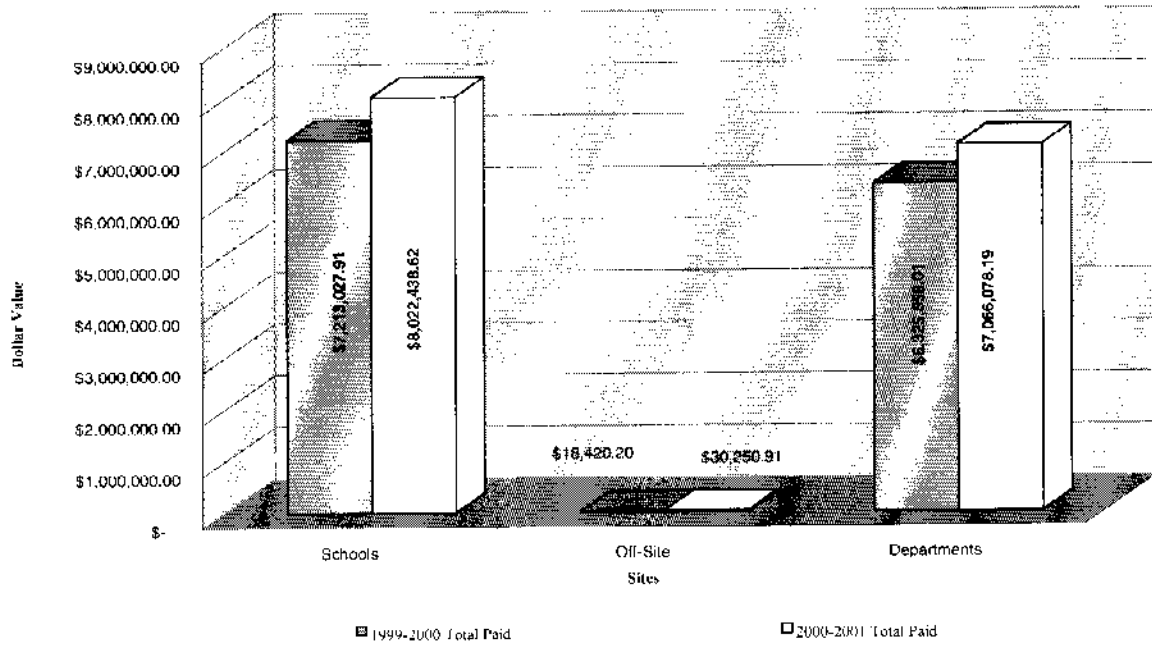
In addition, the chart below reflects the number of individuals who received these payments and is also segregated by payments made to schools, off-site locations and to departments:

Comparison of Number of Employees who Received Overtime Payments

- ☐ 1999-2000 # of Employees
- ☐ 2000-2001 # of Employees
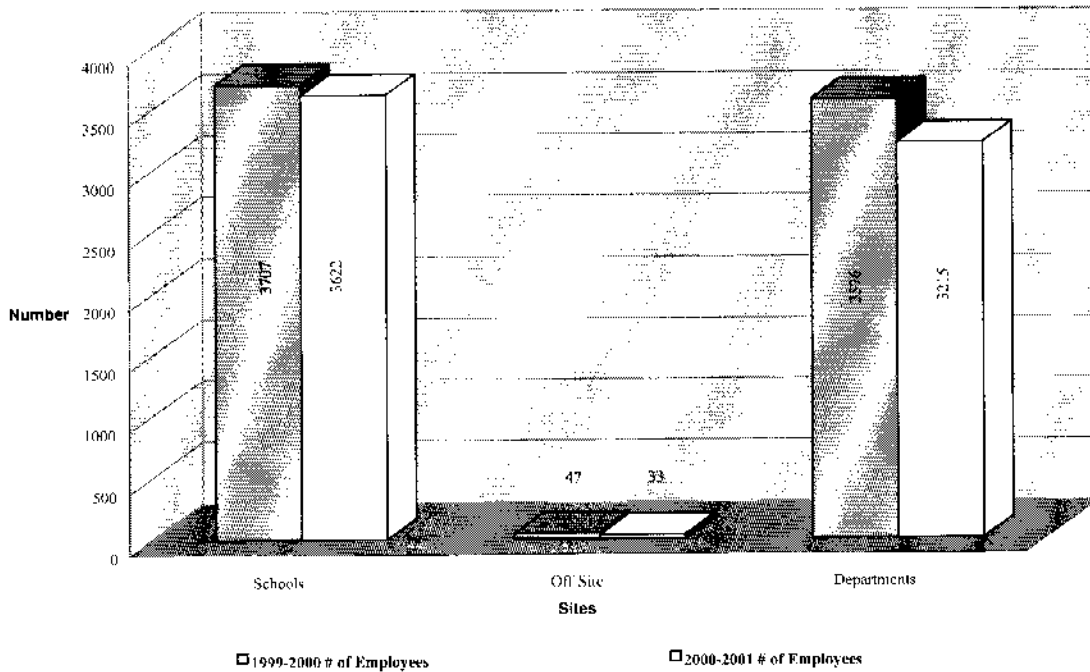
BACKGROUND (cont.)

The table presented below, summarizes the number of individuals who received overtime payments for 1999-2000 and 2000-2001, and the amounts paid to these persons and the amounts paid.

Location	Number of Persons Receiving Overtime			Amount Paid		
	1999-2000	2000-2001	Total	1999-2000	2000-2001	Total
Schools	3,707	3,622	7,329	$7,213,028	$8,022,439	$15,235,467
Off-Site[1]	47	33	80	$18,420	$30,251	$48,671
Departments	3,576	3,215	6,719	$6,325,858	$7,066,078	$13,391,936
TOTALS	7,330	6,870	14,128	$13,557,306	$15,118,768	$28,676,074

As the chart shows the number of individuals receiving overtime payments decreased by 6% from 1999-2000 to 2000-2001, but these employees received 12% more compensation. This would seem to indicate that individuals were asked to work longer hours in order to support the school system. The Departments within the District seem to be incurring the largest burden of overtime, as the number of employees receiving overtime decreased by 10% over the two years shown, but payments to these persons increased by 12%. It should be noted that for the year 2000-2001, personnel involved with the implementation of SAP/R3 HR Payroll Application accounted for 1% of the total persons receiving overtime, and 4% of the amounts paid. Facilities and Construction Management Division was the only other department that showed larger increases in amounts paid for overtime than SAP/R3 HR Payroll Application for these periods.

This report does not represent the first review of the SAP/R3 HR Payroll Application in the District. Over the period that the District has acquired the rights to this software, SAP/R3 HR Payroll Application has had a significant amount of scrutiny, including:

- Software representatives
- Consultants
- External auditors/Consulting Firms
- Upper Level Management

In addition to this scrutiny, the District has expended in excess of $500,000 on outside consultant reports on SAP/R3 HR Payroll Application, both pre and post implementation. Even with the extensive reviews that have been conducted, a number of observations are being made in this report that we believe should have been uncovered earlier by these outside reviews and outside consultants.

This report required extensive fieldwork. The implementation of the SAP/R3 HR Payroll Application was not a smooth transition. But it should be noted that in many of the instances it was the business practices that were placed into SAP/R3 HR Payroll Application, by District personnel, that has caused many of the problems associated with the system. In many instances, SAP/R3 HR Payroll Application did what it was directed to do. Many of our audit concerns centered on determining how the modifications and configurations were made in the SAP/R3 IIR Payroll Application so that it does what is was programmed to do, and why the old business practices were brought into a new system, and how we may now be able to correct these problems.

SECTION III

Review of the Payroll Processes, Overtime and SAP/R3 HR Payroll Application

1. EMPLOYEE'S COVERED UNDER FLSA, THAT EXCEEDED 40 HOURS PER WEEK CONTAINED ERRORS IN THE COMPUTATION OF OVERTIME HOURS

OBSERVATION

During our review it was noted that many employees in the District are employed by more than one location within the District, and typically, perform more than one type of job. To compensate these individuals the District has categorized hours as "Job 1," "Job 2," etc. Since no one in the District is normally scheduled for more than 40 hours in their Job 1, by contract, all the additional hours worked in these secondary positions are used to calculate an employee's overtime. These additional hours, usually come at lower hourly rate than was paid for the individual's Job 1 hours. We noted during our review that in many instances these individuals would complete their work schedule at Job 1, and then begin their Job 2 hours on the same day, sometimes at the same location. We determined that the District chose which job generated the overtime hours for persons covered under the FLSA.

Below is a scenario that will help illustrate this situation.

John Doe works two different jobs (both considered to be non-exempt) for the District. John Doe's Job 1, is a teacher's assistant at a middle school. The hours for teacher's assistant are from 7:00 AM to 2:00 PM, or 7 hours per day. At night, John Doe works at community school as a registrar. John Doe works for 3 hours per night. His time worked for each of the jobs is summarized in the table below:

JOB	Monday	Tuesday	Wednesday	Thursday	Friday
Job 1	7	7	7	7	7
Job 2	3	3	3	3	3

In the previous payroll system, known as ISITAPS, and now with SAP/R3 HR Payroll Application, John Doe's overtime would be calculated in the following manner:

Hours worked for Job 1 was 35 hours per week. John Doe needed to work 5 additional hours in Job 2, before he would be eligible for time and one-half. Therefore, he would be compensated at Overtime Straight (OTS) for his first 5 hours in Job 2 and then would be compensated for 10 hours at Overtime Premium (OTP) for "Job 2." (See Observation 2 regarding the proper method of compensation)

As we pointed out in the Background Section of the report, the Fair Labor Standards Act is one of the most misunderstood and misapplied Federal Laws. So that it would be clear and so we would not add to the mis-interpreting of this law, we obtained the services of a law firm that specializes in this field. We proposed several different scenarios that we observed while conducting this review, and asked for legal opinions regarding these issues. Section V outlines both our questions, and the legal firm's summarized responses.

OBSERVATION (cont.)

For the work schedule described above, the legal firm we consulted with stated that the actual breakdown of hours worked should have been calculated as shown in the table below:

The total hours worked for Job 1 was 35 hours. But the character and treatment of the hours worked on Thursday and Friday changed.

JOB	Monday	Tuesday	Wednesday	Thursday	Friday
Job 1	7	7	7	7 (2 OTS)	7 – OTP
Job 2	3	3	3	3-OTS	3 - OTP
Cumulative Total	10	20	30	40	50

OTS – Overtime Straight – These are the hours that exceed the employees "contracted" hours, but do not surpass 40 hours in a week. These hours are compensated at the employees regular rate.
OTP – Overtime Premium – These are the hours that exceed 40 hours in a week. These hours are compensated at 150% of the employees regular rate.

Overtime should have been calculated starting with the final two (2) hours of Job 1 on Thursday. These hours would have been considered to be Overtime Straight, as would all of the time worked on Thursday night. On Friday, the District should have characterized all the time worked at Overtime Premium. As noted in the above table (and will be shown in Observation 2) the amount of compensation and the budgeted impact of this compensation may have tremendous implications for the District.

BACKGROUND

The method for determining which hours and which job incurred the overtime is a business process that was transferred from the old system to the new system. (See Observation 17) In fact, the District requested that SAP/R3 HR Payroll Application be configured to recognize our method of calculating hours worked, rather than as SAP/R3 HR Payroll Application was originally programmed, which was to calculate hours worked in accordance with the tenets of FLSA.

RECOMMENDATION

We recommend that the Associate Superintendent of Human Resources, or designee, meet with the Director of Systems/SAP Support Center, Director for Non-Instructional Wage and Salary, Director of the Accounting Department and the Director of the Budget Department to:

1. Determine an implementation strategy for the possible reprogramming of SAP/R3 HR Payroll Application and to develop a timeline. The cost of reprogramming SAP/R3 HR Payroll Application will need to be determined.
2. Propose a method of notification for the principals/department heads of the primary location number, for employees who may work additional positions, to determine funding requirements for the primary job.

ADMINISTRATIVE RESPONSE-Associate Superintendent of Human Resources

There may have been errors in the computation of overtime hours but only as a result of possible failure by the system to add the hours worked by an employee at all jobs with the District. In order to ensure that overtime hours are computed (added) accurately, Human Resources will work closely with supervisors, the SAP Support Center and the Payroll Department to determine the most appropriate implementation strategy and timeline to ensure that overtime due employees covered by the FLSA is paid in compliance with the Act.

2. EMPLOYEE'S, COVERED UNDER FLSA, THAT EXCEEDED 40 HOURS PER WEEK CONTAINED ERRORS IN THE COMPENSATION PAID

OBSERVATION

During our review of the hours that various employees worked and the locations that they worked, we tested the method the District used in calculating the hours worked for persons covered by the FLSA, (See Observation 1). In addition to determining whether the method of determining the hours worked was in compliance with rules and regulations, we tested the method the District used for compensating overtime for these employees. What we observed was that for those persons covered under the FLSA, the District would pay the employee's normal rate of pay on their Job 1, for the performance of a second job in which a stated Board approved pay rate was not assigned. We noted numerous instances in which there was an established pay rate for the additional jobs being performed, yet the payments being made were not correct. In trying to determine why the payments were incorrect, we found a memo that was issued by Mr. Mark Seigle, former Associate Superintendent of Personnel, Government & Community Relations. This memo outlined the provisions of paying a blended rate for persons covered under the FLSA and performing more than one different job function within the District. However, the District did not use a blended rate in paying these employees.

For example, looking at John Doe's schedule as shown in Observation 1, for illustration purposes.

John Doe works two different jobs (both considered to be non-exempt) for the District. John Doe's Job 1, is as a teacher's assistant at a middle school. The hours for teacher's assistant are from 7:00 AM to 2:00 PM, or 7 hours per day. John Doe earns $10 per hour for this position. At night, John Doe works at community school as a registrar. John Doe works for 3 hours per night. John Doe receives $7 per hour for this position. His time worked for each of the jobs is summarized in the table below:

JOB	Monday	Tuesday	Wednesday	Thursday	Friday
Job 1	7	7	7	7	7
Job 2	3	3	3	3	3

Under the previous payroll system (ISITAPS), and the current payroll system (SAP/R3 HR Payroll Application), the following would be John Doe's compensation for this week:

Regular Pay	35 hours	$10 per hour	$350.00
Overtime Straight	5 hours	$7 per hour	$35.00
Overtime Premium	10 hours	$10.50 per hour*	$105.00
Total Pay			$490.00

* ($7 per hour x 150% = $10.50)

OBSERVATION (cont.)

The information we received from the legal firm we contracted with stated that there were two potential regulations that could govern this type of situation.

29 C.F.R. Subsection 778.115 which provides:

> *Where an employee in a single workweek works at two or more different types of work for which different non-overtime rates of pay (of not less than the applicable minimum wage) have been established, his regular rate for that week is the weighted average of such rates. That is, his total earnings (except statutory exclusions) are computed to include his compensation during the workweek from all such rates, and are then divided by the total number of hours worked at all jobs...*

Under this Section, the employer divides the total compensation received by the total hours worked to derive an hourly rate. One-hundred and fifty percent of this hourly rate is then multiplied by the number of hours worked over 40 to compensate for overtime hours.

For John Doe's schedule as shown above, we would calculate this in the following manner:

Regular Rate-Job 1	35 hours	$10 per hour	$350.00
Job 2 Hours	15 hours	$7 per hour	$105.00
Total Pay for calculation purposes:			$455.00

By utilizing this regulation, John Doe's overtime rate would be $13.65 per hour. This figure was derived by dividing the compensation received, $455, by the total number of hours worked, 50 and arriving at a blended hourly rate of $9.10, which would be multiplied by 150%. John Doe's compensation for this work schedule would then be reflected below:

Regular Pay	35 hours	$10 per hour	$350.00
Overtime Straight	5 hours	$7 per hour	$35.00
Overtime Premium	10 hours	$13.65 per hour	$136.50
Total Pay			$521.50

For this example that is an increase of 6% from the method currently used by the District to pay John Doe.

OBSERVATION (cont.)

The second potential applicable regulation is 29 C.F.R. Subsection 778.419 which provides:

> *...An employee who performs two or more different kinds of work, for which different straight time hourly rates are established, <u>may agree</u> with his employer <u>in advance of the performance of the work that he will be paid during overtime hours at a rate not less than one and one-half times the hourly non-overtime rate established for the type of work he is performing during such overtime hours</u>...*

This second provision would replicate the current way that the District has been paying its employees, except that no written agreement is on hand or has been created prior to the hours being worked, which would have enabled the District to pay persons in this manner. In addition, we observed that there are many jobs in the District which do not have a set bona-fide hourly rate.

We have found that many positions in the District are truly not hourly, but are salaried. According to the legal firm that we contacted, there was no existing authority which would outline the proper method of calculation of overtime rates, when we have a "salary" and an hourly rate position. In this scenario, the legal firm we contracted with, suggested the safer course of action would be to use the blended rate methodology.

BACKGROUND

The method for determining which hours and which job incurred and the rate that the overtime is paid at, is a business process that was transferred from the old system to the new system. **(See Observation 15)**

RECOMMENDATION

We recommend that the Associate Superintendent of Human Resources, or designee, immediately review all jobs in the District and establish which jobs have Board approved hourly rates and which are salaried. Once this is completed, hourly rates must be establish by the Board for any and all jobs for which an hourly rate does not currently exist.

In addition, we recommend that the Associate Superintendent of Human Resources, or designee, creates the necessary written agreement to ensure that employees with more than one job have overtime hours and wages paid from jobs other than "Job 1."

ADMINISTRATIVE RESPONSE-Associate Superintendent of Human Resources

The "blended rate" method and the "previous agreement" method may be used in compliance with FLSA regulations.

It is important to note that salaried jobs do have an hourly rate. The hourly rate is the product of dividing the annual salary amount by the yearly number of working hours. For example, 7.5 hours a day translates into 1830 (7.5 x 244 day calendar) hours per year.

ADMINISTRATIVE RESPONSE-Associate Superintendent of Human Resources (cont.)

Therefore, an annual salary of $61,803 translates into an hourly rate of $33.772131. These rates currently exist.

Human Resources recommends the "previous agreement" method for calculation of overtime payments to employees holding more than one job with the District. Operational procedures will be established by July 1, 2003 to ensure that both supervisors and employees understand the overtime rate will be calculated based on the actual hours worked in Job 1, Job 2, Job 3, etc. from which the overtime accrued.

3. ESTABLISH A NEW HOURLY PAY RATE FOR THE CHILD CARE WORKER II POSITION

OBSERVATION

During our review of the overtime paid during 1999-2000 and 2000-2001, we determined that the District expended significant funds on Child Care workers wages. A closer examination revealed that approximately twice as much was expended for Childcare Worker II as was expended for Childcare Worker I. In reviewing the pay rate that was created for Child Care Worker II – Non-Instructional - we found that the current pay scale shows that the pay will be the "current hourly rate (of the employee's Job 1) times 150% **for all hours worked**." We found no other job class or position in the District that paid this type of premium rate. We realize that the funds for this position are not part of the District's General Operating Budget, but are generated by the program and therefore is self supporting. However, we question what additional costs are being passed onto the parents, guardians etc., that are utilizing the services of the District in providing this care to provide this premium pay.

To illustrate the difference between the positions and the pay rates, we have provided the following:

- Teachers are currently paid $19.66 per hour as the On-site Coordinator. They also maybe hired for $15.86 as a Child Care Worker II – This is a different job class than non-instructional Child Care Worker II (NOTE: Teachers were not considered to be covered under the FLSA, and therefore were not eligible for overtime pay)
- During our site visits we noted several persons, who are covered under the FLSA, and are being paid significantly more than teachers for performing the same job. For example, a bookkeeper who works as a Child Care Worker II – Non-instructional - is being paid at a rate of $27.00 per hour for performing the same job. (This is their hourly rate times 150% for all hours worked, regardless of having reached and surpassed 40 hours) Our analysis determined that any non-instructional employee who has an hourly rate above $10.58 will be paid at a higher hourly rate than a teacher who is working in the same position.

If the District were to establish a pay scale for the Child Care Worker II that was comparable to the rate existing for the Child Care Worker II - Instructional, the Before and After School Child Care Program will experience substantial savings and maybe able to pass these savings to the parents and/or guardians of the children enrolled in the program or to assist the District in the operation of the program.

For example: Currently, a Childcare Worker II, who is a non-instructional permanent/probationary District employee would earn the following pay for working in the Before and After School Care program for one week:

OBSERVATION (cont.)

Job 1	Regular Pay	37.5 hours	$15.00 per hour	$562.50
Job 2	Child Care II Pay	15 hours	$22.50 per hour	$337.50
	Total Pay			$900.00

By standardizing the rate for Child Care Worker II – Non-instructional - and by not paying overtime until the employee has reached 40 hours as is required, the pay for this employee would change:

We have chosen a rate for Child Care II – with no difference between Instructional or Non-Instructional, since the job responsibilities are the same, as $13.50 per hour.

Job 1	Regular pay	37.5 hours	$15.00 per hour	$562.00
Job 2	Overtime Straight	2.5 hours	$13.50 per hour	$33.75
	Overtime Premium	12.5 hours	$21.84 per hour[1]	$273.00
	Total Pay			$868.75[2]

- [1] The overtime rate is a blended rate, in accordance with FLSA requirements of $764.50 divided by 52.5 hours or $14.56 per hour, times 150 percent. This blended rate would provide for an hourly premium overtime rate of $21.84. ($14.56 x 150%)
- [2] If an agreement was in place, (See Observation 2) as recommended for Non-instructional staff members under the FLSA, that overtime rates would be based upon the second job, than the actual total pay would only be $848.88 – this decrease would represent a 6% decrease in salaries.

This is a decrease in expenditures of 3% for salaries only, that could go back into the program.

BACKGROUND
Currently, the School District has a position description which requires that we pay any individual employed as a Child Care Worker II, time and one-half for every hour worked in the program. The FLSA only requires payment of time and one-half of the employee's regular rate for any hours worked over forty hours per week to non-exempt employees.

RECOMMENDATION
In an effort to reduce costs to the District and possibly pass on savings to the parents and/or guardians of children enrolled in the Before and After School Child Care Program we recommend the Associate Superintendent of Human Resources, or designee, meet with the Manager of Compensation and the Coordinator of the Before and After School Child Care Program and determine an appropriate hourly rate for Child Care Worker II, and apply this hourly rate to all persons filling this position, regardless of whether they are instructional or non-instructional.

These discussions must be especially cognizant of Observations 2 and 3, as they may have different requirements for the computation of overtime rates: A blended rate for instructional staff and an agreement for staff covered under FLSA.

ADMINISTRATIVE RESPONSE-Associate Superintendent of Human Resources

The current rates paid to employees in the Before and After School Care Program exceed the minimum pay rate required by FLSA. The methodology for payment of this group of employees has been in place for over 10 years, has been School Board approved on at least two occasions, and provides for a quality Before and After Care Program. As stated in the Audit, these funds are not part of the District's General Operating Budget but are generated by the program and are self-supporting.

Additionally, it is noted that the rate charged to the parents and/or guardians of children enrolled in the Broward School Board operated program is equal to or less than the rate charged by Miami-Dade County Schools, Palm Beach County Schools and in the privately operated programs in the Broward Schools. This program will again be reviewed by July 2004 at which time compensation within this program will be considered.

