



The School District of Osceola County, Florida Internal Audit of Timekeeping – Transportation Department

September 5, 2018



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TRANSMITTAL LETTER

September 5, 2018

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Pursuant to our approved engagement letter dated July 3, 2018, with the General Counsel's Office of the School District of Osceola County, FL ("District"), we hereby present our Internal Audit of Timekeeping – Transportation Department ("Transportation") report. Our report is organized in the following sections:

Executive Summary	This provides a high-level overview and summary of the observations noted in our internal audit over the Timekeeping process in the Transportation Department.
Background	This provides an overview of the Timekeeping process in the Transportation Department, as well as relevant background information.
Objectives and Approach	The internal audit objectives are expanded upon in this section and include detailed testing of timekeeping-specific attributes noted in the anonymous letters written to the District and provided to RSM by the General Counsel's Office.
Observations Matrix	This section includes a description of the observations noted during our internal audit and recommended actions, as well as management's response. Management has indicated that remediation has occurred, this is unverified by RSM as of the date of this report.
Process Maps	This section illustrates process maps, which identifies data flow, key control points and any identified gaps.

As described in our objectives and procedures outlined on page 6 of this report, the observations noted are based on our analysis of the processes, documents, records and information provided to us by the District. This internal audit focused on evaluating the soundness of internal control policies to safeguard assets and on reviewing compliance with County policies. Through our testing we did not identify fraud; however, if our scope were to have been expanded, including performance of additional procedures and/or sample sizes in the time period under review, it may have resulted in findings of questionable or inappropriate transactions. We offer no assurances that schemes or fraudulent activities have not been, or are not currently being perpetrated by any person within the areas reviewed.

We would like to thank the staff and all those involved in assisting us with this internal audit.

Respectfully Submitted,

RSM US LLP

RSM US LLP



EXECUTIVE SUMMARY

Background

Tracking and paying transportation workforce is a voluminous, complex, and highly decentralized process. It has a significant budget impact and thus is inherently a high-risk function. For fiscal year (“FY”) 2018, salary amount totaled \$11,630,056, of which \$2,321,002 (19.95%) was overtime. There were approximately 600 full- and part-time employees for FY 2018 within the District’s Transportation Department.

The workforce is broken in to two functional areas: 1) bus drivers, including attendants, and 2) support personnel.

Employees are paid semi-monthly. Time worked is currently tracked one of two ways: utilizing paper timesheets and/or utilizing the electronic timekeeping system Kronos. Many employees will enter time using both methods for the same time periods. Employees fill out timesheets each week and the respective Supervisors approve the timesheets. Transportation Timekeepers are responsible for reviewing timesheets for