4. IMPLEMENT IMPROVED BUSINESS PROCESSES TO CORRECT DEFICIENCIES IN CURRENT PAYROLL PRACTICES

OBSERVATION

This review was not conducted to examine the programming of SAP/R3 HR Payroll Application, however during our site visits and discussions with staff we noted several functions within SAP/R3 HR Payroll Application, and current business processes adopted by the District which reflect a significant weakness in the internal control environment. These observations include the following:

- Records can be deleted within SAP/R3 HR Payroll Application, and no trace of these records would be found. For example, as a payroll processor, it would be possible to enter the system and delete records from a previous payroll period, ie., restating sick leave, taking vacation, and PLV (Leave without Pay). Upon deleting these records SAP/R3 HR Payroll Application would then recalculate these changes and bring the additions forward to the next payroll period with no trace of the original entry.

- The review by Administrators and payroll processors has proved to be cursory, and has not curtailed many of the problems noted in this report; including "double dipping", the working of 24 hours straight without any reduction for breaks or lunch periods, the working through lunch periods by certain district employees, and the continued instances of payment of employees who are on leave, or have resigned from the District. The continued failure to adequately review the necessary payroll reports may give rise to "ghost employees" on the payroll. According to the "*Journal of Accountancy*," ghost employees cost an employer, on average $275,000.

- Limited review of the work schedules and of job classes has taken place. This limited review has contributed to the misapplication of funds for the scheduling and paying of security specialist and campus monitors. **(See Observation 8)**

- No error report is available that would outline any changes made for the current payroll, for the time between the original input date of the payroll and the check run dates. Without this type of report, a payroll processor would be able to easily print out a ZEARNINGS Report and a ZTIM Report and have Administration sign these reports, and then go in and make changes to the system that could increase compensation. At an HRMS meeting in December, the Accounting Director discussed the need to have a weekly report that would outline these errors. **(NOTE:** A new report was released by the Systems/SAP Support Center, ZAUDTIM, before it was reviewed by the HRMS committee who, after a first review of the report, did not understand its contents.)

- Currently all records in SAP/R3 HR Payroll Application are active from the go-live date. This means that all records can be changed and the changes will track back to 7/01/01. **(NOTE:** District Departments are currently deciding on the possibility of "locking" dates, so that the system will only be active for the prior 60 days.)

OBSERVATION (cont.)

- The communication process being utilized by the Systems/SAP Support Center for changes to business processes are normally handled through a posting to the website and BECON broadcasts. While this electronic means allows for the decrease in the amount of paper work that is generated through the system, it does not ensure that these changes have been read by, seen by, or are understood by those who utilize the system.

- The failure of the District to have provided necessary policies and procedures, including business processes, prior to go-live has greatly impacted the performance of the system and the performance of employees utilizing the system. **(See Observation 9)**

- As was stated in Observation 15, the failure of providing on-line authorization process for payroll.

From go-live to present, SAP/R3 HR Payroll Application has not missed a payroll, but the expectations of the software was that it would be able to do so much more. The functionality of the SAP/R3 HR Payroll Application has provided for many of the functions found in the legacy system, and added certain other functionalities that were not found in the legacy system. There is a reason to believe that certain processes are in place, which will help to deliver a certain level of confidence in operations. There is no system that is foolproof, and the expense of creating such a system would prove impractical. So software companies produce systems which should decrease to an acceptable level certain inherent risks in doing business. If the software company does not reduce these risks to what is considered to be an acceptable level by the consumer, then it is up to the consumer to change processes or adopt rules and regulations that will assist in raising the level of confidence.

BACKGROUND

Some of the internal control weaknesses that are enumerated above have been previously pointed out in other external reviews conducted for SAP/R3 HR Payroll Application and the HR functions. In looking at the roles and responsibilities of the various departments responsible for payroll, all of internal controls in relation to the SAP/R3 HR Payroll Application must be overseen and adopted by the Systems/SAP Support Center. Whichever controls are not inherent to the software, must be addressed through changes in policy or adopted in business practices of the District.

RECOMMENDATION

We recommend that the Director of the Systems/SAP Support Center review current software configurations to determine whether any of the internal control weaknesses pointed out above can be remedied by changes in the software. All weaknesses found must be addressed.

ADMINISTRATIVE RESPONSE-Director of the Systems/SAP Support Center

We agree with the fact that the current business processes and the SAP/R3 HR Payroll Application reflect some weaknesses in the internal control environment. It is extremely difficult to address all internal control concerns during any systems implementation. That is the reason why an Internal Auditor was assigned to the Project Team to assume that responsibility. The assigned Internal Auditor left this critical position about six months into the eighteen-month implementation effort and was never replaced by the Office of Management/Facility Audits. However, even with this impediment to the project, we do not agree, based upon the issues raised, with the statement that the internal control weaknesses are "significant". The following are responses to the eight control weaknesses identified in the Observation:

- Records can be deleted with no trace in the SAP/R3 HR Payroll Application.
  We agree. The SAP System, as purchased, has the capability of tracking all updates made to the database. This feature was turned off due to system sizing constraints. Recently, to meet a request of the Office of Management/Facility Audits, the system has been turned on to capture all deletes to Time and Attendance.
  We will continue to work with the ETS Department and the End-Users to maximize existing computing resources by implementing an acceptable archiving strategy, establishing an annual procedure to set retroactivity capability and load-balancing the demands on the system. As computing resources are made available through these efforts, additional data can be tracked.

- Review by Administrators and Payroll Processors has proven to be cursory.
  We agree. The End-User Training classes, and the business process documentation available to End-Users from various sources we provide, continue to stress the required review processes to be followed by them to ensure adequate monitoring of payrolls by the each location. Perhaps, the need to follow these business processes should be reinforced by a pointed communication from the Office of Management/Facility Audits.

- No review of the work schedules of all job classes has taken place.
  We disagree. During implementation work schedules were reviewed to ensure that they agreed with current business practices at that time. If past practices are deemed to be incorrect or are to be changed by Management, the SAP/R3 HR Payroll Application will be modified appropriately.

- No error report is available that would outline changes made to payroll input.
  As mentioned in the Audit Report a new report generated form the SAP System has been developed (ZTIMEAUD). It is capable of tracking changes made to payroll input data since the last time the payroll was approved and submitted. The report is currently being reviewed by the SAP Support Center.

ADMINISTRATIVE RESPONSE-Director of the Systems/SAP Support Center (cont.)

A meeting with both the Executive Director of the Office of Management/Facility Audits and the Accounting Director has been scheduled to address concerns related to the report.

- Currently all records in the SAP/R3 HR Payroll Application are active from Go-Live.

  We agree. The setting of the Control Record to limit retroactivity is an End-User function. The ramifications of this process are complex as it can impact a multitude of business processes. These include, but may not be limited to, Payroll Exception research efforts, correct billing of Grant Expenditures and appropriate recording of expenses in departmental budgets. The SAP Support Center is working with the Accounting Department to identify these issues in order to establish an ongoing timetable for the annual setting of the Control Record. I am of the understanding that the Control Record will be set prior to fiscal year end.

- The communication process being utilized by the SAP Support Center does not ensure that changes have been read by, seen by, or are understood by End-Users.

  We agree that we cannot ensure these changes are read by, seen by or understood by those who utilize the system. However, the SAP Support Center communicates process changes through a website that has had well over 100,000 "hits" since Go-Live. We use Becon broadcasts, as well as, SAP's on-line system messaging. We use E-mail extensively to send process change notifications directly to the specific End-Users impacted. We incorporate all changes immediately into our training classes and into our on-line training manuals. In fact, the only thing we do not do is to send out a hardcopy letter.

  However, even if we did send a hardcopy letter, I fail to see how this would ensure that it was read by, seen by, or understood by the recipient anymore than our current communication vehicles.

- The failure of the District to provide necessary policies and procedures, including business processes, prior to go-live has greatly impacted the system and End-Users.

  We agree. However, it should be noted that the School District signed a contract that called for "Rapid Application Development" methodology. (SAP calls it ASAP Methodology). This contracted methodology did not allow for detailed business process mapping prior to configuration. When SBBC attempted to deviate from the contract in this matter, it incurred a $828,000 penalty. Please understand I am **NOT** recommending SBBC follow this implementation approach in future legacy system replacements.

ADMINISTRATIVE RESPONSE-Director of the Systems/SAP Support Center (cont.)

I believe to do so would be a very grave mistake and I have made my opinion on this issue known to Senior Management on many occasions.

- Failure of providing on-line authorization process for payroll.

We agree. As stated above the on-line approval capability will be available by July 1, 2003.

FOLLOW-UP RESPONSE FROM THE OFFICE OF MANAGEMENT/ FACILITY AUDITS

It should be noted that the individual referred to did not leave the project, just the position that was held with the Office of Management/Facility Audits. The individual received a promotion to the Accounting Department as Manager of Payroll and continued with the HRMS project and the implementation team. In addition, another individual on the implementation team, the Supervisor of Payroll, was the former Manager of E.D.P Audits from the Office of Management/Facility Audits. In total, these two individuals had over thirty (30) years of auditing experience between them and could have provided valuable auditing resources and removed any "impediment" that the implementation team felt due to the Office of Management/Facility Audits inability to replace this "critical position."

Secondly, the Office of Management/Facility Audits has been unable to fill the IT position, since the first individual received a promotion. In fact, the position has received a pay increase and upgrade, but still after four (4) different job announcements our office has been unable to fill the position.

Lastly, as the "project management team" was well aware, the Office of Management/Facility Audits paid for KPMG to go in and review the progress of the implementation. Their expertise with SAP software which included implementation experience far surpassed any assistance our staff may have provided.

Regarding the statements made in the first bullet, the Office of Management/Facility Audits has made no direct requests from the Director. The Executive Director sits on the Steering Committee with other administrators, each of which have requested that a mechanism be in place that would assist in tracking additions or deletions made to the payroll.

Regarding the statements made in the second bullet, the Payroll is reviewed at every school as part of the school's Internal Funds Audit. Currently, the Office of Management/Facility Audits has been issuing discussion items to schools rather than procedural payroll exceptions, since the policies and procedures for payroll practices are for the most part obsolete. Schools and Departments have received exceptions when overpayments, underpayments or time has not been correctly charged. When the policies and procedures are updated to match current business practices the Office of Management/Facility Audits will be able to "reinforce" the messages communicated by the Director of the Systems/SAP Support Center.

FOLLOW-UP RESPONSE FROM THE OFFICE OF MANAGEMENT/ FACILITY AUDITS (cont.)

Regarding the statements made in the third bullet, had the work schedules been reviewed the project management team would have been aware that the work schedules from the legacy system did not match the work schedules as outlined in the contracts of the security specialist and campus monitors, and could have approached senior management to ensure that these were the work schedules that the District wanted to continue with. This type of proactive measure may have assisted saving the District money, and should have been part of the review process that was conducted.

5. **THE CURRENT LACK OF OVERTIME REPORTS AVAILABLE IN SAP/R3 HR PAYROLL APPLICATION HINDERS MANAGEMENTS ABILITY TO PROPERLY SUMMARIZE, COMPARE AND ANALYZE THE DISTRICT'S PAYROLL**

OBSERVATION
The use of many software programs is greatly enhanced by the reports the system can generate. The information that can be derived from these reports to assist management in conducting analyses that assist in improving operations is essential for increasing efficiencies in operations. Although there are a number of reports that are available through the SAP/R3 HR Payroll Application, we found a number of key reports, related to overtime that would assist in the review of Overtime and Payroll in the District are unavailable.

For example, when the payroll system operated through the mainframe, we were able to request reports through ETS to perform necessary comparisons. One of the reports requested was a summary of the amount of overtime payments made in the District. ETS was able to generate this report from the prior payroll system, while it could not be done with the SAP/R3 HR Payroll Application. With the information we received from ETS, we were able to determine where the overtime payments were being made and separate these payments into schools, off-site and departments. (These charts are shown in **Section II** – Background, page 8) When we spoke with staff at the Systems/SAP Support Center we found that they were unable to produce any type of reliable report that would support the amount of overtime expenditures that were paid in the District. The inability of SAP/R3 HR Payroll Application to provide a reliable report which would enable us to summarize, compare and analyze the overtime payments made by the District from July 2001 – through the present date, have greatly hindered our ability to make any type of specific statements regarding amounts expended by the District for this period.

In addition we requested a report from ETS for this audit which provided a summary of overtime paid by Job Class Codes for the years 1999-2000 and 2000-2001. (SEE **EXHIBIT I**) This allowed us to review the overtime that we are paying to particular types of jobs throughout the District. SAP/R3 HR Payroll Application categorizes employees by "chair" (budgeted position) number. This method was chosen to allow position management, and to ensure that persons could not be employed if they did not have a "chair." Unfortunately, the use of this method has hindered our ability to review common job class codes through SAP/R3 HR Payroll Application. For the reports we we able to obtain from ETS, we noted the following:

- During 1999-2000, five percent (5%) of all job class codes in the District received overtime payments totaling over $100,000. These job class codes accounted for 52% of all the overtime payments made and totaled $7,041,895.
- During 2000-2001, six percent (6%) of all job class codes in the District received overtime payments totaling over $100,000. These job class codes accounted for 57% of all the overtime payments made and totaled $8,670,637.

OBSERVATION (cont.)

- Of the 23 job classes that received overtime payments exceeding $100,000, we found that Transportation positions (including Bus Operators, Bus attendants, etc.) accounted for 26% of the 23 job classes, and were paid $4,942,309 for the two years, or 34% of the payments noted.

- Of the 23 job classes that received overtime payments exceeding $100,000, we found that Facilities Service positions (including Head Facilities Serviceperson –High, Middle and Elementary - , School Site Repairperson, etc) accounted for 35% of the 23 job classes, and were paid $4,310,068 for the two years, or 30% of the payments noted.

- Of the 23 job classes that received overtime payments exceeding $100,000, we found that After Care Workers (After Care Worker II, I, and Clerical –Add'l position Aftercare, etc.) accounted for 13% of the job classes, and were paid $2,392,840 for the two years, or 16% of the payments noted.

District Administrators must receive various types of reports in order to effectively conduct business. If these reports are not native to the system, or the information that is being requested resides in several different areas, the District must utilize in-house programmers and when the information being requested is beyond in-house staff's capabilities the District is forced then to contract with programmers to create the reports. This normally proves to be expensive. After go-live, the District was having troubles explaining to staff why their paychecks contained a "Difference from Pre." So to assist persons in this explanation, a report entitle ZRETRO, was created for the District by an outside programmer. This report is not native to the system, and requires some experience and training to be able to determine what caused the differences and then provide an explanation to staff.

BACKGROUND

This report has been critical of bringing former questionable business practices from the former system to the current system. But the one area, in the former system, that was always very accessible to administration was ETS's ability to generate the necessary reports to allow management to summarize, compare and analyze data. The SAP/R3 HR Payroll Application was approved for purchase on December 7, 1999. The system went live on July 1, 2001. Many of the reports that have been created are not native to the system and have been created by outside consultants. Many of the other reporting capabilities of the system have gone unexplained or the reports available for Management have been delayed.

In addition, during one of the reviews conducted by external consultants, KPMG, stated that a report list was imperative to allow management the ability to properly review, summarize and analyze data.

RECOMMENDATION

We concur that with the continued use of the system, the payroll processors, staff and administration will gain a better understanding of all the information that is available through SAP/R3 HR Payroll Application. To date, we have not found that to be the case. We recommend that the Associate Superintendent of Human Resources, or designee, begin to request overtime reports from Systems/SAP Support Center for review. Two of the areas which we found to be useful, included:

1. Overtime payments made to all employees, sorted by location and job class.
2. Overtime payments made to employees for positions other than Job 1.

These reports can be an effective management tool that may assist Administration with identifying organizational priorities for planning the upcoming school year(s). If Systems/SAP Support Center is unable to produce these types of reports, then a business decision needs to be made regarding the costs involved in creating these reports versus the benefits derived from these reports. This information then needs to be forwarded to Senior Management for direction.

ADMINISTRATIVE RESPONSE-Associate Superintendent of Human Resources

Development of overtime reports to properly summarize, compare and analyze the District's use of overtime fails to focus on the underlying functional business processes that give rise to this expense. It is recommended that each supervisor who authorizes use of overtime be held accountable for that decision. Appropriate reports should be provided to these supervisors to facilitate their oversight.

In addition, supervisors should consistently monitor the need for authorizing overtime and recommend business process improvements that might reduce the need for overtime.

FOLLOW-UP RESPONSE FROM THE OFFICE OF MANAGEMENT/ FACILITY AUDITS

We can see no time when overtime of some type will not be worked and compensated when you employ the number of persons as the School Board does each year. We feel that accurate reports must be readily available to both supervisors at the sites and administration off-site so that analyzes can be conducted and possible trends identified, without traveling to each and every location that may have generated this overtime. Current overtime reports which are available in the SAP/R3 Payroll Module do not offer these reports, or the ability to conduct the analyzes as were conducted for this review.

We do agree with the statement that Supervisors who authorize overtime are accountable, and have reviewed thirty-two (32) sites, (See Exhibit II) to determine whether these Supervisors have followed School Board Policy. The lack of reports diminishes the internal controls and checks and balances over overtime expenditures throughout the District.

6. CORRECT OVERTIME HOURLY RATE FOR EMPLOYEES WHO RECEIVE LONGEVITY PAYMENTS

OBSERVATION

During our review of the District's payroll, we noted that persons who complete certain length of service requirements receive longevity payments. These payments are divided up into the paychecks that these individuals receive throughout the year. We noted that payments were being made to 698 District staff, which ranged from $600 to $1,600 annually. The "hourly-rate" associated with the longevity payments is not being included in the overtime rate for those employees that work overtime.

The legal firm which we contracted with stated that it is very clearly established in the law that fixed longevity payments, "that is payments that the employer has agreed to pay once certain length of service requirements are fulfilled, must be included in regular rate. If the longevity payments are required to be made as part of the employee's compensation for working, they must be included in the regular rate for overtime purposes."

We have outlined below the financial impact to the District of *one* staff members overtime for *one* pay period: (Based upon an actual employee within the District)

An Office/Manager I (Confidential) Elementary/Middle who received 8.75 hours of overtime for the pay period ending May 3, 2002.

The hourly rate shown for this person for 2001-2002 was $19.79 per hour. In 2001-2002, this individual received longevity payments totaling $1,100 for the year. This equated to $4.51 per day, or $.60 per hour. Therefore, for overtime calculations, this person's hourly rate was actually $20.39 an hour. Based upon time and one-half, the projected overtime payment that should have been received was $267.62. This individual received $259.69, or an underpayment of $7.93.

BACKGROUND

Title 29 U.S.C Subsection 207(e)(3) states,

...sums paid in recognition of services performed during a given period...are excluded from the regular rate only if either...both the fact that the payment is to be made and the amount of the payment are determined at the sole discretion of the employer at or near the end of the period and not pursuant to any prior contract, agreement, or promise causing the employee to expect such payments regularly...

We determined that due to a previous FRS (Florida Retirement System) Audit that was completed by the State, the District was at one point cited for inclusion of several items, (Cafeteria Benefits, Longevity) in base pay for contribution purposes for FRS.

RECOMMENDATION

We recommend that the Deputy Superintendent, or Chief Operating Officer, or designee, meet with Associate Superintendent of Human Resources, or designee, Director of Systems/SAP Support Center, Director of Non-instructional Wage and Salary, Director of Employee Relations, Director of the Accounting Department, and the Director of the Budget Department to determine the number of overtime hours that all persons who received longevity pay worked over the prior years.

We recommend that the Director of Systems/SAP Support Center meet with the appropriate staff to determine how SAP/R3 HR Payroll Application can be reprogrammed so that the necessary changes can be made to ensure that overtime rates are properly calculated, and that these rates are not included in the employees FRS contribution calculations. Programming must be such that any type of leave that would actually "dock" a worker's pay *does not* include the computed hourly rate for longevity pay.

As we understand it, SAP/R3 HR Payroll Application has already been programmed so that teachers annual pay is tracked along with the amount that is be used for calculating FRS contributions, therefore, the programming already exists.

ADMINISTRATIVE RESPONSE-Deputy Superintendent

The Deputy Superintendent, Facilities and Construction Management, will facilitate a meeting with the new Chief Operating Officer (start date April 30, 2003) and key department heads to address the actions and corresponding timelines for corrective actions to items 6,8,9,15 and 16. This meeting shall occur not later than July 15, 2003. A status report will be provided to the audit committee not later than September 30, 2003.

ADMINISTRATIVE RESPONSE-Director of the Systems/SAP Support Center

The decision to include Longevity Payments in base pay for the purpose of computing overtime rates for employees needs to be made by the HR Division, as they are the business process owner. Assuming the Human Resources Division agrees with this Audit Report Observation it is estimated that it will take approximately 4 to 5 weeks to modify the payroll program and thoroughly test the change prior to implementation.

7. EXPEDITE NECESSARY SOFTWARE PROGRAMMING TO SAP/R3 HR PAYROLL APPLICATION TO CORRECT ERRORS WITH HOLIDAY PAY

OBSERVATION

During our site visits and discussion with Pupil Transportation personnel, we noted that there was a substantial number of overpayments being made within the Transportation Department. Although the Ernst & Young LLP.'s report contained several audit findings and recommendations related to the Maintenance Department, we found that these same problems existed with the Pupil Transportation. Specifically, two conditions noted included:

- Changes made to the COMPASS System and/or SAP/R3 HR Payroll Application, after the updating of information from one system to the other, and
- The payment of wages for holidays when the employee was on an unapproved absence.

Our review of the Federation of Public Employees contract, Article 14 (B)(1) states:

> *"Six (6) paid holidays should be observed on their respective dates for transportation...*
>
> *(B)(4) continues by stating, "In order to be eligible for holiday pay, an employee must have worked the day before and the day after the holiday, unless the employee was on approved annual, sick or personal reasons leave..."*

Discussions with payroll processors at Pupil Transportation indicated that currently is not business process in the District to handle this situation, and if Pupil Transportation or COMPASS personnel fail to indicate that the person is ineligible for holiday pay, SAP/R3 HR Payroll Application processes the day as a paid day.

We also found that there are 55 bus operators and 17 bus attendants who were in the process of being removed from employment in the District, but were still active for payroll purposes. Since no business process existed in the District, the system was unable to remove these 72 persons, immediately, so every subsequent paid holiday, until they are removed, would result in these 72 individuals receiving full payment for these holidays, even though they did not work any of the required hours. The Accounting Department, if properly notified, has the ability to stop a check or retrieve a check, before it is issued, but persons with direct deposit of their checks creates a more difficult process to undo.

We estimate the fiscal impact of this glitch to be approximately $25,920. We arrived at this figure by the following computation: 72 inactive persons, *x* six paid holidays, *x* an approximate daily rate of $60 (6 hours x $10 per hour). The $10 hourly rate was an average used for calculation purposes. (This figure would fluctuate depending on the number of drivers and attendants that we are unable to immediately remove.)

BACKGROUND

The Systems/SAP Support Center's responsibility is to monitor the SAP/R3 HR Payroll Application to ensure that payments being calculated are accurate. All changes to the SAP/R3 HR Payroll Application are performed by the Systems/SAP Support Center or outside consultants.

We were unable to determine whether the lack of business process was known by the project management team, prior to SAP/R3 HR Payroll Application implementation, or whether it was discovered after implementation. The Director of Systems/SAP Support Center has stated that Food Service Department is addressing this "software" deficiency via a workaround.

RECOMMENDATION

We recommend that the Director of Systems/SAP Support Center meet with SAP/R3 HR Payroll Application officials to determine whether a programming solution can be found and to take immediate action to resolve this problem.

ADMINISTRATIVE RESPONSE-Director of the Systems/SAP Support Center

First, there is a statement made in the Observation that is incorrect. It states "We have determined that the system was unable to remove these 72 persons". Not only could these people have been removed from the system had proper processes been followed by the End-Users, but the overpayments could have easily been avoided had the location's Payroll Contacts followed proper procedure and immediately placed a "Stop Payment" action on each of the employees' records.

We agree with the need to change the business process, but we disagree that it can be automated in the SAP Application. The SAP/R3 HR Payroll system will not automatically facilitate the docking of paid holidays, since these days are not inclusive in their work schedule. You cannot dock a person for a day that he/she is not scheduled to work. We suggest, as an alternative, that the workaround being used by the Director of Food Services be considered by the other Departments impacted by this business process need.

FOLLOW-UP RESPONSE FROM THE OFFICE OF MANAGEMENT/ FACILITY AUDITS

It does not seem reasonable for the District to have spent as much as we have on the SAP/R3 HR Payroll Application, and then force departments to create a work around to properly pay or not pay individuals.

FOLLOW-UP RESPONSE FROM THE OFFICE OF MANAGEMENT/ FACILITY AUDITS (cont.)

We realize that no software system is able to incorporate all the practices that may be found in the District, but these processes should have been known prior to installation, and should have been addressed with a process solution prior to go-live.

8. THE WORK SCHEDULE AND BUDGETED FUNDS FOR SECURITY SPECIALIST AND CAMPUS MONITORS DOES NOT AGREE WITH THE PROVISIONS OF THEIR CONTRACT

OBSERVATION

While reviewing a report compiled by ETS regarding the amount of overtime paid to employees of a particular job class, we noted that for 1999-2000 and 2000-2001, Security Specialist's of the District were paid in excess of $390,000 in overtime payments. As we began our site visits, (See Section IV – pages) we reviewed several Security Specialist positions and found that there was a difference in the wording of the security specialist's contract and the programmed and budgeted work schedule.

Our review of the Federation of Public Employees contract, as it relates to Security Specialist, noted:

> *Article 9 (A)(3)...The normal working day for full-time permanent security specialists shall be seven and one-half (7 ½) consecutive hours, including a thirty (30) minute unpaid lunch period...*

We considered the wording of this passage to be somewhat ambiguous, so we contacted the Director of Employee Relations, the Director Non-instructional Wage and Salary and a Federation Representative to get clarification. Each of these individuals stated that this passage meant a seven (7) hour workday and one-half (1/2) hour unpaid lunch.

Based upon further review, we noted that the current work schedule programmed into SAP/R3 HR Payroll Application which reflects a 7.5 hour workday for security specialists was the same work schedule that was reflected in the legacy system. When this discrepancy was uncovered we reviewed the actual funding of this position, and were informed by the Budget Department that these employees were being funded at 7.5 hours per day. We also noted that Campus Monitors, who are also covered under the Federation Contract had the same deficiencies.

Operational decisions must be made at school sites and/or the District to determine the needs of schools. Several functions such as having a Security Specialist at schools when students are not on campus and Campus Monitors watching security cameras after the students have left the campus, needs to be reviewed. We were able to determine that if the District were to budget and schedule these employees as outlined in their contract the District can save approximately $667,000 in one year. In a time when every budget dollar counts, this could be a significant savings to the District. However, the savings should not come if the safety of the students and staff is compromised.

OBSERVATION (cont.)

During our site visits we noted:

- The Security Specialist's normal tour of duty at many locations (including, Dillard High School, Flanagan High School) was eight (8) hours. In speaking with personnel at these schools, we questioned why their security specialist were scheduled in such a manner, School staff stated that when you pulled up the SAP/R3 HR Payroll Application screens and the position, these are the hours shown.
- At McNicol Middle School, the Security Specialist's normal tour of duty was seven and one-half (7 ½) hours, which included his lunch hour. For this individual and any other tour of duties which were 7 ½ hours, the District would be *overpaying* these staff members ½ hour per day, since SAP/R3 HR Payroll Application is set up for paying 7 ½ work hours. We do not know the number of individuals that are scheduled in this manner.

BACKGROUND

The Office of Management/Facility Audits has commented in numerous reports that many of the software programs of the District may contain errors that go undetected until someone questions them. Several years ago, our department uncovered a programming error that resulted in the recovery of approximately $500,000. We have stated that there is no one in the District who is assigned the responsibility to ensure that as laws, rules and regulations are passed that the passage and the impact to various software programs operating in the District are properly modified.

RECOMMENDATION

We recommend that the Deputy Superintendent, or Chief Operating Officer, or designee, review the organizational needs of the District and determine whether these individuals should be scheduled and funded at 7.5 work hours per day, or whether the District should impose the guidelines set forth in the Contract which reflect payment for seven (7) hours. The change in hours would be a savings to the District. Once a decision is reached, it is essential that the proper departments be notified, including Systems/SAP Support Center and Budget to ensure that the necessary changes are made.

In addition we recommend that the Director of the Systems/SAP Support Center produce a table which reflects all job classes and their respective workdays. That each of the individuals mentioned above should review this table and sign-off to agree that the work schedule entered into SAP/R3 HR Payroll Application is reflective of the actual hours per week as required by their respective contracts.

The Deputy Superintendent, or designee, should review or assign reviews of all legislative issues, both Federal and Local and all contract provisions and revisions to ensure that there is a responsible party for the communication of necessary changes by the District to the Systems/SAP Support Center.

RECOMMENDATION (cont.)

A form should be created that will show what changes are necessary, the date the change is to go into effect, the date which the form was issued, the date the form was received and other pertinent data to ensure changes to the payroll system are properly monitored.

This communication is not only necessary for the Systems/SAP Support Center staff, but for all tables that exist with ETS also. In addition, we recommend that the Director of the Systems/SAP Support Center and the Executive Director of ETS create/develop a table which will show all the data that is being captured for use in determining payments or expenditures so that the Deputy Superintendent, or designee, will know what information is needed and being effected by changes.

We recommend that the Director of the Systems/SAP Support Center meet with the Associate Superintendent of Human Resources, or designee, the Director of Non-Instructional, Wage and Salary, Director of Employee Relations, Manager of Compensation, and the Director of the Accounting Department to determine the number of security specialists who are paid for 7 ½ hours per day , as programmed into the SAP/R3 HR Payroll Application, that have only worked 7 hours and determine the amount of overpayments that may be due the District.

ADMINISTRATIVE RESPONSE-Deputy Superintendent

The Deputy Superintendent, Facilities and Construction Management, will facilitate a meeting with the new Chief Operating Officer (start date April 30, 2003) and key department heads to address the actions and corresponding timelines for corrective actions to items 6,8,9,15 and 16. This meeting shall occur not later than July 15, 2003. A status report will be provided to the audit committee not later than September 30, 2003.

ADMINISTRATIVE RESPONSE-Director of the Systems/SAP Support Center

The SAP Support Center agrees to provide the information requested to assure the assignment of proper work schedules. However, work schedules in the new SAP system are assigned to a Position not to a Job Class. We will meet with the Office of Management/Facility Audits to reach agreement on exactly what information would best facilitate their request.

9. UPDATE SCHOOL BOARD POLICY AND STANDARD PRACTICE BULLETINS FOR THE EFFECTIVE OVERSIGHT OF THE PAYROLL PROCESSES

OBSERVATION

The largest single expenditure of the District is the payment of employees. Historically, we have found that a location expends between 85 – 95% of their budget on the salaries of the staff. Yet, the District has not updated its School Board Policies or Standard Practice Bulletins for the new SAP/R3 HR Payroll Application. Specifically, the current School Board Policies and/or Standard Practice Bulletins are:

- School Board Policy 4300.1, *Overtime Pay – Noninstructional Employees*. This policy was adopted on May 15, 1986 and was last amended on **August 18, 1998**.
- School Board Policy 4.3, *Certificates of Absence for Leaves*. This policy was adopted on **March 5, 1991**.
- Standard Practice Bulletin A-445, *Time and Attendance Record Keeping*. This Standard Practice Bulletin was issued **January 1, 1992**.
- Standard Practice Bulletin L-401, *Substitute Teacher Payroll Procedure*, is dated **September 1, 1992**.
- A Manual issued during SAP/R3 HR Payroll Application training, entitled, *Basic Payroll Time Management*.

The mechanics of inputting time information and the operation of SAP/R3 HR Payroll Application are covered in this manual, but laws, rules, regulations and standard procedures regarding payroll processes are not.

The District spends millions of dollars on payroll, yet the information is input by persons with limited or no formal training on payroll issues and these persons are forced to rely on:

- Two (2) School Board Policies, one that is twelve (12) years old and one that is over five (5) years old.
- Two (2) Standard Practice Bulletins that that are over eleven (11) years old,

During our site visits we noted numerous problems. (See Section IV) Some of these problems included:

1. No documentation of employee's daily work hours.
2. No written approval for the overtime.
3. No documentation for the purpose of overtime.
4. No standardized forms.

OBSERVATION (cont.)

As with many departments in the District staff and administration are attempting to keep up with day to day tasks, so the ability to plan, forecast and strategize are lost.

It is recognized that the Accounting Department and the Systems/SAP Support Center has handled thousands of calls, e-mails and inquiries and successfully resolved the inquiry. But, many of the e-mails that we reviewed showed that the assistance offered provided information that was incorrect or not useful.

BACKGROUND

The District has been cited by OPPAGA (Office of Program Policy Analysis and Government Accountability), in the MGT of America Report dated March 1999 regarding various deficiencies noted with the Policies of the District. Included in this report were the following recommendations:

- Establish a Master Schedule for policy revision, assigning policies to all appropriate departments and divisions for review and recommended action.
- Assign the Office of the Associate Superintendent and Board Liaison as the primary caretaker of the policy manual, including responsibility for maintaining the files and updating the manual. (This position has not been on the District Organizational Chart for several years.)
- Develop one comprehensive administrative procedures manual or series of division/department manuals, as appropriate, and design and establish a coding system which identifies the school board policy and the administrative procedures guided by the policy.

RECOMMENDATION

We recommend that the Associate Superintendent of Human Resources, or designee, and the Executive Director of HRD coordinate and facilitate a Staff Development Task Force with representatives from appropriate departments. The role of this task force is to:

- Establish staff development needs based on deficiencies noted in this report.
- Standardize procedures that are referenced in this report or that are found to be inconsistent.
- Design quality staff development for targeted payroll personnel at all levels.
- Meet quarterly to ensure practices are consistent and staff development is up-to-date as new procedures are put into place.

In addition we recommend that the Executive Director of HRD work with appropriate departments and school personnel to design and develop training in FLSA. Staff development needs to be mandatory for all administrators, all department heads that oversee persons covered under the FLSA and all Accounting Department personnel involved in the payroll process. Departments will need to provide trainers and ensure that the training is updated and revised in accordance with policies and procedures.

RECOMMENDATION (cont.)

We recommend that the Deputy Superintendent, or the Chief Operating Official, or designee:

- Meet with Manager of Systems and Procedures to begin to assign the policies and bulletins to the respective departments for re-writing or editing to current practices and in accordance with the findings revealed in this report. We recommend that legal counsel be involved with the writing of these policies as the subtleties of the FLSA require specific knowledge. In addition, we recommend that Standardized Forms for payroll be created for many of the items disclosed in this report, including the documentation of overtime, the agreement for employees to accept payment of overtime at the rate for the job it was incurred in, etc. **(See Observation 2)**

- Create a payroll manual which must incorporate all the changes and revisions recommended in this report. This payroll manual must be distributed to every location in the District. This ensures that a consistent message is being sent to all employees. Once this hard-copy manual is issued we would also recommend that this manual be placed on-line.

- Review all call-in centers, such as the Accounting Department and Systems/SAP Support Center and install some type of quality control monitoring system, so that management can focus on customer requests called in, to ensure that the information being disseminated is correct. Every major corporation in America uses these monitoring systems to ensure that their customers are being treated correctly and that the messages that are being sent are consistent and correct. This monitoring system will also assist the administration in evaluating personnel and ensuring that their respective departments are providing the highest quality service to its customers.

- Review the MGT of America Report to determine whether the policies and procedures of the District have undergone an effective and efficient review, to determine whether they are applicable, whether laws, rules and regulations that the policies were based upon have been repealed or changed, and to implement corrective actions to address these inefficiencies.

ADMINISTRATIVE RESPONSE-Associate Superintendent of Human Resources

School Board Policy and Standard Practices expectations were provided to all district principals and department heads by memo and Q&A during May 2003 (see attachment #2). In addition, School Board Policy recommendations for revision will be considered by the Policy Review Committee by August 2003.

ADMINISTRATIVE RESPONSE-Deputy Superintendent

The Deputy Superintendent, Facilities and Construction Management, will facilitate a meeting with the new Chief Operating Officer (start date April 30, 2003) and key department heads to address the actions and corresponding timelines for corrective actions to items 6,8,9,15 and 16. This meeting shall occur not later than July 15, 2003. A status report will be provided to the audit committee not later than September 30, 2003.

ADMINISTRATIVE RESPONSE-Executive Director of HRD

I agree with the recommendation and will coordinate and facilitate a Staff Development Task Force that will meet quarterly beginning June 2003. I agree with the role of the task force as defined in the recommendation and will facilitate the standardizing of procedures and design of quality staff development.

10. MODIFY THE DISTRICT'S PAYROLL SCHEDULE TO REDUCE THE NUMBER OF PAYROLL CYCLES IN ORDER TO IMPROVE EFFICIENCY

OBSERVATION

During the strategic planning sessions for SAP/R3 HR Payroll Application implementation, there was considerable thought given to condensing the number of payroll runs that were performed. Ultimately, several payroll runs were combined, but for the most part the number of payroll runs is unwieldy. The chart below outlines the number of payroll schedules and pay checks that the District currently runs:

Payroll Schedule	Number of Payroll Cycles	Type of Employee
S1	28	196 Day Employees Teachers
S2	24	244 Day Employees Principals
S3	27	216 Day Employees School Based Clerical, A.P.'s
S4	29	186 Day Employees – Food Service, Para-professionals
S5	27	Year Round Schools – By Track
S6	27	Year Round Schools – By Track
B1	26	261 Day Employees - Maintenance, Custodial

The size of the District and the number of payrolls necessitates the staff completing payrolls at the schools to input payroll on a daily basis. Most of the department payroll processors fare somewhat better since they do not have to deal with the variety of employees that a school must face.

In addition, the number of payroll schedules and number of paychecks, results in prepayment of salaries to District personnel. This prepayment has been discussed previously, but instead of changing the payroll schedules the District chose to show the following information on each persons pay check:

Contract Earned........
Contract Paid...........
Annual Salary.........

Although this information does show a legal debt owed by the employees, the collection of these debts has proved frustrating and not very efficient. (These overpayments occurred in the District's previous payroll system, but were not identified on reports which are currently available to the District.)

OBSERVATION (cont.)

The one thing that all employees want, no matter the employer, no matter the job that is being performed is to be paid the proper amount and on time. As everyone is aware this has not always occurred in SAP/R3 HR Payroll Application, but it also did not always occur in the previous payroll system. Many of the errors that occurred in the previous system have been duplicated in SAP/R3 HR Payroll Application, and have now become a concern for all the parties involved. The District has not made the necessary changes to its business processes to enable SAP/R3 HR Payroll Application to work effectively, to relieve some of the burden that school personnel doing payroll are facing, and to assist in saving money in the running of payrolls.

BACKGROUND

The Prepayment of employees and vendors is outlined under the State of Florida Constitution Article VII, Section 10.

Negotiations are held with the District to develop compensation and labor related issues. Many of the contracts reviewed stated that the pay was to be bi-weekly. Although certain contracts contained other language that spoke to the timing of checks, we could not find anything in the current contracts that would prevent changes to contracts that were found to be in the best interest of the District and therefore the employees.

RECOMMENDATION

In order to assist school personnel, with the SAP/R3 HR Payroll Application, we are recommending that the Associate Superintendent of Human Resources, or designee, implement payments to all employees on a bi-weekly basis. This method of payment is standard practice among Federal Employees, Municipal employees and many corporations. Although, there may be some language in current contracts that may prevent this move immediately, the District needs to initiate this change in all bargaining units for the effective and efficient operation of payroll, both at the District level and the school level. This change in payroll practices will save the District money and will improve efficiency by:

- Decreasing the time expended at the school level with the number of payrolls to track and input.
- Decrease the daily resources of the SAP/R3 HR Payroll Application, with the daily need for inputting payroll. Although the system will need to be reviewed to ensure that it can handle the switch from the current pay schedules to the bi-weekly schedule, to determine what costs may be associated with this switch: in terms of re-programming, computer resources and personnel.
- Decreasing the amounts being "prepaid" to individuals, and lessen the need to try and collect sums that are due the District when these persons leave the District.

RECOMMENDATION (cont.)

We have had discussions with staff and realize that there may be some problems in determining the number and timing of paychecks, due to the number of days actually worked. But these are not insurmountable problems and must be addressed on the basis of what is the best way of doing business, not on the basis of what special interest this will accommodate the most. The District must become more efficient in order to save monies and by decreasing the number of payroll schedules and the number of paychecks issued, this savings will be realized.

ADMINISTRATIVE RESPONSE-Associate Superintendent of Human Resources

Standard payroll practices vary among comparable school districts. Tax and benefits deductions implications of various payroll cycles and related implications should also be considered. Significant improvements in both staff accuracy and efficiency might be an added benefit.

Discussions with staff in impacted departments indicate general consensus that one standardized payroll cycle for all employees is preferred for both efficiency of operation and optimum service to customers (employees). Action plans to implement one payroll cycle of 26 checks for all employees annually will be initiated with 2003-2004 contract negotiations.

11. RECOMMEND A PAYROLL POSITION BE CREATED AND FUNDED FOR THE EFFECTIVE AND EFFICIENT OPERATION OF PAYROLL FUNCTIONS

OBSERVATION

Prior to the implementation of SAP/R3 HR Payroll Application school personnel would accumulate data on absences, leaves and other payroll information, and a day or two prior to the payroll cut-off date would organize and input this information as necessary. This was not always the most effective or efficient way of operating, but it allowed these office managers, bookkeepers, budgetkeepers and others to perform all the other necessary functions of their respective jobs. With the implementation of SAP/R3 HR Payroll Application these same persons had to start expending a significant part of their day, inputting, correcting and trying to enter the same information into the new payroll system. In addition, with the implementation of SAP/R3 HR Payroll Application, the necessity of explaining differences in paychecks, including "Differences from Pre.", and significant hours researching staff inquiries. This has caused many problems in the performance of what used to be these persons Job 1's.

During our review, we found that we have left the decision of how to pay and what to pay employees throughout the District to persons who may have little or no training in Federal Law or State Law as it applies to payroll. This is not a new problem that was created by SAP/R3 HR Payroll Application. No dedicated payroll position existed with the old payroll system.

BACKGROUND

Payroll is the largest expenditure of the District. It accounts for roughly 85 – 95% of general funds expended, yet the task has been relegated as a part time duty, to persons who must perform other very needed tasks throughout the school system. The duties of the payroll processor(s) have merely evolved.

RECOMMENDATION

We recommend that the Associate Superintendent of Human Resources, or designee, recommend the funding, hiring and training of payroll professionals to handle the need of the largest single expenditure made in the District to the School Board. As this review has pointed out, improvements are needed to prevent errors that result in overpayments and underpayments. In addition, enhanced training is needed for employees that are being asked to make decisions surrounding the payment of wages to District employees. This recommendation may result in a major expenditure to the District. The Associate Superintendent of Human Resources, or designee, should consider a needs assessment to phase-in this position, especially at the high school level, so that the cost to the District is spread out over a number of years.

ADMINISTRATIVE RESPONSE-Associate Superintendent of Human Resources

This recommendation could include provision for a review of benchmark best practices and the use of the Sterling process to develop appropriate workflow process improvements to correct payroll deficiencies.

Use of the Sterling process could lead to the decision to recommend a position but it could, with equal justification, lead to workflow process improvements that might provide similar results.

FOLLOW-UP RESPONSE BY THE OFFICE OF MANAGEMENT/FACILITY AUDITS

The recommendation made by the Office of Management/Facility Audits focuses on providing assistance to the school personnel for effective payroll operations. If the Human Resource Department is able to provide an alternative recommendation that will provide similar relief to the schools to ensure effective and efficient operation of payroll we are sure the schools would welcome this recommendation.

12. DEVELOP DEFINED WORKWEEKS WHICH COINCIDE WITH PAY ROLL SCHEDULES TO DECREASE THE ERRORS ASSOCIATED WITH THE CALCULATION OF OVERTIME HOURS

OBSERVATION

As discussed in Observation 12, the District currently has seven (7) different payroll schedules which generate from 24 to 29 payroll cycles per schedule, annually. In almost every payroll schedule (S-1, S-2, etc.), we found that the payroll schedule was different than the "workweek" that was defined in SAP/R3 HR Payroll Application. This difference significantly contributed to the errors that we noted in the calculation of overtime. These differences were the result of operator error and/or a lack of knowledge possessed by the payroll processors on the use of "banked hours" by the SAP/R3 HR Payroll Application. Due to the problems noted in trying to determine overtime payments, we have found that some employees are not receiving overtime pay for hours worked in a timely manner. We noted several instances in which it took up to three (3) weeks after the overtime was worked for the employee to actually receive the overtime premium payment. (**NOTE:** It should be noted, that although overtime pay was not received, the employee was found to have received their regular rate of pay for these "overtime" hours on the first paycheck following the input of these hours.) See Section IV, Site Visits, for a detailed description of how to determine overtime hours.

Staff at the Systems/SAP Support Center stated that the new Payroll System defaults to compute overtime based on a Monday through Sunday workweek for most employees. Our review of Board Documents revealed that there are currently two District contract's which defines a "workweek" that is different from Monday through Sunday.

BACKGROUND

One of the largest expenditures of the School Board of Broward County, Florida is payroll and one large segment of this payroll is overtime. The Fair Labor Standards Act (FLSA), requires that the School Board pay overtime to non-exempt employees who work over forty hours in a given work week in a timely manner.

RECOMMENDATION

We recommend the Associate Superintendent of Human Resources, or designee, meet with Director of Systems/SAP Support Center, Director of Employee Relations, the Director of Non-Instructional Wage and Salary, and Manager of Compensation and submit a defined workweek for every job class. We would recommend that the District attempt to use the workweek that is defaulted in SAP/R3 HR Payroll Application — Monday – Sunday, as this will save the District monies for reprogramming. The failure to define these workweeks will continue to present problems in determining paycheck differences and questions as to when the overtime was worked and when it was paid.

ADMINISTRATIVE RESPONSE-Associate Superintendent of Human Resources

A memorandum, signed by the Superintendent, was sent to all principals and department heads during May 2003 which required, among other expectations, that supervisors provide assigned workday hours and days for all employees under their supervision according to current bargaining agreements.

This is a mandatory subject of bargaining and the establishment of the time period must be negotiated annually with the bargaining units and included in the respective contracts.

FOLLOW-UP RESPONSE BY THE OFFICE OF MANAGEMENT/FACILITY AUDITS

The assigning of workweeks must be a District decision. This decision will offer consistency among different groups of employees and ease in programming of the SAP/R3 Payroll Module.

13. IMPLEMENT PROCESSES WITHIN THE SAP/R3 HR PAYROLL APPLICATION FOR ADMINISTRATIVE OFFICES IN PUPIL TRANSPORTATION TO REPORT HOURS WORKED BY STAFF

OBSERVATION

When the District implemented SAP/R3 HR Payroll Application, it was based upon the need of the District to automate the payroll function of the District.   Purchases of computers and additional equipment were made in an effort to ensure all personnel who needed to have access to the SAP/R3 HR Payroll Application program were afforded that opportunity.   During our site visits we found that the Administrative Offices of Pupil Transportation do not rely on SAP/R3 HR Payroll Application as its original time keeping program.

The Administrative Offices of Pupil Transportation uses a swipe card system by Lathem Time Systems.   This system is used by the staff for the initial recording of their work hours.   The process, as described to our department, by staff of Pupil Transportation, shows:

- Each employee swipes their cards at the start of the day, at the beginning and end of lunch and at the end of the day.
- At the end of the payroll period the swipe card machine is physically taken and downloaded into the payroll processor's computer.
- An "Employee Timecard Report" is generated for each employee.   This report includes the employee name, badge number, employee personnel number, department, date, day of week, time in and time out, total hours and overtime that was worked and provides a summary entitled Hours Toward Weekly Overtime (HTO).
- A grand total is given at the bottom of the page, the employee signs the page and the appropriate signature is made.
- After all of this is completed, the payroll processor then inputs the necessary information into SAP/R3 HR Payroll Application.

While we have reviewed many different time/swipe card machines and their use throughout the District we have noted two similar internal control weaknesses with the use of these machines:

- Employee swipe cards are normally stored next to the time machine.   With the location of the swipe cards next to the machines, there is nothing preventing others from clocking other persons in and out.
- If there is a mal-function of the time/swipe card machine, all information may be lost.

In addition to the internal control problems noted above, all the time and energy related to the tracking of hours and reports being generated by this swipe card system are actually just a duplication of effort, since much of this information can be input directly into SAP/R3 HR Payroll Application.

BACKGROUND

As with many systems within the District, the Lathem Time System is a carry over system, when no automated payroll system was available. As with other processes that have been reviewed and commented on in this review, it was determined that this was the way Pupil Transportation did business. Although, we noted that the Project Management Team spoke with Pupil Transportation in an attempt to understand the way in which they tracked and recorded their time, we have not been able to establish the business processes that were derived from these talks and why the "way in which business was done" was kept.

RECOMMENDTION

We recommend that the Director of Systems/SAP Support Center meet with officials at the Administrative Offices of Pupil Transportation and review the processes that are currently in use and determine how these offices can effectively and efficiently use SAP/R3 HR Payroll Application to track their employees time and provide the necessary data for effective management of Pupil Transportation. It does not seem effective, nor is it in line with current reviews of available technology, for the department to be using a software package that does not integrate directly into SAP/R3 HR Payroll Application, or for that matter is essentially collecting the same information that can be tracked in SAP/R3 HR Payroll Application.

ADMINISTRATIVE RESPONSE-Director of the Systems/SAP Support Center

We agree. A meeting will be held with the Director of Pupil Transportation to determine the most appropriate course of action. We will determine if the current swipe card system is a recognized SAP vendor partner. If Lathem Time System is an SAP vendor partner, then an automated link to the SAP program is both feasible and can be easily maintained. If Lathem Time System is not an SAP vendor partner we will explore the feasibility of direct entry into SAP. We will need to determine any additional work that might occur from by-passing a swipe-card system.

Finally, KRONOS, a swipe card vendor that is a partner with SAP, is currently being considered for implementation and testing at our Atlantic Technical Center. If successful, we can explore the possibility of replacing the Lathem Time System with KRONOS at Pupil Transportation's Administrative Offices.

14. IMPROVE BUSINESS PROCESSES USED BY BUS TERMINALS FOR RECORDING AND REPORTING OF HOURS WORKED BY STAFF

OBSERVATION

In reviewing the overtime payments received by Pupil Transportation for 1999-2000 and 2000-2001, it was noted that no other Department received larger overtime payments. During our site visits, we found that the overtime worked will continue to increase, not only for the drivers, but for the office staff as well due to the lengthy processes that are involved in the tracking and reporting of payroll for each of these terminals.

Pupil Transportation consists of six (6) distinct divisions: District Pupil Transport Operations (**See Observation 13**), and five (5) terminals that are located in North, North West, Central, West Central and South Areas. Each terminal is home to approximately 200 to 400 bus operators and attendants. Each of these divisions has their own payroll processor who is responsible for the tracking and recording of payroll information. As the recent Ernst & Young LLP., report revealed, (which included a significant review of the Maintenance Department) this process is very labor intensive manual process which is prone to error. A brief overview of the process at Pupil Transportation revealed that:

- Punch cards are produced for all staff in the terminals, for every day of the year which includes the necessary personnel information that is coded on each and every card.
- The payroll processor at each location is responsible for placing the time punch cards, on a daily basis, in each employee's box for use on that day.
- At the end of the day, the employee signs the time punch card and returns it to the payroll processor.
- The payroll processor then totals the hours and alphabetizes the cards.
- The time punch cards are then packed and picked up by Mail Services (the Pony) for all the locations and delivered to COMPASS.
- COMPASS personnel are then responsible for putting the employees time into the COMPASS System. Approximately 1,650 cards are input by COMPASS personnel on a daily basis, that is approximately 297,000 cards input over the course of a school year.
- After the information is input by COMPASS personnel, the time punch cards are repacked, and then returned via Mail Services (the Pony) to each of the respective terminals.
- The payroll processor at the terminal then compares the time cards with a report generated by the COMPASS System to verify the information entered.
- If errors are noted, they are corrected. Sometimes this correction takes place directly in the COMPASS System, and sometimes these corrections must be made in SAP/R3 HR Payroll Application. (See Ernst & Young LLP., report regarding recommendation for these corrections).
- SAP/R3 HR Payroll Application then obtains the time information from the COMPASS System for payment.

OBSERVATION (cont.)

As the above process depicts, there are many places in which errors can and have occurred. Personnel at the terminal disclosed that they have experienced numerous instances in which time recorded was understated or overstated by COMPASS personnel. They have found the same time card entered two (2) and three (3) times, and they have even found instances in which time was not entered at all.

Per discussions with staff at Pupil Transportation regarding the COMPASS System we found that they have currently programmed the COMPASS System to recognize that each bus operator has a route time that they are to be paid for on days that they work. This route time is guaranteed in the Federation of Public Employee contract. They stated that this has really helped in decreasing the burden, since the only time that is then input for the employee is the time that is worked which exceeds the in the route time or the recording of absences.

In addition, we found that in the Federation of Public Employees Contract concerning Transportation employees, Article 9 (H) states:

> *"On pay days, Transportation employees shall receive their paychecks as soon as possible after delivery, but no later than eleven o'clock a.m. (11:00 am)."*

BACKGROUND

The use of the COMPASS System was introduced to the District in approximately 1989. The system was purchased was a work order system. Through the years, various other uses have been found, including of time reporting. We have talked with staff at the Administrative Offices who believe that prior to the automated payroll, Management was questioning the use and usefulness of the COMPASS system. Since the installation of the SAP/R3 HR Payroll Application was not a replacement for COMPASS, the staff are still required to input all the information that they were required prior to the "automation." This has the persons in transportation somewhat confused, since they believed that once payroll was automated, their burden would be decreased.

RECOMMENDATION

We recommend that the Director of the Systems/SAP Support Center meet with Pupil Transportation officials and payroll processors of the terminals and create a process that will decrease the workflow and ensure that there is a non-replicated process put in place for the payroll.

We recommend that the Director of Pupil Transportation review the need for entering payroll data into the COMPASS System and determine whether this data is being utilized for any type of reports, and whether this information could be extracted from SAP/R3 HR Payroll Application, and provide the data required by Pupil Transportation. This review must take place prior to meeting with the Director of the HRMS Support System, and should be based on the creation of effective and efficient operations.

RECOMMENDATION (cont.)

This does not however mean that Pupil Transportation does not need an effective work order system. On the contrary, we acknowledge the need of Pupil Transportation in having an effective and efficient work order system to assist with the tracking of repairs, preventive maintenance and other maintenance related items.

We recommend that the Director of Employee Relations look at how relative it is to business practices, to have a requirement, in any union contract, which calls for payment by a certain time, and begin negotiations to change this language. Again, as we have stated, the responsibility of paying employees, is the District's and to get this done as effectively and efficiently is the goal each and every payday. There may arise situations in which delivery of checks or direct deposit notifications are delayed because of unforeseen circumstances and it would essential put the District in non-compliance with the terms of the contract. In the past, delays in payment may have been excessive, but we have not found that to be present with the current administration or with the SAP/R3 HR Payroll Application.

ADMINISTRATIVE RESPONSE-Director of the Systems/SAP Support Center

We agree. The Director of Systems/SAP Support Center has met with representatives from both the Pupil Transportation and Accounting Departments. It was agreed that the interface between the COMPASS and the SAP/R3 HR Payroll Application is necessary to continue providing cost reports for Schools and Departments. However, it was also agreed that the COMPASS System should be replaced when the legacy Financial System is replaced. Since work order functionality is a component of the SAP Financial Module, a School Board directive prevented us from installing it during the HR Payroll Implementation. As an interim solution, until such time that the work order system, COMPASS, can be replaced, we have worked with the Pupil Transportation and ETS Departments to delay the necessary interface procedure between SAP and COMPASS as long as possible and still meet payroll timetables. This provides End-Users an additional window of time at the end of each pay period to enter appropriate corrections and adjustments to the data.

FOLLOW-UP RESPONSE FROM THE OFFICE OF MANAGEMENT/FACILTY AUDITS

COMPASS is a work order system that was designed to track labor and material costs for maintenance related projects. Vehicle Maintenance has done a tremendous job in incorporated its work flow into this system to assist management in operations of the Department. SAP/R3 HR Payroll Application is a software system that the District is utilizing in part to record time and pay employees. We understand the interface requirement, and whereas this may be critical for the time piece, the manual requirements of the inputting and tracking of time by the bus terminals is what the observation was focusing on. It may be that the route times should be programmed into the payroll system, and then all that will need to be input, would be changes, overtime or absences. A different input or tracking may need to be set-up in COMPASS to assist management in its endeavors until such time as a new work-order system is in place.

FOLLOW-UP RESPONSE FROM THE OFFICE OF MANAGEMENT/FACILITY AUDITS (cont.)

It does not seem prudent to continue the need to replicate information with the current set-up.

In fact, as can be seen by the next response from the Director of Pupil Transportation, they agree that they would be helped by implementing route time into the SAP/R3 HR Payroll Application.

ADMINISTRATIVE RESPONSE-Director of Pupil Transportation

Transportation agrees with the recommendation to review whether the route time can be placed into SAP as the work schedule. This was one of the issues discussed while meeting with the Director of Systems/SAP Support Center and will be explored further by the task force.

ADMINISTRATIVE RESPONSE-Director of Employee Relations

The response from the Director of Employee Relations is included in the response that was received from the Associate Superintendent of Human Resources.

The decision to negotiate certain provisions into the bargaining agreement is often made in response to specific problems. As a result of the parties' mutual agreement, there was a business decision to include the language in question, if only to assure the employees that certain processes will be completed on a timely basis.

FOLLOW-UP RESPONSE BY THE OFFICE OF MANAGEMENT/FACILITY AUDITS

This type of inclusion serves no business purpose, but instead provided a contractual requirement of the District to deal with an administration problem in the timely delivery of checks to pupil transportation personnel. This contractual requirement may give rise to grievances based upon an inability to perform by the District. As we stated, our examination of current practices does not show this to be a problem, and therefore this requirement should be part of the negotiation that takes place, and efforts should be made to remove it from the contract.

15. ESTABLISH PROCEDURES FOR IMPROVING THE IMPLEMENTATION PROCESSES FOR MAJOR SOFTWARE SYSTEMS

OBSERVATION

Our review of the Payroll Process, Overtime and SAP/R3 HR Payroll Application has revealed that the District made a valiant effort to assemble a "project management" team that for a successful implementation of the software. This was a massive undertaking. The Standish Group, a research and advice company for mission critical applications, (www.standishgroup.com) has found that only 17 percent of all software projects done in the United States meet the original PCTS (Performance, Cost, Time and Scope) targets; 50 percent must have the targets changed – meaning that they are usually late and overspent and need to have the performance requirements reduced – and the remaining 33 percent are actually canceled. To put these figures in perspective, in 1994, the United States spent an aggregate of $250 billion on software development. This means that roughly $80 billion was completely lost on canceled projects.

The Office of Management/Facility Audits has, in numerous reports, advocated a project management approach to some of the larger projects the District has tackled. However, the implementation of the payroll system was not an easy migration from the old payroll system to the new payroll system. Research has shown that many of the failures of software projects have been the adoption of the *"ready-fire-aim"* approach[5] in an effort to get the job done expeditiously. The problem with this approach is that this implementation strategy usually ends up spending far more than necessary by reworking errors, recovering from diversion down blind alleys, and so on.

Due to time constraints agreed to by District personnel and SAP, a Rapid Application Development methodology, which SAP has coined "ASAP," was utilized for the project implementation. This methodology provided and expeditious method of installing the software. This methodology contributed to the installation of former business practices into the new software. Discussions with the Director of Systems/SAP Support Center revealed that on several occasions questions were asked regarding processes and procedures and the feedback that was received was that this is the way the District was comfortable doing business. The Director of the Systems/SAP Support Center stated that at a certain point it was required to "program something, or else we would have never been able to go-live."

As a result, we are finding that the processes installed may not have been the "best practices." For example:

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[5] *Fundamentals of Project Management*, - Second Edition, James P. Lewis page 3

OBSERVATION (cont.)

- Several Committees were formed to assist in overseeing the project. Many original members of the committee left the District, and in some cases had little or no experience with payroll or other implementation projects. We also appointed two co-Directors of the project, who were required to take nearly all operational questions, expenditures etc., to these committees. External consultants and committees questioned who was in charge and what were they in charge of.

- The previous payroll system did not count any of the additional time worked during the day other than in job 1 to determine overtime. **See Observation 1.** During the Board meeting in which the Board approved the purchase of SAP/R3 HR Payroll Application, one of the questions answered by the former Director of ETS, was whether the system would calculate overtime, and the Board was assured that overtime was calculated by the software. SAP/R3 HR Payroll Application included programming to calculate overtime, but as a cumulative item, not as a per job item. This method was not used by the District, so the Project Management Team had the software reprogrammed.

- The "Equalized Pay" method of paying employees over 24 pay checks has created advance payments to employees. This was also a poor business process utilized by the District in the former system. Upon commencing work for the new SAP/R3 HR Payroll Application, the Office of Management/Facility Audits advocated the implementation of 26 paychecks. In this manner, overpayments would be reduced, and we would be in compliance with the Florida Constitution regarding advances.

- During 2001-02 fiscal year, SAP/R3 HR Payroll Application included Cafeteria Benefits in employee's hourly rates, for those employees who received these benefits. Regular Rate as defined by the FLSA would not include Cafeteria Benefits, since these benefits are not measured or dependent on hours worked, production or efficiency. By including these benefits in the hourly rate of employees who received overtime, the District over compensated numerous employees. As of July 2002, the District corrected this problem.

- There is no on-line payroll authorization in SAP/R3 HR Payroll Application. Arguments were made by the "project management" team that there was no real payroll authorization in the old system and therefore no payroll authorization was needed for the new system. The lack of an on-line payroll authorization was questioned by both external auditors and internal auditors. Currently, the implementation of an on-line authorization system is a pending project with no clear-cut completion date.

- Additional testing of the SAP/R3 HR Payroll Application would have enhanced the operation and possibly avoided some of the problems that were experienced upon go-live.

- The lack of financial reports available from the SAP/R3 HR Payroll Application.

- The failure to test the process of posting from the SAP/R3 HR Payroll Application to the General Ledger of the District's financial system created a situation which required intervention of outside consultants to assist the District in correcting the postings for over seven months of salary history to the District's G/L. This failure cost the District $208,000.

OBSERVATION (cont.)

- After the go-live date, it was determined that the District was faced with memory problems with the Mainframe Computer and were forced to expend funds to enhance the robustness of the system. This determination should have been made prior to go-live.

- The District wanted an electronic PAF (Personnel Action Form) System, and paid for the creation and implementation of a ZPAF system. Although this system was suppose to do away with "hard-copy" PAF's and increase the ease of hiring persons in the District, "hard-copy" PAF's are still required for initial hires. This system is not part of the SAP/R3 HR Payroll Application.

- Recently it has come to the attention of the District, that there were insufficient licenses purchased, and the District is going to be required to purchase additional licenses. It is a common business practice for District's of this size and the number of users to negotiate for some type of system wide "enterprise-wide" license, so that the number of users does not determine the amount of fees being charged, and therefore limit the number of users. The District has attempted to negotiate this type of licenses, but SAP does not offer this type of agreement. As such, with the continued growth of the District, and the increased use of SAP, the need for additional licenses will become an annual expenditure.

These are just some of the examples that we noted. In reviewing Mr. Lewis' book entitled, *"Fundamentals of Project Management"*, one quote that stood out was "Goal setting has traditionally been based on past performance. This practice has tended to perpetuate the sins of the past."

With the pressure of implementing the SAP/RS Payroll Module, several concessions were made because people understood the old process and did not want to change the way we did business. As this report will point out, the way in which business may have been conducted and is being conducted has not always been the best way or in some instances is not in compliance with payroll regulations.

Also during discussions with personnel associated with the implementation we have found that in numerous instances, one of the committees charged with oversight of the project seemed to rely on a democratic process to dictate the actions of the project management team, for some of the processes installed. For example:

- One of the committees created, the Steering Committee, was forewarned that the inclusion of Cafeteria Benefits in Non-instructional wages was inappropriate, and in some cases would violate the standing contracts. Yet, it appears that this warning was "out-voted", and the benefits were included. One year after implementation, the former Associate Superintendent of Human Resources, acknowledged that the Benefits were incorrectly included.

OBSERVATION (cont.)

- The on-line payroll authorization was part of the original specifications, and was from an auditing perspective, imperative. External reviews agreed with these observations. But due to implementation pressures, this part of the original specifications was not enforced, and still has not currently been implemented. Questions were raised by members of the Steering Committee regarding the need for these items and it was decided, over the objections of our office, that the initial implementation would not have this on-line authorization. Again the defense for not installing this was that the previous system did not actually have "live" on-line authorization. However, the previous system was able to identify each location which had not approved the payroll prior to the printing of checks and required follow-up.

Projects, like many businesses, must be autocratic. There has to be a clear leader and clear directives. (One of the original reviews of the implementation questioned the co-Director model being used and with whom did the responsibility lie for implementation.) Without this type of leadership, ideas become diluted, processes become cumbersome as they try to please the masses instead of providing the most efficient method of operation. We had the opportunity to make a clean break with all our bad habits, but in many cases it does not appear that we even recognized that these bad habits existed. Instead, we incorporated these habits into a new system, that not only tracks and reports these bad habits, but does them better than the old system. This has created a significant amount of criticism for Systems/SAP Support Center and the District.

BACKGROUND

Project Management and the professionals who perform the tasks necessary for successful implementation of projects have devoted hundreds and hundreds of hours to teaching, lecturing and training persons to be professional project managers. The District does not undertake these types of implementations on a regular basis, and therefore to have a paid position, such as project manager may not be beneficial, unless it is compared to the cost of reworks etc.

RECOMMENDATION

We recommend that the Deputy Superintendent, or Chief Operating Officer, or designee, review the materials connected with the implementation process utilized for SAP/R3 HR Payroll Application and begin to outline procedures for these types of installations. During this data gathering process, consideration must be given to whether we have staff within the District that is qualified to perform as a Project Manager, or whether it would be more beneficial to hire a consultant to handle that task. In addition, a close look has to be taken at the roles and responsibilities that this Project Manager is assigned, so that they can have the necessary authority to complete the project.

These procedures need to outline what projects must follow these procedures. This decision may be based upon dollar value of the implementation, the number of effected sites or a combination of these and other factors.

RECOMMENDATION (cont.)

In the future, the District has several large software implementation projects such as, a new financial package and the Computer Aided Facility Management (CAFM) package as such, we would recommend that little consideration be given to systems that are not specifically integrated to current systems, so that troubles that have been found with cross-walks to and from one system to another will not be incurred. The only way that a non-integrated system should be considered is if it can be shown that this non-integrate system is so far superior to the integrated system.

ADMINISTRATIVE RESPONSE-Deputy Superintendent

The Deputy Superintendent, Facilities and Construction Management, will facilitate a meeting with the new Chief Operating Officer (start date April 30, 2003) and key department heads to address the actions and corresponding timelines for corrective actions to items 6,8,9,15 and 16. This meeting shall occur not later than July 15, 2003. A status report will be provided to the audit committee not later than September 30, 2003.

16. IMMEDIATELY ESTABLISH GUIDELINES TO JUSTIFY OPERATION OF SOFTWARE APPLICATIONS OUTSIDE OF ETS

OBSERVATION

The Office of Management/Facility Audits has issued a number of reports on various areas in the District, including Purchasing, Facilities, District Maintenance and ETS, and have stated that certain processes in the District are considered to be "core" functions. These core functions are best served by one unit performing the task or process, or overseeing the task or process, instead of each location replicating these processes or tasks. For example:

- Our review of the Purchasing Department has reported that the current existence of "purchasing agents" within the Food Service Department and the Facilities and Construction Maintenance Department, instead of in the Purchasing Department was not the best business practice.
- Our review of the Facility Management, Planning and Site Acquisition Department revealed that a software system entitled EDULOG was operated and maintained by a Department whose responsibilities did not include District wide software.
- Our review of the Facilities and Constriction Management Division revealed that the future acquisition of the CAFM (Computer Aided Facilities Management) Software is currently to be housed within the Facilities and Construction Management Division with little to no involvement of the ETS Department.
- Currently, the Accounting Department has purchased and begun implementation of a software that will replace the current Property and Inventory software system used by ETS.

SAP/R3 HR Payroll Application is a District wide software licensed to the School Board of Broward County, Florida. It is overseen by the newly created Systems/SAP Support Center. It is NOT overseen by ETS, even though it is housed in and operated on equipment found in the ETS Department. None of the staff within the HRMS Support Organization are employees of ETS or are overseen by that administration.

Our Department understands that the decision to house the software outside of ETS was based upon a large part on the former Director. Without the software being housed in what is considered to be the District's IT division, few of the persons who may have been able to contribute to the ownership of the software, the understanding of the interaction of the software with other District owned software, etc., are available.

BACKGROUND

Core functions of the District are organized to offer the best delivery of the services represented by a sole Department. Once these functions begin to be decentralized the benefits derived by the District begin to diminish, and in many instances processes begin to be duplicated and represent a loss of monies, as we are paying more than one person to perform the same or similar type jobs for two different departments.

BACKGROUND (cont.)

In some instances decisions are made by the Administration which establish that decentralization best serves the District and justify the performing of the services in a Department other than where the service may be normally performed.

RECOMMENDATION

We recommend that the Deputy Superintendent, or Chief Operating Officer, or designee, review best practices, to determine whether currently, industries are decentralizing the functions of the Country's IT Departments.

If this is found to be the case, we recommend a complete review be conducted of the ETS Department to determine what functions should be "spun" off and be looked upon as stand alone departments. If this is not the case, we recommend that decisions be reached, and guidelines be created as to how certain software systems within the District may be housed outside of the ETS Department. Included in these guidelines must be some type of business analysis which would outline what business advantage the housing of this system outside of ETS gives the District, versus the advantages of housing the system within ETS, including costs analysis of this decision. These guidelines need to be created and then decisions reached on all District wide software currently in use, and for all software which may be purchased in the future.

ADMINISTRATIVE RESPONSE-Deputy Superintendent

The Deputy Superintendent, Facilities and Construction Management, will facilitate a meeting with the new Chief Operating Officer (start date April 30, 2003) and key department heads to address the actions and corresponding timelines for corrective actions to items 6,8,9,15 and 16. This meeting shall occur not later than July 15, 2003. A status report will be provided to the audit committee not later than September 30, 2003.

17. ESTABLISH A SCHOOL BOARD POLICY ON LUNCH PERIODS

OBSERVATION

During our review of overtime in the District, we noted that many staff members worked a significant number of overtime hours, without ever being "charged" with breaks or lunch periods. In several instances, we noted that persons would work a "full" day and then work up to eight (8) additional hours at night, with no time deducted. For example we noted:

- A security specialist at a high school worked for periods exceeding eight (8) hours on nights and weekends, without ever having time deducted for breaks and/or lunch. This same security specialist worked a 24 hour period on December 31, 2002, and never was charged for a lunch time or any breaks.
- Several custodians came into their sites during the weekends to allow access to the schools to persons renting school facilities, and worked up to ten (10) hours without any time deducted for lunch or breaks.

When we began to research this, we noted that there are no laws in the State of Florida which govern "lunch" periods. In fact, we found that there are only 21 States in the Country which require that employers give "lunch" breaks to their employees. (In some instances these lunch breaks were paid and in some instances they were unpaid.)

However, we did find, that bargaining unit employees have provisions in their contracts requiring that the School Board provide lunch periods. Some of these provisions require that the lunch period be paid or unpaid, but it did necessitate that a lunch period be given. Our review of bargaining unit contracts revealed that not one of the contracts examined considered the issue of lunch periods during the working of additional hours. With the contracts being mute on this issue, we found that if we brought the same provisions forward to the employees additional time worked that it would have had the following effect:

- Security Specialists who were working at Dillard High School for security work connected with the on-going construction project at that site were never charged for or deducted time for "lunch periods or breaks. By reducing the time by ½ hour for lunch periods for those employees who worked longer than five (5) hours, we found that $2,729 would have been saved by the District. Additionally, we could not determine whether the employees actually took a lunch or break period.
- A custodian working at Cooper City High School routinely worked Saturday and Sunday from seven (7) to eight (8) hours each day. For the brief period we examined, we noted that $157.41 would have been saved by the District.
- A Clerk Specialist IV who worked in Alliance of Quality Schools Department worked for extended periods of time and weekends. When we deducted for the lunch periods for this employee, we noted that $573 would have been saved by the District.

BACKGROUND

Although there is currently no State Law or School Board Policy governing the taking or mandatory lunch periods, research has shown that this type of break is needed for employees. Research has shown that the failure of employees to make use of these breaks, plays a significant factor in increased sick leave, especially related to stress, and increased errors in job performance.

RECOMMENDATION

We recommend that the Associate Superintendent of Human Resources take immediate action to make certain that the errors noted in this observation are not continued.

In addition to these actions, we recommend that the Associate Superintendent of Human Resources prepare a Board Policy that will formally adopt the actions taken by the Associate Superintendent to ensure future compliance.

ADMINISTRATIVE RESPONSE-Associate Superintendent of Human Resources

It is recommended that leadership personnel be held accountable for being both knowledgeable of and for the implementation of high quality business processes.

If an employee is required to respond to an emergency or other urgent situation, the employee should be allowed to take an alternative uninterrupted lunch period. Otherwise, the employee must be paid for the lunch period and will not be allowed to work through lunch without pre-approval.

FOLLOW-UP RESPONSE BY THE OFFICE OF MANAGEMENT/FACILITY AUDITS

With no State, or School Board Policy present, many persons request and are granted permission to work through their lunch periods. This has created difficulty in determining actual hours worked, overpayments and amount due for overtime. A School Board Policy would provide "leadership" personnel the ability to become knowledgeable about the issue and provide a basis for the decisions that are reached and that this be consistently applied throughout the District.

18. ESTABLISH PROCEDURES SO THAT ADMINISTRATION PROPERLY DOCUMENTS AND COMPENSATES EMPLOYEES WHO ARE COVERED UNDER FLSA AND WORK THROUGH LUNCHES/BREAKS OR "OFF-THE-CLOCK"

OBSERVATION

During our review we noted:

- Administrators had employees work through lunch/breaks and we found that these employees were not properly compensated.
- Employees worked through their lunch periods/breaks as a means to leave work early for appointments etc.
- Additional tasks are being taken home and worked on after hours and on the weekends. These "off-the-clock" activities that are performed by employees, covered under the FLSA, have gone largely uncompensated by the District.
- No formal District training that was available for any personnel that would assist them in not only understanding FLSA rules and regulations, but let them know who was covered under the Act.
- No District manual on current payroll procedures or on rules that the administration is responsible for. See Observation 11.

The absence of these last two factors has contributed to many of the problems that we observed.

In conducting site visits, it appears that many persons charged with the oversight of employees covered under FLSA are not familiar enough with the guidelines contained in the FLSA to ensure that they are being followed. As we stated in our Section II, Background, this is not uncommon, since FLSA is one of the most mis-understood and mis-applied Federal Laws. We noted many instances which showed that staff worked through lunch and started accruing overtime during the time for which they were still "on-the-clock."

BACKGROUND

Under the FLSA work time is defined as:

- ...With only a few exceptions, all time an employee is required to be at the premises of the employer is work time. This would include breaks (if there are breaks) and non-productive time (a receptionist reading a novel covering phones).
- In addition, all time spent by an employee performing work-related activities that the employer suffers or permits is considered work time, whether on premises or not. This would include work done at home or other non-work site.

BACKGROUND (cont.)

This misuse of these lunch periods or breaks must have been rampant enough that many of the collective bargaining agreements reviewed have clauses in them that in essence read, that if the employee works or is forced to work through lunch, then the employee shall be compensated.

Courts have held that "unauthorized" or "unapproved" work is work and the time must be counted (provided that the employer knows or should know it is being done and permits the employee to do it). Courts have also held that it is the employer's *responsibility* to "control the work" of its employees, and if it does not wish the employee to perform tasks, it must prohibit the employee from doing so.

Recently, *Robert L. Connor vs. The School Board of Broward County*, case number 00-7900-CIV-DIMITROULEASE, was heard by the United States District Court, Southern District of Florida for the purposes of determining whether the School Board failed to pay overtime to the Plaintiff and several other similarly statute employees when they worked through their assigned lunch time. Recently a settlement was agreed to by the School Board and the Plaintiff, who was compensated for this time and reasonable lawyer fees. This settlement include the standard legal clauses that no admission of guilt is to be understood by the settlement on behalf of the District.

RECOMMENDATION

We recommend that Director of Accounting and the Director of Systems/SAP Support Center meet with the Manager of Systems and Procedures and begin immediate work on School Board Policies and Standard Practice Bulletins which will outline current payroll processes.

In addition, we recommend that the Executive Director of HRD work with appropriate departments and school personnel to design and develop training on FLSA.

Staff Development needs to be mandatory for all school based administrators and all department heads that oversee persons covered under FLSA and all Accounting Department personnel involved in the payroll process. Departments are accountable for providing trainers and ensuring training is updated and revised in accordance with new policies and procedures established. They will work with HRD to ensure staff development offerings are of a quality design and delivery method, and ensure that follow-up is appropriate and provides immersion practice.

ADMINISTRATIVE RESPONSE-Director of Systems/SAP Support Center

We agree. However, it is felt that in addition to the Director of Accounting, the Director of Systems/SAP Support Center and the Manager of Systems and Procedures, that the Human Resource Division should be invited to participate. Together they can work to develop the appropriate School Board Policies and Standard Practice Bulletins related to payroll processes and practices. It is suggested that the Associate Superintendent of Human Resources assign the appropriate individual(s) to participate.

SECTION VII

Administrative Response(s)

June 11, 2003

TO: Patrick Reilly, Executive Director
             Office of Management/Facility/Audits

FROM: James F. Notter
             Deputy Superintendent

SUBJECT: **RESPONSE TO INTERNAL AUDIT REPORT; REVIEW OF
             PAYROLL PROCESSES, OVERTIME AND SAP/R3 HR PAYROLL
             APPLICATION**

Observation # 6
Correct Overtime Hourly Rate for Employees who Receive Longevity Payments

Observation #8
The Work Schedule and Budgeted Funds for Security Specialists and Campus Monitors
does not Agree with the Provisions of Their Contract

Observation #9
Update School Board Policy and Standard Practice Bulletins for the Effective Oversight
of the Payroll Process

Observation #15
Establish Procedures for Improving the Implementation Process for Major Software
Systems

Observation #16
Immediately Establish Guidelines to Justify Operations of Software Application Outside
of ETS

Response

The Deputy Superintendent, Facilities/Construction Management, will facilitate a
meeting with the new Chief Operating Officer (start date April 30, 2003) and key
department heads to address actions and corresponding timelines for corrective actions
to items 6, 8, 9, 15 and 16. This meeting shall occur not later than July 15, 2003. A status
report will be provided to the audit committee not later than September 30, 2003.

Observation #19
Site Visits

Response

The Facilities/Construction Management division will work with the Capital Projects and Management Audits departments to identify a monitoring and/or review process for security hours being claimed on a project. An additional component of this process development will be to develop guidelines for the duties and functions for the on-site construction security job. This process will be defined in writing not later than July 18, 2003.

Upon completion of the process development, the Facilities/Construction Management division will provide a workshop to all project managers on the new process, including School Board Policy 4300.1, Overtime Pay Non-Instructional Employees, and related Standard Practice Bulletin(s). The training will occur not later than August 29, 2003.

JFN:vh

c: Ken Klink

June 11, 2003

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           Office of Management/Facility/Audits

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JFN:vh

c: Ken Klink

June 4, 2003

HUMAN RESOURCES RESPONSE TO
INTERNAL AUDIT REPORT
Review of the Payroll Processes, Overtime and
SAP/R3 Payroll Application

1. **EMPLOYEES COVERED UNDER FLSA THAT EXCEEDED 40 HOURS PER WEEK CONTAINED ERRORS IN THE COMPUTATION OF OVERTIME HOURS**

RESPONSE: There may have been errors in the computation of overtime hours but only as a result of possible failure by the system to add the hours worked by an employee at all jobs with the District. In order to ensure that overtime hours are computed (added) accurately, Human Resources will work closely with supervisors, the SAP Support Center and the Payroll Department to determine the most appropriate implementation strategy and timeline to ensure that overtime due employees covered by the FLSA is paid in compliance with the Act.

2. **EMPLOYEES COVERED UNDER FLSA THAT EXCEEDED 40 HOURS PER WEEK CONTAINED ERRORS IN THE COMPENSATION PAID**

RESPONSE: The "blended rate" method and the "previous agreement" method may be used in compliance with FLSA regulations.

It is important to note that salaried jobs do have an hourly rate. The hourly rate is the product of dividing the annual salary amount by the yearly number of working hours. For example, 7.5 hours a day translates into 1830 (7.5 x 244 day calendar) hours per year. Therefore, an annual salary of $61,803 translates into an hourly rate of $33.772131. These rates currently exist.

Human Resources recommends the "previous agreement" method for calculation of overtime payments to employees holding more than one job with the District. Operational procedures will be established by July 1, 2003 to ensure that both supervisors and employees understand the overtime rate will be calculated based on the actual hours worked in Job 1, Job 2, Job 3, etc. from which the overtime accrued.

3. **ESTABLISH A NEW HOURLY PAY RATE FOR THE CHILD CARE WORKERS II POSITION**

RESPONSE: The current rates paid to employees in the Before and After School Care Program exceed the minimum pay rate required by FLSA. The methodology for payment of this group of employees has been in place for over 10 years, has been School Board approved on at least two occasions, and provides for a quality Before and After Care Program. As stated in the Audit, these funds are not part of the District's General Operating Budget but are generated by the program and are self-supporting.

Additionally, it is noted that the rate charged to the parents and/or guardians of children enrolled in the Broward School Board operated program is equal to or less than the rate charged by Miami-Dade County Schools, Palm Beach County Schools and in the privately operated programs in the Broward Schools. This program will again be reviewed by July 2004 at which time compensation within this program will be considered.

4. **IMPLEMENT IMPROVED BUSINESS PROCESSES TO CORRECT DEFICIENCIES IN CURRENT PAYROLL PRACTICES**

RESPONSE: Business process improvements to correct current payroll practices were reviewed by the HR/HRMS Committee and the HR staff. A cover memo, review of issues and an action plan were signed by the Superintendent and sent to all principals and department heads during May 2003 (see attachment #1).

5. **THE CURRENT LACK OF OVERTIME REPORTS AVAILABLE IN SAP/R3 HR PAYROLL APPLICATION HINDERS MANAGEMENTS ABILITY TO PROPERTLY SUMMARIZE, COMPARE AND ANALYZE THE DISTRICT'S PAYROLL**

RESPONSE: Development of overtime reports to properly summarize, compare and analyze the District's use of overtime fails to focus on the underlying functional business processes that give rise to this expense. It is recommended that each supervisor who authorizes use of overtime be held accountable for that decision. Appropriate reports should be provided to these supervisors to facilitate their oversight.

In addition, supervisors should consistently monitor the need for authorizing overtime and recommend business process improvements that might reduce the need for overtime.

6. CORRECT OVERTIME HOURLY RATE FOR EMPLOYEES WHO RECEIVE LONGEVITY PAYMENTS

RESPONSE: The Employee Relations Department will inform the union that longevity has been excluded from base salary for the purposes of calculating overtime in error. When the amount of the underpayment has been calculated, the union and employees will be informed of the amount and when the payment will be made prior to July 2003.

8. THE WORK SCHEDULE AND BUDGETED FUNDS FOR SECURITY SPECIALISTS AND CAMPUS MONITORS DOES NOT AGREE WITH THE PROVISIONS OF THEIR CONTRACT

RESPONSE: Security Specialists and Campus Monitors' work schedules and budgeted funds should conform to contract requirements. It is recommended that HR/Employee Relations work with payroll staff to determine and implement appropriate corrective measures.

The Employee Relations Department will inform the union of the overpayment once it has been calculated and apply the repayment provisions of the bargaining agreement.

9. UPDATE SCHOOL BOARD POLICY AND STANDARD PRACTICE BULLETINS FOR THE EFFECTIVE OVERSIGHT OF THE PAYROLL PROCESSES

RESPONSE: School Board Policy and Standard Practices expectations were provided to all district principals and department heads by memo and Q&A during May 2003 (see attachment #2). In addition, School Board Policy recommendations for revision will be considered by the Policy Review Committee by August 2003.

10. MODIFY THE DISTRICT'S PAYROLL SCHEDULE TO REDUCE THE NUMBER OF PAYROLL CYCLES IN ORDER TO IMPROVE EFFICIENCY

RESPONSE: Standard payroll practices vary among comparable school districts. Tax and benefits deductions implications of various payroll cycles and related implications should also be considered. Significant improvements in both staff accuracy and efficiency might be an added benefit.

Discussions with staff in impacted departments indicate general consensus that one standardized payroll cycle for all employees is preferred for both efficiency of operation and optimum service to customers (employees). Action plans to implement one payroll cycle of 26 checks for all employees annually will be initiated with 2003-2004 contract negotiations.

11. **RECOMMENDED A PAYROLL POSITION BE CREATED AND FUNDED FOR THE EFFECTIVE AND EFFICIENT OPERATION OF PAYROLL FUNCTIONS**

RESPONSE: This recommendation could include provision for a review of benchmark best practices and the use of the Sterling process to develop appropriate workflow process improvements to correct payroll deficiencies.

Use of the Sterling process could lead to the decision to recommend a position but it could, with equal justification, lead to workflow process improvements that might provide similar results.

12. **DEVELOP DEFINED WORKWEEKS WHICH COINCIDE WITH PAYROLL SCHEDULES TO DECREASE THE ERRORS ASSOCIATED WITH THE CALCULATION OF OVERTIME HOURS**

RESPONSE: A memorandum, signed by the Superintendent, was sent to all principals and department heads during May 2003 which required, among other expectations, that supervisors provide assigned workday hours and days for all employees under their supervision according to current bargaining agreements.

This is a mandatory subject of bargaining and the establishment of the time period must be negotiated annually with the bargaining units and included in the respective contracts.

14. **IMPROVE BUSINESS PROCESSES USED BY BUS TERMINALS FOR RECORDING AND REPORTING OF HOURS WORKED BY STAFF**

RESPONSE: The decision to negotiate certain provisions into the bargaining agreement is often made in response to specific problems. As a result of the parties' mutual agreement, there was a business decision to include the language in question, if only to assure the employees that certain processes will be completed on a timely basis.

17. **ESTABLISH A SCHOOL BOARD POLICY ON LUNCH PERIODS**

RESPONSE: It is recommended that leadership personnel be held accountable for being both knowledgeable of and for the implementation of high quality business processes.

If an employee is required to respond to an emergency or other urgent situation, the employee should be allowed to take an alternative uninterrupted lunch period. Otherwise, the employee must be paid for the lunch period and will not be allowed to work through lunch without pre-approval.

18.   **ESTABLISH PROCEDURES SO THAT ADMINISTRATION PROPERLY DOCUMENTS AND COMPENSATES EMPLOYEES WHO ARE COVERED UNDER FLSA AND WORK THROUGH LUNCHES/BREAKS OR "OFF-THE-CLOCK"**

RESPONSE: A memo of expectation and direction was provided by the Superintendent during May 2003 that addresses this issue. Leadership personnel are held accountable for implementation of FSLA requirements.

The Employee Relations Department will provide information for administrators regarding the provision in the contract pertaining to the enforcement and monitoring of lunch periods.

Site Visit Responses
Military Leave Recommendation
Bullet #6 (Page 68)

Internal Audit Report, Review of the Payroll Processes, Overtime and SAP/R3 Payroll Module

Comment: " When we questioned Personnel Records regarding the calculation of overpayment, they insisted that the entire amount of money received by these persons was considered to be their "base military pay".

Response: Personnel Records indicated that the entire amount of money received by these persons was considered to be the "military pay". The memo sent to one individual was incorrect it should have read "military pay" instead of "military base pay".

Comment: School Board Policy 4408, states that the District will pay persons in the military the difference between their salary, and the amounts they received as "base military pay".

Response: School Board Policy 4408, states, "However, the Board may supplement the military pay of its employees who are reservists called to active military service in the amount necessary to bring their total salary, inclusive of their base military pay, to the level earned at the time they were called to active military duty.

Comment: We recommend that the Director of Personnel Records meet with the Office of General Counsel and determine the correct amount should be using for the term, "base military pay". Until such time as this is determined, we recommend that no collection activity be started on any person involved in active military duty. During these times, the understanding and application of this policy is a pressing need of the District.

Response: On February 26, 2003, the Director of Employee Relations and the Supervisor of Personnel Records met with Mr. Marko and Marilyn Batista of the Office of General Counsel. The purpose of that meeting was to seek legal interpretation of School Board Policy 4408 and the Resolution in Support of The United States Military Reserve Forces. A summary of Mr. Marko's comments is as follow:

A resolution does not supersede Board Policy. If there is a difference in the language the Board Policy stands.

School Board employees called to active duty <u>will</u> receive both their School Board pay and military pay for the first 30 days of active duty.

After the initial 30 days, the employee <u>will</u> receive a supplemental amount necessary to bring their <u>total salary</u> to the level earned at the time they were called to active military duty.

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA
OFFICE OF SUPERINTENDENT

Dr. Frank Till
Superintendent of Schools

May 13, 2003

TO: Principals/Department Heads

FROM: Frank Till
Superintendent of Schools

SUBJECT: PAYROLL EXCEPTIONS

Throughout the 2002-2003 school year, the Accounting Department has been monitoring payroll exceptions and making significant progress in collection of overpayments. Although the SAP program is working correctly, as of April 25th, the District payroll exceptions are still occurring. In order to stop Payroll Exceptions and allow collection efforts to reduce the outstanding overpayment balance, we MUST change several of our business processes. I have requested the Human Resources Division, Accounting/Payroll and the SAP Support Center to immediately implement actions that will reduce payroll exceptions. The specific areas impacted are:

1) Terminations
2) Transfer/Reassignment of Substitute Teachers and Temporary Employees
3) ZPAF Processing and Tracking
4) Information Access by Payroll Contacts
5) Mandatory Targeted Training
6) COMPASS System & the SAP Payroll System (District Maintenance & Pupil Transportation only)

The attached **Action Steps to Reduce Payroll Exceptions** document identifies changes to current business processes and/or SAP HRMS system changes THAT ARE TO BE IMPLEMENTED IMMEDIATELY. Distribute this document to all Administrators, PAF Processors, Payroll Contacts and back-up personnel responsible for implementation of these actions. The SAP Customer Support Team will be conducting Networking Sessions during the month of May for Innovation Zones and District Divisions. Attendance at these sessions is mandatory for all PAF Processors and Payroll Contacts. Furthermore, any location that is on the "Top" Payroll Exceptions Report will be required to attend a mandatory "Troubleshooting Payroll Exceptions" training for the Administrator(s), PAF and Payroll staff. The SAP Customer Support Team will contact each site administrator to schedule training.

It is important to understand that while these actions should significantly reduce payroll exceptions, it is necessary for the District to continue to reengineer some of our less effective business practices. I will continue to welcome any suggestions from across the School District on steps that can be taken to reduce Payroll Exceptions.

FT/DC/PZ:gf

c: School Board Members
Senior Management
Area Directors

Attachment

IMPLEMENTATION OF
BUSINESS PROCESS CHANGES NECESSARY
TO REDUCE PAYROLL EXCEPTIONS

1. **TERMINATIONS**

   A. Currently all Payroll Contacts at every location can and should exercise a STOP PAYMENT action when they are notified of an employee's termination. This will continue to be stressed in communication and in training.

   B. Locations will, immediately after initiating the STOP PAYMENT action, execute a ZPAF to terminate the employee. This will obviously include electronic approval by the Principal or Department Head.

   C. The local Administrator will insure that the Payroll Contact and PAF Processor at the site are made aware of the Termination as soon as possible. Additionally, the Payroll Processor in the Accounting Department will be immediately contacted to "Lock" the employee record.

   D. Personnel Records will execute the ZPAF immediately upon receiving the Principal or Department Heads electronic approval and meeting all legal requirements.

   E. Hardcopy paperwork, as currently handled, will continue to follow at a later date.

   F. Any <u>unreasonable</u> delay in initiating the STOP PAYMENT action by a location <u>that results in an overpayment to an employee will be charged to that locations current budget.</u>

2. **TRANSFER / REASSIGNMENT OF SUBSTITUTES and TEMPORARY EMPLOYEES**

   A. The TRANSFER / REASSIGNMENT action will be now <u>automated by</u> May 31st, 2003 to delimit all the teaching Substitute Positions (554) when the employee is moved into a permanent Teaching Position. As a result of this, they will no longer be able to record hours on the Substitute Teacher Positions. The employee will only be paid according to the appropriate teacher calendar.

   B. The TRANSFER / REASSIGNMENT action will be now <u>automated by</u> May 31st, 2003 to delimit Temporary Positions programmatically once the employee is hired on a permanent basis. The Temporary Positions delimited will only be for the location that is hiring the employee permanently. All other Temporary Positions will continue to insure an employee is properly paid for these positions.

3. ZPAF PROCESSING AND TRACKING

A. ZPAF programming has been modified to calculate the number of days between the START DATE of the action and CREATION DATE of the PAF.

B. If the number of days calculated exceeds 60 days the ZPAF will be then be routed to an additional authority level for approval. For the Schools it will be the Area Superintendents. For Administrative Departments the additional approval level varies depending on reporting relationships. The PAF will NOT be processed until approved by this additional level.

C. Monthly, a ZPAFLIST Report will be sent to the Area Superintendents and Division Heads. The report will reflect all ZPAFs initiated that month for their area of responsibility. This report will be sorted by location.

D. All locations currently have the ability to run the ZPAFLIST Report on a real-time basis at their individual location. Therefore, there is no need to provide them hardcopy reports from a central location.

E. Payroll Processors must run the ZEARNINGS Report as soon as the payroll is processed allowing for time to correct errors before payment is made.

F. The overall routing of all ZPAFs is being reviewed under the direction of Mr. Dan Cochran, Associate Superintendent – Human Resources in an effort to streamline the business process.

4. INFORMATION ACCESS

A. Payroll Contacts and PAF Processors will be provided access to payroll related information all SBBC employees, within HIPAA regulations.

B. Payroll Contacts access will be limited to "DISPLAY ONLY" for locations other than their primary work location. They will have "DISPLAY ONLY" access to the same information that is available to Payroll Contacts for employees who work at their location in a Primary Position.

C. This will assist them in processing payroll information for employees who work at their location in Secondary Positions but have a primary work assignment at a different location.

D. Communication and Training will be provided to assist End – Users to understand how "DISPLAY ONLY" access can be used to avoid overpayments and erroneous account coding.

5. **MANDATORY TRAINING**

A. The Accounting Department is providing the SAP Support Center – Customer Service Team with the list of "Top" locations with Payroll Exceptions after each payroll cycle.

B. Since the reasons for the Payroll Exceptions will not be known at that time, the Customer Service Team will conduct on-site training on all major processes that potentially cause overpayments.

C. A customized Training Program specifically addressing the primary causes of PAYROLL EXCEPTIONS has been developed. It will be used to address the "Top" List locations and has been incorporated into the normal Training calendar.

D. The training will be mandatory for the locations Payroll Contact, PAF Processor and backups. Principals and Department Heads will be responsible to ensure proper processes and controls are being used at their locations. They are strongly encouraged to attend the training sessions.

E. A monthly Activity Summary Report will be prepared and sent to the members of the HRMS Steering Committee and the Area Superintendents.

6. **PROCESS PAYROLL WITHOUT GOING THROUGH THE COMPASS SYSTEM**

Summary of Discussions:
- The Compass System End-Users from Transportation and Maintenance all agreed that the Compass System needed replacement but that it was necessary to continue the legacy system until then. The COMPASS System's interface with the legacy systems cost accounting capability needed to continue.
- Discussions about dual systems led to the conclusion that some information would need to be inputted twice by the End-Users if the system link was separated.
- Using the SAP PAYROLL System to enter time and then transferring data to COMPASS was not feasible since a payroll system is not designed to capture all of the information needed by a Work Order System. That capability lies with SAP's Plant Maintenance module that SBBC has not licensed.
- The Maintenance and Transportation Departments were unaware of the amount of Payroll Exceptions their departments were generating. They

- are now receiving copies of Exception Reports from the Accounting Department.
- The Payroll Exceptions generated by both Departments were presented and discussed in some detail. With only one exception, the consensus was that the reason for the Payroll Exceptions was unrelated to the process of inputting time through the COMPASS System.
- The primary reason for most of the significant Payroll Exceptions seemed to be the late processing of information related to terminations or leaves.
- Ernst and Young was contacted and agreed that, although the COMPASS System should be replaced, it should remain linked to the Payroll System. They felt separating the two would create significant issues related to both effective Cost Accounting and Payroll Reconciliation.

Resultant Action Plan

A. The SAP Support Center's Customer Service Team will work with both the Maintenance and the Transportation Departments to initiate/reinforce training on the "STOP PAYMENT" action to be used when employees terminate.

B. The Transportation Department and District Maintenance, if necessary, will assign additional personnel at the various locations to perform this function. The SAP Support Center will assure the proper system authorizations are assigned once the personnel are identified.

C. The Payroll Department is now providing both the Transportation Department and the Maintenance Department with their respective Payroll Exception Reports after every payroll.

D. The ETS Department is researching how to arrange for the daily Time Entry Error Reports printed remotely at the Bus Depots and Area Maintenance Facilities. This will increase the amount of time available for error corrections on the last day of a payroll cycle.

E. The SAP Support Center has contacted the Labor Relations Department to discuss the feasibility of moving the payday for both departments from Wednesday to Thursday or Friday. If successfully negotiated this additional time would be used for error corrections prior to running a payroll.

F. The recommendations of Ernst and Young related to the better coordination of data transfer between the two systems will be implemented. ETS AND the SAP Support Center will take immediate steps to achieve this.

G. A Committee was formed to determine how best to facilitate the directive to no longer enter time into the Payroll System via the COMPASS System

H. and the timeframe needed to implement such a change. The Committee includes representatives from all stakeholders and will be chaired by Paul Zielinski.

I. Payroll Exceptions for both Departments will be continually monitored. In the event that the above actions significantly reduce payroll exceptions, the Committee will request that Senior Management reconsider the directive to separate the COMPASS and Payroll Systems.

The School Board of Broward County, Florida
OFFICE OF THE SUPERINTENDENT
Dr. Frank Till
Superintendent of Schools

May 14, 2003

TO: Senior Management
        Area Directors
        Department Heads and Supervisors
        Principals

FROM: Frank Till
        Superintendent of Schools

SUBJECT: EMPLOYEE COMPENSATION EXPECTATIONS

Business management processes aligned according to the Sterling Process dictate that we constantly evaluate and re-evaluate our business practices.

A review of our district employee compensation practices indicates a need to clarify expectations and requirements related to workweek and overtime compensation. All department heads, principals and supervisors are expected to be fully knowledgeable of workweek and overtime compensation requirements.

It is established practice that all employees be paid according to salary schedules approved by the School Board. In addition, it is expected that requirements of School Board Policy, state/federal law and negotiated agreements be followed regarding overtime and/or compensatory time compensation.

Attached is an outline of requirements and a Q&A for reference purposes. Supervisors and principals who need assistance related to compensation issues should contact the Department of Noninstructional Staffing/Wage and Salary (954-765-8884) or the Director of Budget (954-765-6454) for budget issues.

FT:sc
Attachments

c.   School Board Members
       General Counsel's Office

101

Workweek and Overtime Compensation

A. **Working Hours/Work Day/Workweek**
1. All staff must work a schedule in compliance with School Board Policy or the applicable collective bargaining agreement (CBA).
2. Supervisors must notify employees of working hours and days to be worked in a given seven day time period which is the assigned workweek.

B. **Absences (i.e., sick/personal/vacation, etc.)**
1. All absences from assigned work area(s) or duties must be reported to the immediate supervisor in advance except in cases of an emergency.
2. Immediate supervisors are expected to proactively monitor and enforce punctuality and attendance rules in compliance with established School Board Policies and administrative practices.

C. **Employees Eligible for Overtime Premium (OTP) and/or Comp Time Premium (CTP) (FLSA Non-Exempt)**
Includes positions covered by Federation of Public Employees CBA, the Paraprofessional CBA, certain positions in grades 23 and below on the ASPT salary schedule and Broward County Schools Administrators' Association CBA salary schedule.

1. Overtime (hours actually worked in excess of 40 in a workweek) may be required by the appropriate supervisor.
2. Actual hours worked in excess of 40 in a workweek must be compensated at time and one-half (OTP). Paid time off (i.e. sick\personal\vacation, etc.) is not counted as hours worked for calculation of overtime.
3. Employees must be compensated with pay for overtime premium (OTP) or may be offered compensatory time premium (CTP) at time and one-half in lieu of pay by prior written agreement.
4. If a choice of compensatory time premium (CTP) or overtime premium pay (OTP) is offered, it is the employee's option to select the method of compensation.
5. Compensatory time premium (CTP) is expected to be used according to requirements of School Board Policy or the applicable collective bargaining agreement (CBA).

D. **Employees Not Eligible for Overtime (FLSA Exempt)**
Includes positions on the Broward Principals' & Assistants' Association salary schedule, all positions in grades 24 and above on the ASPT and Broward County Schools Administrators' Association salary schedule and employees covered by the Broward Teachers' Union CBA.

1. Exempt employees are required to work as many hours as necessary to complete work assignments.
2. When workloads are unusually high, these employees may be required or authorized to work alternate workweek(s)/work day(s) to meet the needs of the District, subject to applicable School Board Policy or the applicable CBA.

5/14/03

Workweek and Overtime Compensation Q&A

1. Must all overtime premium (OTP) be authorized by a supervisor?

Response: Yes. According to School Board Policy 4300.1 and various collective bargaining agreements (CBAs), all supervisors are expected to monitor the work assignments of employees under their supervision and to advise employees when overtime premium (OTP) is approved. This should be accomplished in advance by written approval required by School Board Policy or collective bargaining agreements (CBA).

2. What if an employee works additional hours and requests overtime premium (OTP) without prior supervisory approval? —can the employee be paid for it?

Response: All work performed in excess of 40 hours within a specific workweek by an employee eligible for overtime premium (OTP) must be paid at time and one-half if the supervisor has knowledge of and "allows" the employee to perform the work. The School Board's OTP rules do not allow work to be performed "off-the clock" by employees eligible for overtime. Supervisors are responsible for ensuring that employees who arrive at the work location early for their own convenience or leave the work location after normal working hours comply with this restriction. Supervisors should clearly communicate to employees that all hours worked beyond 40 in a specific workweek must be with prior approval. Employees who work additional hours without prior approval will not be paid for those hours and may be subject to administrative action.

3. If budgets are tight can we simply offer compensatory time (CTP) — or must we provide a choice between CTP and OTP cash payment?

Response: Overtime premium (OTP) is required to be paid as monetary compensation at time and one-half for all hours actually worked beyond 40 in a given workweek. Compensatory time premium (CTP) may be paid in lieu of monetary compensation if "a prior written agreement" exists between the employer and the employee which stipulates that CTP may be used. Compensatory time premium (CTP) is earned at time and one-half, the same as overtime premium (OTP), and may be accumulated and "used" by eligible employees according to School Board Policy or collective bargaining agreements (CBA).

4. Can a supervisor change an employee's work schedule or require an employee to work overtime to meet the needs of the School District?

Response: Supervisors are expected to provide workweek/work day working hours according to the business needs of the department. A standard workweek may include work on weekends. However, OTP/CTP pay does not apply unless the hours actually worked are in excess of 40 hours in a specified 7-day workweek for _____ eligible for OTP/CTP.

:04

5. Is there a limit on the number of hours/days of compensatory time (CTP) that may be accumulated by a nonexempt employee?

Response: Current School Board Policy 4300.1, the law and CBAs provide for limits on compensatory time. The generally accepted maximum accumulation is 240 hours. CTP is expected to be "used" in a timely manner with advance approval of the appropriate supervisor. All overtime approved beyond 240 hours CTP must be paid as monetary compensation.

6. How do we know which employees have more than one job with the School District?

Response: District payroll procedures require supervisors to determine whether an applicant already has another job(s) with the School District at the time the individual is hired for regularly scheduled part-time work. Employees must be advised of OTP/CTP rules when employed. It is the responsibility of supervisors who hire current employees for job 2, job 3, etc. to correctly administer OTP/CTP rules. All OTP/CTP that accrues due to job 2, job 3, etc. is the responsibility of the supervisor at the work location where the second (or third) job is performed. That location must provide budget funds for OTP payment whenever the employee's time worked exceeds 40 hours in the specified workweek established by job 1.

A special overtime exemption applies to current School District employees who voluntarily agree to perform occasional or sporadic work at school athletic events, meetings, social events or similar functions. Under such circumstances, the employee can be paid an hourly wage agreed upon in advance and need not be paid at his or her OTP rate. This exemption applies only where the occasional work is not substantially similar to the work the employee performs in his or her regular position with the School District (i.e. a bookkeeper cannot sell tickets and a custodian cannot clean up after an event).

According to the Department of Labor occasional or sporadic means infrequent, irregular or occurring in scattered instances and when the assignment is not within the same general occupational category as the employee's regular work. The fact that an activity is recurring such as athletic games does not mean that the activity is not occasional. An employee who has a regularly scheduled, part time job with the School District does not qualify for this overtime exemption.

7. When written pre-approval for OTP might not be practical due to emergencies, how should the supervisor handle it?

Response: In emergency situations, supervisors and employees must take appropriate action first and provisions requiring prior approval for OTP/CTP may be temporarily suspended. An example might be a bus driver who must remain with a vehicle that breaks down until it can be secured. After the emergency is addressed, OTP/CTP rules must be applied to hours actually worked in excess of 40 in the workweek if applicable.

8. If a supervisor requires staff who are not eligible for OTP/CTP to work on a weekend, can the supervisor offer CTP? If so, would the rate of time and one-half apply?

Response: Only non-exempt employees who are eligible for OTP/CTP should be offered CTP. Employee(s) may be required to work on a weekend. If the weekend work causes the employee to exceed 40 hours in a given workweek, employees eligible for OTP/CPP must be paid or credited accordingly. Employees who are not eligible for OTP/CTP may have their workweek adjusted at the supervisor's discretion to make allowance for the weekend work. OTP/CTP rules do not apply to these employees.

9. If a non-exempt employee is out sick during the week and requests to work on the weekend in order to "catch up" on his/her workload, is this OTP/CTP?

Response: No. The law specifies that OTP/CTP applies only after an employee has been "physically" at work over 40 hours within a given workweek. If the employee has used accrued sick leave during a workweek, the employee may be paid for the "sick" day and may work on the weekend to "catch-up." This is not OTP/CTP, unless the total hours "physically" worked exceeds 40 hours, but the employee should be paid straight time for the actual hours worked on the " extra" day.

10. How do I avoid being responsible for OTP/CTP when I cannot control a second job for an employee in my department?

Response: Supervisors, who hire employees for job 2, job 3, etc., are expected to verify the current job status of all persons they hire. Employees who accept second, third, etc. jobs with the School District are expected to notify the hiring supervisor of their job 1 status. Supervisors in job 2, job 3, etc. assignments are expected to provide payroll funds from the budget at their work location for all OTP that might apply. If CTP is agreed to be utilized, it must be applied to the job from which it accrued – not to job 1 unless job 1 is the basis for the CTP.

5/14/03

Shaw Kenneth

From:	Sharon Russell [sharon.russell@browardschools.com]
Sent:	Thursday, May 22, 2003 2:36 PM
To:	KShaw7976@cap-ii.broward.k12.fl.us
Cc:	bshermis@browardschools.com; teresita.elbert@browardschools.com
Subject:	Audit Responses #9 & #18

Ken: Here are Becky's responses for Observations #9 and #18 from the Payroll Audit Report.

Observation #9

Response from Executive Director of HRD:

I agree with the recommendation and will coordinate and facilitate a Staff Development Task Force that will meet quarterly beginning June 2003. I agree with the role of the task force as defined in the recommendation and will facilitate the standardizing of procedures and design of quality staff development.

Observation #18

Response from Executive Director of HRD:

I agree with the recommendation and will work with appropriate departments and school personnel to design and develop quality training in FSLA for targeted payroll personnel at all levels. A timeline will be devised once the audit recommendations are finalized and action steps are defined.

May 5, 2003

TO: Patrick Reilly, Executive Director
            Office of Management/Facility Audits

VIA: Dr. Everett Abney, Associate Superintendent
            Superintendent Support

FROM: Paul J. Zielinski
            Director, SAP Support Center

SUBJECT: Management Responses – Internal Audit Report
            Review of Payroll Processes, Overtime and SAP/R3 HR Payroll Application

I have prepared Management Responses to those Observations assigned to the SAP Support Center. However, first I would like to address some specific concerns I have with both comments in the Background Section of the report and some information presented in the Observations made by your Department. I feel these comments are important in order for the recipients of the Internal Audit Report to have a better understanding of the underlying issues at hand.

In the Background Section, page 9, your report uses the SAP Support Center as an example of Overtime Costs. It states specific percentages related to overall costs even though the report goes on to state that the SAP Support Center did not have the highest occurrence of Overtime Costs for the School District. I do not know how this comment adds any additional value to your Findings but, since it is included, I feel further facts should also have been provided. First, the payment of Overtime was pre-approved by the HRMS Steering Committee. Second, per the HRMS Steering Committee directive, each week 2.5 hours were deducted from overtime worked by the Exempt Staff. Third, Overtime Costs were provided to the HRMS Steering Committee as part of the Implementation Projects Monthly Financial Report. Finally, on several occasions the HRMS Steering Committee requested and was provided a detail listing of Overtime Hours and Cost by individual employee.

The last sentence in the Background Section questions who was responsible for directing the modifications made to the SAP/R3 HR Payroll Application. It is important for the recipients to understand that SBBC has only made 14 modifications to the core program supplied by SAP. These 14 modifications were made to insure that the final computer program met the expectations of the End – User as provided by them in both the RFP and the Blueprint document.

While I was not asked to respond to Observation 11, I do feel that certain facts surrounding the issue need to be brought to the reader's attention. The SAP/R3 HR Payroll application is very flexible. It can be set up to accept daily time entry, lump-sum time entry or a combination of both. Daily time entry was an End-User requirement detailed in the original RFP. I strongly urge that before the School District agrees to incur an annual expenditure of nearly $7.0 million that the requirement and subsequent benefits of daily time entry be re-evaluated by the original requesting departments. A one-time cost to provide a program is one thing to consider, but annual costs, of the magnitude presented in your report, is another thing altogether.

The last Observation that I would like to provide additional information to the reader is Observation 17, page 56. Your report states that the Testing of the SAP/R3 HR Payroll Application was inadequate. You should be aware that the Payroll Application was Unit Tested, Integration Tested and tested at locations in a parallel pilot program. In fact, only one major programming error was found after Go-Live, and it was corrected within 6 weeks of Implementation on July 1, 2001. However, let me state that there could never be enough testing done prior to the implementation of a new system of this magnitude and complexity. However, one must take the system live at some point. Considering this, I take exception with the comment that "Testing....was inadequate". Additionally, on page 56, your report makes the Observation that there was a "..failure to test the process of posting from the SAP/R3 HR Payroll Application to the General Ledger of the District's financial system...." The cross walking of SAP generated information to the legacy financial system was a joint-effort between the SAP Support Center and the Accounting Department. This joint effort was extremely difficult as a result of the School District's decision to replace the legacy HR Payroll Applications before replacing the legacy Financial Application. In most cases, organizations replace their Financial Systems first in order to avoid the very need to crosswalk account codes. The $208,000 spent with Ernst and Young was only partially related to the crosswalk issue. The firm was primarily retained to provide Change Management expertise. They worked closely with the SAP Support Center to provide the information needed for year-end closing, and worked with the Accounting Department to adjust their closing processes and analyses to the new SAP system.

Finally, in the same Observation 15 on page 57, the report implies that project management decided over your objections that the initial implementation would not have On-Line payroll approval. The recipients of the Audit Report should understand that the HRMS Steering Committee established priorities throughout the implementation. I will not disagree that I did not support your request, but that is irrelevant. The HRMS Steering Committee never established On-Line Approval as a priority for the Implementation team.

It should be noted that at the time this response was prepared, May 5, 2003, to meet the required May 7, 2003 submission deadline set by the Office of Management/Facility Audits, the Executive Summary had not been provided.

MANAGEMENT RESPONSES

Observation 4 – Implement Improved Business Processes To Correct Deficiencies in Current Payroll Practices.

We agree with the fact that the current business processes and the SAP/R3 HR Payroll Application reflect some weaknesses in the internal control environment. It is extremely difficult to address all internal control concerns during any systems implementation. That is the reason why an Internal Auditor was assigned to the Project Team to assume that responsibility. The assigned Internal Auditor left this critical position about six months into the eighteen-month implementation effort and was never replaced by the Office of Management/Facility Audits. However, even with this impediment to the project, we do not agree, based upon the issues raised, with the statement that the internal control weaknesses are "significant". The following are responses to the eight control weaknesses identified in the Observation:

- **Records can be deleted with no trace in the SAP/R3 HR Payroll Application.**
  We agree. The SAP System, as purchased, has the capability of tracking all updates made to the database. This feature was turned off due to system sizing constraints. Recently, to meet a request of the Office of Management/Facility Audits, the system has been turned on to capture all deletes to Time and Attendance.
  We will continue to work with the ETS Department and the End-Users to maximize existing computing resources by implementing an acceptable archiving strategy, establishing an annual procedure to set retroactivity capability and load-balancing the demands on the system. As computing resources are made available through these efforts, additional data can be tracked.

- **Review by Administrators and Payroll Processors has proven to be cursory.**
  We agree. The End-User Training classes, and the business process documentation available to End-Users from various sources we provide, continue to stress the required review processes to be followed by them to ensure adequate monitoring of payrolls by the each location. Perhaps, the need to follow these business processes should be reinforced by a pointed communication from the Office of Management/Facility Audits.

- **No review of the work schedules of all job classes has taken place.**
  We disagree. During implementation work schedules were reviewed to ensure that they agreed with current business practices at that time. If past practices are deemed to be incorrect or are to be changed by Management, the SAP/R3 HR Payroll Application will be modified appropriately.

- No error report is available that would outline changes made to payroll input.

  As mentioned in the Audit Report a new report generated form the SAP System has been developed (ZTIMEAUD). It is capable of tracking changes made to payroll input data since the last time the payroll was approved and submitted. The report is currently being reviewed by the SAP Support Center. A meeting with both the Executive Director of the Office of Management/Facility Audits and the Accounting Director has been scheduled to address concerns related to the report.

- Currently all records in the SAP/R3 HR Payroll Application are active from Go-Live.

  We agree. The setting of the Control Record to limit retroactivity is an End-User function. The ramifications of this process are complex as it can impact a multitude of business processes. These include, but may not be limited to, Payroll Exception research efforts, correct billing of Grant Expenditures and appropriate recording of expenses in departmental budgets. The SAP Support Center is working with the Accounting Department to identify these issues in order to establish an ongoing timetable for the annual setting of the Control Record. I am of the understanding that the Control Record will be set prior to fiscal year end.

- The communication process being utilized by the SAP Support Center does not ensure that changes have been read by, seen by, or are understood by End-Users.

  We agree that we cannot ensure these changes are read by, seen by or understood by those who utilize the system. However, the SAP Support Center communicates process changes through a website that has had well over 100,000 "hits" since Go-Live. We use Becon broadcasts, as well as, SAP's on-line system messaging. We use E-mail extensively to send process change notifications directly to the specific End-Users impacted. We incorporate all changes immediately into our training classes and into our on-line training manuals. In fact, the only thing we do not do is to send out a hardcopy letter.

  However, even if we did send a hardcopy letter, I fail to see how this would ensure that it was read by, seen by, or understood by the recipient anymore than our current communication vehicles.

- The failure of the District to provide necessary policies and procedures, including business processes, prior to go-live has greatly impacted the system and End-Users.

  We agree. However, it should be noted that the School District signed a contract that called for "Rapid Application Development" methodology. (SAP calls it ASAP Methodology). This contracted methodology did not allow for detailed business process mapping prior to configuration. When SBBC attempted to deviate from the contract in this matter, it incurred a $828,000 penalty. Please understand I am **NOT** recommending SBBC follow this implementation approach in future legacy system replacements. I believe to do so would be a very grave mistake and I have made my opinion on this issue known to Senior Management on many occasions.

- Failure of providing on-line authorization process for payroll.

  We agree. As stated above the on-line approval capability will be available by July 1, 2003.

Observation 6 – Correct Overtime Hourly Rate For Employees Who Receive Longevity Payments.

The decision to include Longevity Payments in base pay for the purpose of computing overtime rates for employees needs to be made by the HR Division, as they are the business process owner. Assuming the Human Resources Division agrees with this Audit Report Observation it is estimated that it will take approximately 4 to 5 weeks to modify the payroll program and thoroughly test the change prior to implementation.

Observation 7 – Expedite Necessary Software Programming to SAP/R3 HR Payroll Application To Correct Errors with Holiday Pay.

First, there is a statement made in the Observation that is incorrect. It states "We have determined that the system was unable to remove these 72 persons". Not only could these people have been removed from the system had proper processes been followed by the End-Users, but the overpayments could have easily been avoided had the location's Payroll Contacts followed proper procedure and immediately placed a "Stop Payment" action on each of the employees' records.

We agree with the need to change the business process, but we disagree that it can be automated in the SAP Application. The SAP/R3 HR Payroll system will not automatically facilitate the docking of paid holidays, since these days are not inclusive in their work schedule. You cannot dock a person for a day that he/she is not scheduled to work. We suggest, as an alternative, that the workaround being used by the Director of Food Services be considered by the other Departments impacted by this business process need.

Observation 8 – The Work Schedule and Budgeted Funds for Security Specialists and Campus Monitors Does Not Agree With the Provisions of Their Contract.

The SAP Support Center agrees to provide the information requested to assure the assignment of proper work schedules. However, work schedules in the new SAP system are assigned to a Position not to a Job Class. We will meet with the Office of Management/Facility Audits to reach agreement on exactly what information would best facilitate their request.

Observation 13 – Implement Processes Within SAP/R3 HR Payroll Application for Administrative Office in Pupil Transportation to Report Hours Worked by Staff.

We agree. A meeting will be held with the Director of Pupil Transportation to determine the most appropriate course of action. We will determine if the current swipe card system is a recognized SAP vendor partner. If Lathem Time System is an SAP vendor partner, then an automated link to the SAP program is both feasible and can be easily maintained. If Lathem Time System is not an SAP vendor partner we will explore the feasibility of direct entry into SAP. We will need to determine any additional work that might occur from by-passing a swipe-card system.

Finally, KRONOS, a swipe card vendor that is a partner with SAP, is currently being considered for implementation and testing at our Atlantic Technical Center. If successful, we can explore the possibility of replacing the Lathem Time System with KRONOS at Pupil Transportation's Administrative Offices.

Observation 14 – Improve Business Processes Used by Bus Terminals for Recording and Reporting of Hours Worked by Staff.

We agree. The Director of Systems/SAP Support Center has met with representatives from both the Pupil Transportation and Accounting Departments. It was agreed that the interface between the COMPASS and the SAP/R3 HR Payroll Application is necessary to continue providing cost reports for Schools and Departments. However, it was also agreed that the COMPASS System should be replaced when the legacy Financial System is replaced. Since work order functionality is a component of the SAP Financial Module, a School Board directive prevented us from installing it during the HR Payroll Implementation. As an interim solution, until such time that the work order system, COMPASS, can be replaced, we have worked with the Pupil Transportation and ETS Departments to delay the necessary interface procedure between SAP and COMPASS as long as possible and still meet payroll timetables. This provides End-Users an additional window of time at the end of each pay period to enter appropriate corrections and adjustments to the data.

Observation 18 – Establish Procedures So That Administration Properly Documents and Compensates Employees who are Covered under FLSA and Work Through Lunches/Breaks or "Off-the-Clock"

We agree. However, it is felt that in addition to the Director of Accounting, the Director of Systems/SAP Support Center and the Manager of Systems and Procedures, that the Human Resource Division should be invited to participate. Together they can work to develop the appropriate School Board Policies and Standard Practice Bulletins related to payroll processes and practices. It is suggested that the Associate Superintendent of Human Resources assign the appropriate individual(s) to participate.

SITE VISITS

As stated above, the SAP/R3 HR Payroll Application can be structured to accept daily time entry, lump-sum time entry or, within limitations, a combination of both. The desired data input strategy needs to be established by the business process owners. After which, adjustments to the computer program that may be needed can be made by the SAP Support Center. The Office of Management/ Facility Audits should also be involved in determining the appropriate business processes for time entry. In Observation # 11 they are recommending that additional personnel, to the cost of nearly $7.0 million, be provided to each location to continue daily time entry. Here, as part of the Site Visit Observations, when addressing lump-sum time entry, they state that they "do not see how this process can not be used by all sites." It is important that their position be made clearer before business process changes are considered.

Please call me at 712-2304 if you have any questions or concerns.

Paul J. Zielinski

Cc: Ken Klink, Chief Operating Officer
        Dan Cochran, Associate Superintendent
        Denis Moquin, Director

The School Board of Broward County, Florida
Accounting Department
Technology & Support Services Center

Financial Reporting
Accounts Payable
Payroll
Grants & Contracts Accounting
Food Service Accounting
Capital Assets Accounting

May 7, 2003

TO: Pat Reilly, Executive Director
           Management/Facility Audit

FROM: Nell Johnson, Director
           Accounting

SUBJECT: **RESPONSES TO THE REPORT ENTITLED "REVIEW OF THE PAYROLL PROCESSES, OVERTIME AND SAP/R3 HR PAYROLL APPLICATION"**

Please accept the following responses to Item 18 of the above report:

18. **ESTABLISH PROCEDURES SO THAT ADMINISTRATION PROPERLY DOCUMENTS AND COMPENSATES EMPLOYEES WHO ARE COVERED UNDER FLSA AND WORK THROUGH LUNCHES/BREAKS OR "OFF-THE-CLOCK"**

I agree that policies and procedures should be developed that will outline current payroll processes. Accounting personnel will collaborate with Systems & Procedures and HRD personnel to create procedures that will address working through lunch, breaks, and when "off-the-clock." All Accounting personnel associated with the payroll process will also attend training related to FLSA requirements that will be offered by the HRD Department.

Timeline: Accounting staff will immediately begin collaboration with Departments mentioned and establish procedures by December 31, 2003.

MJ:vt

cc: l. Benjamin Leong, Comptroller
     Vickie Shermis, Executive Director
     Darlene Steinlage, Manager
     Kenneth Shaw, Director

I:Reilly-Audit Resp

May 5, 2003

TO: Patrick Reilly, Executive Director
              Office of Management/Facility Audits

FROM: Ruben Parker, Director
              Pupil Transportation

SUBJECT: Review of Draft of Internal Audit Report

I have reviewed the DRAFT Audit Report that was provided on April 7, 2003 and offer the following observations for consideration:

Review of Draft of Internal Audit Report

<u>*Recommendation - Page 51*</u>

We recommend that the Director of Systems/SAP Support Center meet with officials at the Administrative Offices of Pupil Transportation and review the processes that are currently in use and determine how these offices can effectively and efficiently use SAP/R3 HR Payroll Application to track their employees time and provide the necessary data for effective management of Pupil Transportation. It does not seem effective, nor is it in line with current reviews of available technology, for the department to be using a software package (swipe card system) that does not integrate directly into SAP/R3 HR Payroll Application, or for that matter is essentially collecting the same information that can be tracked in SAP/R3 HR Payroll Application.

The Director of Systems/SAP Support Center met with the Directors of Transportation Services and Pupil Transportation to review the processes currently in use and to discuss the probability of limiting COMPASS use in the payroll process. As a result of the meeting a task force was created which will review the issues that were discussed.

The Transportation Department is aware that currently there is no policy requiring office staff to clock in/out. However, the current swipe card system in use in Pupil Transportation provides several benefits. Prior to utilizing the swipe card system, each employee completed a time sheet, which was then given to the payroll contact for processing.

Ruben Parker
Phone: (954)928-0269 Fax: (954)928-0170

By implementing the swipe card system we were able to cut the processing time by 75%. Also, it gives an accurate accounting of employees, even though they may be working on different schedules. In addition to calculating the actual employee clock in/out times, it provides a completed printable timesheet, which is kept on file for auditing purposes. The Transportation Department is not aware of any department or school that is currently utilizing a swipe card system that interfaces with SAP. However, if the Audit Department is aware of a location that is having success with such a system, the Transportation Department would be willing to utilize it.

Recommendation - Page 53

We recommend that the Director of the Systems/SAP Support Center meet with Pupil Transportation officials and payroll processors of the terminals and create a process that will decrease the workflow on them and on the other departments impacted by the process. We recommend that a review be made to determine whether the default time can be input into SAP/R3 HR Payroll Application much like is currently entered into the COMPASS System. In this manner, the only time that would need to be entered would be to make adjustments for the time that exceeds the route time or record absences.

Transportation agrees with the recommendation to review whether the route time can be placed into SAP as the work schedule. This was one of the issues discussed while meeting with the Director of Systems/SAP Support Center and will be explored further by the task force.

Section VI Exhibits

Page

80   There were "questions regarding overtime hours documented" in Pupil Transportation-Administration. Approval for all Administrative overtime is well documented in Transportation's payroll records. Also, the appropriate overtime approval was attached to all of the Administrative records requested by the Auditing Department during the internal audit.

81   There were questions regarding "pre-approval of overtime" for Transportation Terminals. The majority of the overtime generated in the Terminals is a result of variables that are built into the employee route time, i.e. Activities, Vocational, and Community Based Instruction (CBI's). The Supervisor approves this overtime when the route is established.

There were questions regarding "overtime payments calculated incorrectly" in the Transportation Terminals. All time in the Transportation Terminals is entered into COMPASS as Regular (REG) time and SAP calculates the time once it is propagated from COMPASS.

RP:vh

cc: Arlin Vance
     John Quercia

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

Dillard High School
Rayfield C. Henderson, Principal
2501 Panther Lane
Fort Lauderdale, FL 33311
954-797-4800
954-797-4857 FAX

May 05, 2003

TO: Kenneth Shaw, Director II
Operational Audits

FROM: Rayfield C. Henderson
Principal

SUBJECT: **Draft of the Internal Audit Report, "Review of the Payroll Processes, Overtime and SAP/R3 Payroll Module"**

In a recent audit of Payroll Processes, Overtime and SAP/R3 Payroll Module conducted by The Office of Management/Facility Audit's, the following finding was noted for Dillard High School.

During our review of overtime worked at Dillard High School we noted that the school's security specialists were incurring a tremendous amount of overtime. When we questioned the school, it was found that this overtime was the result of the construction project that is underway at this site. The Project Manager from Facilities and Construction Management Division thought that staff at the school would be better suited of providing the security of the construction site, and this would also result in a cost savings to the District. Although, we have not been given the necessary documentation to support the cost savings, we found a substantial number of concerns with this arrangement.

Page two
Draft of Internal Audit
May 5, 2003

I have discussed audit findings with the school's Project Manager, the school's Security and Custodial staffs and noted the possible implications the report may involve. I explained that even though the services they provided the District resulted in a cost savings, any payment(s) of OTP deemed illegal will have to be reimbursed.

Should you require additional information regarding this response, please advise.

RCH/os

Cc: Dr. Verda Farrow, Ed.
      South Central Area Superintendent

ADMINISTRATIVE RESPONSE-Director of the Accounting Department

I agree that the policies and procedures should be developed that will outline current payroll processes. Accounting personnel will collaborate with System and Procedures and HRD personnel to create procedures that will address working through lunch, breaks and when "off-the-clock." All Accounting personnel associated with the payroll process will also attend training related to FLSA requirements that will be offered by the HRD Department.

Timeline: Accounting staff will immediately begin collaboration with Departments mentioned and establish procedures by December 31, 2003.

ADMINISTRATIVE RESPONSE-Executive Director of HRD

I agree with the recommendation and will work with appropriate departments and school personnel to design and develop quality training in FLSA for targeted payroll personnel at all levels. A timeline will be devised once the audit recommendations are finalized and action steps are defined.

SECTION IV

Site Visits

SITE VISITS

As part of our review we went out to 32 locations and reviewed overtime payments made at these locations. Four (4) significant problems that we noted, included: (See Exhibit)

- Overtime was not authorized in writing as required by School Board Policy 4300.1, Overtime Pay – Noninstructional Employees.
- Overtime was not pre-approved as required by School Board Policy 4300.1, <u>Overtime Pay – Noninstructional Employees.</u>
- Overtime payments were not calculated correctly.
- Questions regarding the overtime hours that were documented.

In looking into these four (4) areas it was noted:

- 44% of the locations did not have the overtime authorized in writing, when we arrived at the location.
- 50% of the locations did not have the overtime pre-approved.
- 38% of the locations did not have the overtime payments calculated correctly.
- 56% of the locations had questions regarding the overtime hours that were documented.

While at these locations we found several instances which require specific mention in this report. These include the following:

Dillard High School

During our review of overtime worked at Dillard High School we noted that the school's security specialists were incurring a tremendous amount of overtime. When we questioned the school, it was found that this overtime was the result of the construction project that is underway at this site. The Project Manager from Facilities and Construction Management Division thought that staff at the school would be better suited to providing the security of the construction site, and this would also result in a cost savings to the District. Although, we have not been given the necessary documentation to support the cost savings, we found a substantial number of concerns with this arrangement.

1. Until we began to examine this overtime, there was a misunderstanding between the Project Manager and the school regarding how these individuals were to be paid. Originally, the Project Manager and school had arranged for the school's facility servicepersons to perform this security work. Since these individuals normally work a forty (40) hour work week, it was determined that all the hours worked by these persons would be paid at time and one-half. Once the work began, the school's facility servicepersons decided that they did not want to continue to work this time, and the school's security personnel decided that they would work the additional time. Unfortunately, the school still input all the hours worked in this project as OTP (150% of hourly rate), even though the security personnel's contract is for 37.5 hours per week, not 40.

Dillard High School (cont.)

1. This misunderstanding resulted in overpayments made to these four (4) individuals totaling approximately $7,082. Approximately $2,729 of these overpayments represents funds attributable to lunch/breaks that were never deducted for the hours input. (See Observation 19)

2. Our review of the time sheet for these individuals revealed some items which defied explanation:

   a. The school input and the Principal approved one individual for work totaling 24 straight hours on December 31, 2002.

   b. Many of the individuals appeared to work a night shift that would continue through the next day's schedule, providing for 16 to 18 hours of work.

   c. One of the individual's performing this security work during the fall of 2002, was also the head football coach at the school. With the responsibilities associated with head coaching, and the job responsibilities that should be required for the security work, we question what job responsibilities were conducted at what time.

   d. We question the ability of these persons to stay alert or to actually have performed the duties required after working such long hours, on a daily basis.

3. We asked the Project Manager for the Facilities and Construction Management Division for a job description for the duties and functions of this job, and to date have never received this information. When we examined the current job descriptions of a security specialist for the District, we noted that these is a requirement for at least two (2) years of police work and/or experience. We questioned how the school's facilities servicepersons "qualified" to perform the functions of the job. One of the school's facility servicepersons has received approximately $2,470 for this project.

4. The Facilities and Construction Management Division has placed the burden for the payment of these individuals on the schools. The monies expended by the school are reimbursed by Capital Projects through a budget transfer. It did not appear as if the Project Manager, or anyone from the Capital Projects area monitored or reviewed the hours that were being claimed for the project to determine the accuracy of the hours claimed. In speaking with Facilities and Construction Management Division they stated that "the Project Managers are busy overseeing projects," and they could/should not be responsible for mistakes that we were finding. Our office attempted to explain that without proper review, the overpayments made and reimbursed by Capital Projects would not have been found, and the monies would have been lost to the District.

Flanagan High School

During our review of the records at the school, a memo was provided to our department which outlined certain schedules for security coverage that was to be provided by the security personnel at the school. When we compared this schedule to the actual time paid to these persons we noted that one security specialist was shown as covering a bus lot from 6:45 AM to 3:15 PM. There was no indication on the memo that this was not this individual's normal tour of duty.

Flanagan High School (cont.)

When we began to look at the individual's overtime sheets, we noted that there were several instances that the school was paying for, that would have represented "double-dipping." After we noted this "double-dipping" we contacted school officials who stated that this memo was not valid and that a subsequent memo was issued. We requested a copy of this subsequent memo, and noted that this memo was dated on the same day as the memo presented to our department originally. We could not determine which memo was valid or what time this person was expected to work, and what time was actually worked. The school administration responded by stating that the individual was paid for only the time worked, regardless of what was contained in the memos. Our department stated that with two conflicting memos we could not determine when or what this individual should have worked or should have been paid for working.

Technical Centers

We noted when we reviewed payroll records for Technical Centers that they have been afforded the opportunity to "lump-sum" overtime hours for their employees. For example, instead of listing every day worked and the total of hours worked, the Centers can put in a total for the number of hours worked. This "lump-sum" method greatly reduces the payroll processors time expended in inputting information into SAP/R3 HR Payroll Application, but does not allow an audit trail to be established in SAP/R3 Payroll Module, since the days actually worked and the hours worked are not input. We found that other schools and locations have not been afforded this same option.

In addition to the sites specifically noted above, we found several processes that also need to be specifically mentioned:

Pre-Approval of Overtime Hours

We visited a number of sites for which Pre-Approval of Overtime were not available and actually required the heads of these locations to create documents for compliance with the requirements of School Board Policy 4300.1. For example, Administrative Site Operations contained a number of individuals who received overtime, but for whom no pre-approval of overtime was prepared. It would seem impractical to attempt to anticipate the amount of overtime needed for a Board meeting or a Boundary meeting. At Dave Thomas Education Center, we found that the Principal oversees several different sites, and that when an emergency arises, the head facilities serviceperson responds and does what is necessary to rectify the problem. How does this receive prior approval?

Segregation of Duties

We visited a number of sites for which the overtime for individuals that we were reviewing was also the individual responsible for inputting these hours. We realize that for many schools and departments very few persons have the ability or the resources to tackle the payroll or do all that is necessary to ensure that the locations employees are paid correctly. But without segregation of duties, the potential for the payroll processor to alter records is clearly a weakness that should be addressed. We are also concerned with what departments with one "clerical" staff member should do, since this one staff member not only puts in every other persons overtime, but also their own.

Calculation of Overtime

While comparing many of the locations documented overtime hours to the hours that were paid we found a number of differences and we attempted to determine the cause of these differences. In some of the cases we found that it was simply an error, but in a large number of instances we noted that SAP/R3 HR Payroll Application was programmed to determine overtime payments on a weekly basis for Job 1. As we previously mentioned, SAP/R3 HR Payroll Application is set to a default for "workweek" as Monday – Sunday, except for Maintenance/Custodial personnel. Since the District's pay periods do not necessarily run Monday – Sunday, the system "banks" hours and pays them at regular rates until such time as all time for the week (Monday – Sunday) is entered. Once entered, the system determines the overtime payment due, if any, and pays on the proceeding check, and is shown as a "Difference from Pre."

To better understand this "banking" of hours lets review John Doe's work schedule. The schedule below represents three (3) weeks of John Does work for the District. John Doe's pay period for this period is Wednesday the 3rd to Tuesday the 16th. The top figure in this calendar represents John Doe's regular Job – 1 hours, (Reg.) and the bottom figure (shown in italics) represents additional hours worked in John Doe's Job – 1.

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
1 7.5 Reg *2 hours*	2 7.5 Reg *2 hours*	 7.5 Reg *3 hours*	4 Holiday	5 7.5 Reg *2 hours*	6	7
8 7.5 Reg *3 hours*	9 7.5 Reg *2.5 hours*	10 7.5 Reg *2.5 hours*	11 7.5 Reg *2.5 hours*	12 7.5 Reg *2 hours*	13	14
15 7.5 Reg *2 hours*	 7.5 Reg *2 hours*	17 7.5 Reg *2.5 hours*	18 7.5 Reg *4 hours*	19 7.5 Reg *3 hours*	20	21

For the paycheck that John Doe received covering the 1st and 2nd days, he did not receive any overtime payments for the additional hours worked, since the week of the 1st was not completed. After the week of the 1st was completed and the time that John Doe worked was input, SAP/R3 HR Payroll Application would have automatically determined whether the additional time worked on the 1st or 2nd was overtime, and then paid any additional sums owed on his next check, and it would have been labeled as "Difference from Pre." (**NOTE**: This automatic calculation is only for additional hours worked on Job –1, if the hours were worked as part of a different job, the payroll processor must make a determination of whether the hours worked qualify as overtime)

For the paycheck that John Doe received for the pay period covering Wednesday the 3rd through the Tuesday the 16th, SAP/R3 HR Payroll Application will calculate the overtime John Doe is due for the week of the 8th – 12th, but again, only if the overtime is incurred in Job – 1.

Calculation of Overtime (cont.)

As John Doe completes the pay period that encompasses the 15th and 16th, SAP/R3 HR Payroll Application will pay straight time for the additional hours worked, if related to Job – 1, and then once the week is completed, it will determine whether the 15th and 16th should have been paid as overtime, and then pay John Doe any monies due on the next paycheck, again labeled as a "Difference from Pre."

The additional hours noted for the 1st, 2nd, 15th and 16th are the "banked" hours we mentioned earlier. The system then uses these "banked" hours to fulfill the required time for 40 hours, and then uses the "unbanked" hours to determine the hours paid at time and one-half. (**NOTE**: SAP/R3 HR Payroll Application appears to use a method similar to FIFO – First In, First Out.)

Our department had a tremendous amount of problems in trying to determine the existence of any audit trail and whether hours were being properly reported and paid. We can not imagine that the majority of payroll processors in the District have the amount of time necessary or the understanding of these "banked" hours to properly determine whether the payments being made are correct, and to have the ability to explain the "Differences from Pre." on these individuals paychecks.

Communication of Hours Worked

As we have pointed out in this report, there are many individuals who work additional jobs throughout the District. For those individuals who work at more than one location, we found that the secondary locations do not normally contact the primary location to determine whether the individual has worked their normal schedule before attempting to determine whether the additional hours worked should be considered to be OTS or OTP. We can not understand how any decision can be reached without this communication. For those instances in which there may have been some communication, there is no documentation to support what one location has informed another. Again, with this lack of communication and documentation the payroll system has the potential to allow overpayments for these persons. The recent Ernst & Young LLP., Report on SAP/R3 HR Payroll Application outlined their belief that if the payroll processors could see all the time that has been input for individuals that this may help alleviate some of the confusion that the secondary locations are experiencing.

Military Leave

During our site visits we encountered two individuals who were called to active duty, and who returned to the District, only to be informed that they had been overpaid, in excess of $6,000 and $9,000, respectively. When we questioned Personnel Records regarding the calculation of overpayments, they insisted that the entire amount of money received by these persons was considered to be their "base military pay." School Board Policy 4408, states that the District will pay persons in the military the difference between their salary, and the amounts they received as "base military pay." As we examined the pay stubs that Personnel Records received for one of these individuals, we noted that several stipends or allowance were included in the servicepersons pay, including housing allowance, married service persons etc.

Military Leave (cont.)

When we contacted the military branch for one of the individuals, we were informed that these stipends or allowances should not have been included as "base military pay" since they fluctuated and depended on the individuals, base assignment etc. If these overpayments were recalculated to exclude the stipends or allowances the amounts overpaid decreased dramatically. Personnel Records insists that the intention of the Policy is that all the pay received should be considered, and while we are not positive that this was the intention, this is not currently what the policy states.

Remuneration Statement

For many of the errors that are found, and by trying to determine the existence of an error, it requires that you review a copy of the remuneration statement on SAP/R3 HR Payroll Application. What we have found, and what has been communicated to our department, is that there are several instances in which the remuneration statement and information included on it, such as hours worked, overtime, vacation, etc., as shown in SAP/R3 HR Payroll Application, is not always the same information that may have been printed on the actual check that the person received. If these two items do not agree, how can we expect any review to take place?

RECOMMENDATIONS

Many of the items shown above have been addressed elsewhere in this report, and require no further recommendations, or are observations which are inherent in the SAP/R3 HR Payroll Application system. Below are several recommendations which we feel must be addressed in order to assist the District in processing payrolls:

- Although the need for overtime to be pre-approved and in writing is evident in both practical applications and the FLSA, the new policy that is recommended must provide the ability for emergency/unplanned overtime and allow administration to create the necessary forms or guidelines to approve this time, as needed.
- Facilities and Construction Management Division must begin to review the hours that they are being billed for this type of security to ensure that Capital is not paying more than it should be.
- We commend the Facilities and Construction Management Division for finding alternative means of providing security to school sites that result in savings to the District. At the same time we recommend that the persons performing these jobs and the responsibilities asked of this job are clearly documented. These items must be presented prior to any new projects utilizing the services of school personnel to perform these functions. In addition, the Project Managers must be able to document that they have visited the job sites and monitored the performance of the individuals performing these functions.

RECOMMENDATIONS (cont.)

- The Principal of Dillard High School must seek reimbursement of $4,353 from the four (4) individuals. We have contacted the Director of the Accounting Department and we were told that these funds due back to the School Board can be considered to be obligations, just as overpayments have been treated, and can be deducted from these persons checks until the amounts are repaid. Since these four individuals are bargaining unit employees processes which are in place to collect overpaid funds must be followed.

- We recommend the Director of Systems/SAP Support Center meet with the Director of the Accounting Department and the Principals of the Technical Centers and discuss the use of "lump-sum" overtime entries. It should be noted that the Office of Management/Facility Audits does not condone nor support the use of this "lump-sum" method for posting hours. But, if it is determined that this process will continue to be used, we do not see how this process can not be used by all sites. As we stated, the use of this "lump-sum" posting eases the burden of payroll processors, but hinders the ability of anyone to determine the days and hours that we are paying for, and may hinder legal questions that may arise regarding actual dates and hours worked.

- We recommend that the Supervisor of Personnel Records meet with the Office of General Counsel and determine the correct amount that should be using for the term "base military pay." Until such time as this is determined, we recommend that no collection activity be started on any persons involved in active military duty. During these times, the understanding and application of this policy is a pressing need of the District.

ADMINISTRATIVE RESPONSE-Deputy Superintendent

The Facilities and Construction Management Division will work with Capital Projects and Management Audits departments to identify monitoring and/or review process for security hours being claimed on a project. An additional component of this process development will be to develop guidelines for the duties and functions for the on-site construction security job. This process will be defined in writing not later than July 18, 2003.

Upon completion of the process development, the Facilities and Construction Management Division will provide a workshop to all project managers on the new process, including School Board Policy 4300.1, Overtime Pay Non-Instructional Employees and related Standard Practice Bulletin(s). The training will occur not later than August 29, 2003.

ADMINISTRATIVE RESPONSE- Principal, Dillard High School

I have discussed audit findings with the school's Project Manager, the school's Security and Custodial staffs and noted the possible implications the report may involve. I explained that even though the services they provided the District resulted in cost savings, any payment(s) of OTP deemed illegal will have to be reimbursed.

ADMINISTRATIVE RESPONSE-Director of the Systems/SAP Support Center

As stated above, the SAP/R3 HR Payroll Application can be structured to accept daily time entry, lump-sum time entry or, within limitations, a combination of both. The desired data input strategy needs to be established by the business process owners. After which, adjustments to the computer program that may be needed can be made by the SAP Support Center. The Office of Management/ Facility Audits should also be involved in determining the appropriate business processes for time entry. In Observation # 11 they are recommending that additional personnel, to the cost of nearly $7.0 million, be provided to each location to continue daily time entry. Here, as part of the Site Visit Observations, when addressing lump-sum time entry, they state that they "do not see how this process can not be used by all sites." It is important that their position be made clearer before business process changes are considered.

FOLLOW-UP RESPONSE FROM THE OFFICE OF MANAGEMENT/ FACILITY AUDITS

(The $7.0 million dollar figure referred to in the Director's response, is from a previous version of this report.)

The Office of Management/Facility Audits is an independent appraisal function established within the District to examine and evaluate its activities as a service to the District. We cannot perform such activities such as management functions and decision making that may presume to impair the Department's objectivity. Our office would be available to perform in an advisory function, but the decisions and processes adopted must be made by Management.

ADMINISTRATIVE RESPONSE-Supervisor Payroll Records

The response from the Supervisor Payroll Records was included in the response received from the Associate Superintendent of Human Resources.

Personnel Records indicated that the entire amount of money received by these persons was considered to be the "military pay". The memo sent to one individual was incorrect it should have read "military pay" instead of "military base pay".

School Board Policy 4408, states, "However, the Board may supplement the military pay of its employees who are reservists called to active military service in the amount necessary to bring their total salary, inclusive of their base military pay, to the level earned at the time they were called to active military duty.

On February 26, 2003, the Director of Employee Relations and the Supervisor of Personnel Records met with Mr. Marko and Marilyn Batista of the Office of General Counsel. The purpose of that meeting was to seek legal interpretation of School Board Policy 4408 and the Resolution in Support of The United States Military Reserve Forces. A summary of Mr. Marko's comments is as follow:

A resolution does not supersede Board Policy. If there is a difference in the language the Board Policy stands.

ADMINISTRATIVE RESPONSE-Supervisor Payroll Records (cont.)

School Board employees called to active duty will receive both their School Board pay and military pay for the first 30 days of active duty.

After the initial 30 days, the employee will receive a supplemental amount necessary to bring their total salary to the level earned at the time they were called to active military duty.

FOLLOW-UP RESPONSE BY THE OFFICE OF MANAGEMENT/FACILITY AUDITS

The Review questions the use of the term "base Military Pay" which is included in the resolution and School Board Policy versus the use of "total Military Pay" which was used by the Personnel Records Department for calculating overpayments made to the military personnel that were called to active duty. In speaking with representatives of several municipalities who have also passed similar resolutions, they have used the term "base" military pay as the salary that the enlisted receives for duty, but they have stated that the term "base" does not include "supplements" that the enlisted may be receiving such as hazardous pay, off-site living quarters etc. These municipalities have stated that they have not included these supplements when computing individuals "base" military compensation.

We believe the situation is analogous to a teachers "base" salary which is reflected on the approved payroll schedule and the total compensation paid to a particular instructor which not only includes their "base" pay, but possible supplements for coaching, department head, cafeteria monitors, extended day, etc.

The Office of Management/Facility Audits recommended that the meeting with Legal Council take place to establish definitions for the term "base" military pay versus "total" military pay, not whether a Board resolution supercedes a School Board Policy.

SECTION V

Attorney Opinion

The Office of Management/Facility Audits contracted with a law firm from New York who specializes in Fair Labor Standard Act (FLSA) cases to offer their legal expertise on the following scenarios. We formulate these scenarios after our site visits.

The following section outlines the scenarios that we outlined for the law firm, and a synopsis of what the firm's expert opinion was on each of them.

1. A teacher (or other exempt position) voluntarily applies for a second job within the District. This second job is covered under FLSA rules. At what point, if any, would the teacher (or other exempt position) begin to receive overtime rates? At what rate would the overtime be calculated? Would a blended rate apply?

ATTORNEY'S RESPONSE:

The regulations covering "white collar" exemptions, the administration, executive and professional exemptions, have what is known as a "long test" and a "short test." The long test is for employees paid on a salary basis less than $250 per week. The short test covers employees paid on a salary basis more than $250 per week.

Under the long test for professional exemption, which is the exemption covering teachers (29 C.F.R. Subsection 541.309):

>*"Time spent in nonexempt work, that is work which is not an essential part of and necessarily incident to the exempt work, is limited to 20 percent of the time worked by that employee in the workweek"*

Work that has been held to be non-exempt for teachers include bus driving, custodial work, keypunch operator, secretarial work, and security work...

In addition, two opinion letters from the Department of Labor, one dated April 10, 1967 and the other dated January 7, 1969 which outline the above exemption covering teachers.

2. An employee covered under the FLSA, voluntarily accepts a second job within the District. This second job is not similar in function or job responsibilities. In some instances a pay scale has been established for this second position, and in other instances no pay scale exists. Where the pay scale exists, at what rate must the worked be compensated for overtime? Does a blended rate apply? If no pay scale exists, can one be created for the job, since the functions are different? If no pay scale exists, than are we required to pay the prevailing wage from the persons primary job?

ATTORNEY'S RESPONSE: (for question #2)

If no separate rate is established prior to work being performed, the overtime rate would simply be one and one-half times the established regular rate for the employee. If a separate rate for the second job is established prior to the work, then there are two methods that can be applied to compute the overtime rate.

The first is 29 C.F.R. Subsection 778.115:

> *Where an employee in a single workweek works at two or more different types of work for which different non-overtime rates of pay (of not less than the applicable minimum wage) have been established, his regular rate for that week is the weighted average of such rates. That is, his total earnings (except statutory exclusions) are computed to include his compensation during the workweek from all such rates, and are then divided by the total number of hours worked at all jobs...*

The second potentially applicable regulation is 29 C.F.R. Subsection 778.419:

> *Under section 7(g)(2) [of the Fair Labor Standards Act] an employee who performs two or more different kinds of work, for which different straight time hourly rates are established, may agree with his employer in advance of the performance of the work that he will be paid during overtime hours at a rate not less than one and one-half times the nonovertime rate established for the type of work he is performing during such overtime hours...*

It is unclear whether this can be applied to the situation presented by your question because the employee (in Scenario 1) will not be employed at two hourly rates, but at a salary and an hourly rate...Since its application is unclear, the safer course would be to use the blended rate methodology...

3. An employee who is covered under FLSA accepts and works other assignments throughout the District, after their normal tour of duty, and on weekends and holidays. When the assigned jobs are scheduled for more than four (4) hours, is a lunch required?

ATTORNEY'S RESPONSE:

The Fair Labor Standards Act does not mandate meal periods for any employee. The FLSA only covers pay for work.

Based upon this response, the Office of Management/Facility Audits contacted the U.S. Department of Labor.

4. For employees covered under FLSA, are so called wage augments, ie Longevity required to be included in calculating regular rate for overtime wages? What if these Longevity payments are made as an award for service? Section 29 Chapter 8, defines regular rate and states that it does not include...the amounts of which are not measured or dependent on hours worked, production, or efficiency..." In our District clerical persons are awarded longevity for years of service, and the subsequent payments made, do not and are not tied into the hours worked.

ATTORNEY'S RESPONSE:

Under 207(e)(3), "sums paid in recognition of services performed during a given period are excluded from the regular rate only if either both the fact that payment is to be made and the amount of the payment are determined at the sole discretion of the employer at or near the end of the period and not pursuant to any prior contract, agreement, or promise causing the employee to expect such payment regularly." It is very clearly established in the law that fixed longevity payments, that is, payments the employer has agreed to pay once certain length of service requirements are fulfilled, must be in included in the regular rate. If the longevity payments are required to be made as part of the employee's compensation for working, they must be included in the regular rate for overtime purposes. The fact that payments are not tied to particular hours worked is not relevant.

5. If an employee covered under FLSA, elects to work through their lunch, and it was unknown to the supervisor and was not approved, is the employer required to pay this employee for this time? If the answer is in the affirmative, what steps can an employer take to prevent the employee from working through their lunch period to receive more pay?

ATTORNEY'S RESPONSE:

All work that is suffered or permitted is work time that must be counted. Suffered or permitted means that the employer knows or has reason to believe that the employee is continuing to work. The rule is applicable to work performed away from the premises or the job site, even at home.

Even if the work was not approved in advance as required by written policy, if the supervisor had reason to believe the employee was working through lunch, the employee must be paid.

If the supervisor had no reason to know the employee was working through lunch, but only found out after the fact, the employee need not be paid.

ATTORNEY'S RESPONSE: (for question #5)

To prevent employees from performing unauthorized overtime work, the employer should clearly communicate to employees that overtime may be worked only with prior authorization of a supervisor AND that employees who work unauthorized overtime, not only will not be paid, but are subject to discipline. One means of making clear to employees that unauthorized overtime may not be worked is to present the policy clearly in writing to employees and have them sign an acknowledgement of the existence of the policy...

6. If an employee covered under FLSA, requests overtime, and prior to receiving approval for this overtime works the additional hours, and then receives a rejection for overtime by the administrator, at what rate must the hours be compensated? What if these additional hours exceeded the forty-hour work week? What steps are available to the administrator to take to ensure that employees are unable to work this overtime and be compensated for it, prior to approval? (There are many split work locations that administrators in this District are expected to Supervise, and it would be impossible to be at every location all the time)

ATTORNEY'S RESPONSE:
See the response for question #5.

7. Can a Federal or State Grant state that no overtime rates will apply for persons, covered under FLSA, who work or under funding from these Grants? Isn't it true that no contract or even grant can contain language which violates FLSA and have that section enforced?

ATTORNEY'S RESPONSE:
The FLSA takes precedence over any state law, and certainly over language in a state grant. If overtime is owed to an employee under the rules of FLSA, overtime must be paid.

I suggest that language that gives rise to your question perhaps is included by the grantors to convey that the grantors do not want to fund employees working overtime rates, perhaps as a means of preserving or extending the coverage of the grant assets. This is not the same as overriding the provisions of the FLSA. Even if the grantor refuses to pay overtime rates, the employer of the employee will still be responsible for compensating FLSA overtime worked by the employees, if the employer knew or had reason to believe that overtime was being worked.

8. If an employer is found to have violated certain provisions of the FLSA, can compensatory time be given to employees instead of a monetary settlement?

ATTORNEY'S RESPONSE:

Pursuant to 20 U.S.C. Subsection 207(o), the FLSA allows public employers to compensate employees with compensatory time for overtime obligations only if there is an agreement arrived at between the employee and the employer prior to the performance of the work...The regulations provide that not only must the agreement be reached prior to the performance of the work but that a record of its existence must be kept...

9. In looking over the law under the FLSA it talks frequently about the 40 hour threshold, but it really never states how that 40 hours is to be calculated. In the school district we have many persons who work at more than one location a day. The question is for the calculation of the 40 hours, is it a daily calculation or can we pick from which job, the person must work 40 hours before paying overtime? It may be easier to illustrate:

	Monday	Tuesday	Wednesday	Thursday	Friday
Job 1	8	8	8	8	8
Job 2	4	4	4	4	4
Total	12	12	12	12	12

The way the school district looks at this, is the person worked 40 hours in their Job 1, which is normally their higher paying position. The overtime would be paid on Job 2. The question was raised, if the 40 hours was based upon cumulative, then the actual overtime calculation should be :

Job 1   8 hours
Job 2   6 hours

Is there any case law on this? What is your opinion? The District pays in this manner, as different budgets are charged for different work. For example Job 1 may be at XYZ school from 9 – 5 daily, but Job 2 is at ABC School and from 6   10 at night.

ATTORNEY'S RESPONSE:

The answer to this question is found in the answers to questions 1 and 2 above...In your example, this would be obtained by dividing total straight time compensation paid by 60 hours. The employee would be owed additional overtime compensation of one-half this weighted regular rate multiplied by 20 overtime hours.

ATTORNEY'S RESPONSE: *(for question #9)*

The Department of Labor has previously determined that an employer in that inquiry could not pay overtime only on the hours worked in the second job because the employer "does not pay premium pay for overtime hours on other than a 40-hour workweek basis." I assume that you are in the same position as the employer in the letter and only pay overtime for hours worked over 40 in a workweek and not 8 in a day...

In other words, in your example, 40 hours would be reached after 4 hours of the first job worked on Thursday. After that the employee works 12 hours of overtime on Job 1, and 8 hours of overtime on Job 2. You would pay 12 hours of overtime based on the regular rate of job 1 and 8 hours based on the rate for jobs 2.

If you have a policy of paying overtime for hours worked over 8 in a day, you could make an agreement that paid overtime only for the hours worked in the second job, as the employee wished to do in the opinion letter. Clearly that would be the most cost advantageous to the employer but would only be consistent with the Department of Labor's view of the law if you had a preexisting policy of paying premium overtime rates for hours worked over 8 in a day.

SECTION VI

Exhibits

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA
The Office of Management/Facility Audits
Operational Audits
A Review of the Payroll Process, Overtime and SAP/R3 Payroll Module

<div align="right">

EXHIBIT I

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	JOB DESCRIPTION	NUMBER	PAYMENTS IN 1999-2000	PAYMENTS IN 2000-01	TOTAL PAYMENTS	% OF TOTAL PAYMENTS
1	Bus Operator - Trips	150600	$ 754,895	$ 720,980	$ 1,475,875	10%
2	Facilities Service Person	320498	$ 718,447	$ 722,789	$ 1,441,235	10%
3	Bus Operator	150522	$ 501,681	$ 891,799	$ 1,393,479	10%
4	Non Instructional - After Care Worker II	901054	$ 517,415	$ 827,442	$ 1,344,857	9%
5	Clerical Class - Addl Pos	760233	$ 445,383	$ 577,365	$ 1,022,748	7%
6	Custodial - Addl Position	760923	$ 405,453	$ 470,855	$ 876,308	6%
7	Bus Trainee	741011	$ 511,194	$ 276,017	$ 787,210	5%
8	Office Manager I - Conf. (El. & Md.)	100540	$ 377,825	$ 394,956	$ 772,781	5%
9	After School Child Care Worker I	910005	$ 292,913	$ 392,773	$ 685,687	5%
10	HD Facilities Serviceperson - High/Voc.	700504	$ 249,832	$ 263,798	$ 513,630	4%
11	HD Fac. Svp Gr. & Ms. Re -Elementary	700510	$ 252,740	$ 213,772	$ 466,512	3%
12	Relief Bus Operator	150525	$ 210,310	$ 248,022	$ 458,332	3%
13	Bus Operator- Trans. Spec.	150523	$ 194,975	$ 235,283	$ 430,258	3%
14	Bus Attendant	180060	$ 127,226	$ 269,929	$ 397,155	3%
15	Security Specialist	480910	$ 208,019	$ 182,556	$ 390,575	3%
16	Clerical After Care - Addl Pos.	760240	$ 172,380	$ 189,915	$ 362,296	2%
17	HD Facilities Serviceperson - Elem.	700502	$ 156,529	$ 134,353	$ 290,883	2%
18	Clerk Spec. IV (County)	250225	$ 155,198	$ 118,942	$ 274,140	2%
19	School Site Repairperson	320443	$ 128,930	$ 127,328	$ 256,259	2%
20	HD Fac. Svp Gr. & Ms. Re - Md.	700511	$ 119,506	$ 121,911	$ 241,417	2%
21	General Clerk II-School Based	020220	$ 117,239	$ 119,019	$ 236,258	2%
22	Office Manager II - Conf. (HS & Voc.)	100545	$ 111,549	$ 113,798	$ 225,347	2%
23	Asst. HD Fac. SVP. Md/Exch	700506	$ 105,535	$ 118,289	$ 223,824	2%
	Total		$ 6,835,174	$ 7,731,891	$ 14,567,066	

Above table outlines payments made to the top 23 job classes reported.

☒   Indicates that the school/location did not comply.

	Department/School	Overtime authorized in writing	Overtime was pre-approved	Overtime payments were calculated correctly	Questions regarding overtime hours documented
1	Administrative Site Operations	☒	☒		
2	Alliance of Quality Schools- A	☒	☒	☒	☒
3	Atlantic Technical Center		☒		☒
4	Boyd Anderson High School				
5	Coconut Creek Elementary School	ASC-[1]		☒	
6	Cooper City High School	FAC-[2]			
7	Coral Springs Community School	☒	☒	☒	☒
8	Crystal Lake Community School	JOB -[3]			
9	Cypress Bay High School	☒	☒		☒
10	Dave Thomas Education Center	☒	☒		
11	Dillard High School		☒	☒	☒
12	Ely High School	☒	☒	☒	☒
13	Flanagan High School	[4]	☒	☒	☒
14	Hallandale Adult			☒	
15	Hollywood Hills High School				☒
16	Lauderhill Middle School				☒
17	Lloyd Estates Elementary School	ASC-[1]			
18	Lockhart Operations	☒			
19	Mail Services	☒	☒	☒	☒
20	McFatter Technical Center - A	☒		☒	
21	McNicol Middle School				☒
22	Multi-cultural Deparetment - A	☒	☒	☒	
23	North Andrews Gardens Elementary	☒	☒		
24	Plantation High School	☒	☒		☒
25	Pupil Transportation-Administration				☒

⊠   Indicates that the school/location did not comply.

	Department/School	Overtime authorized in writing	Overtime was pre-approved	Overtime payments were calculated correctly	Questions regarding overtime hours documented
26	Pupil Transportation - Terminals		⊠	⊠	⊠
27	Sheridan Technical Center	⊠	⊠		⊠
28	Silver Lakes Middle School				
29	Stoneman Douglas High School				⊠
30	Tequesta Trace Middle School	⊠	⊠		⊠
31	Village Elementary School			⊠	
32	Whispering Pines				⊠

ASC - [1] All workers reviewed were Afterschool Care Workers-Whose overtime is neither in writing or pre-approved.

FAC- [2] Some of the overtime hours were in writing and preapproved, others were related to the rental of the school.

JOB-[3] Most of the overtime reviewed at this location was related to Job-2's and 3's. Overtime related to Job-1 was preapproved and in writing.

[4] Two competing memos, both dated 8/27, have not allowed us to make a determination on compliance.

[A] In these instances it does not appear that the overtime payments calculated by the system were correct. We are working with staff to determine the causes or mis-calculation for these locations.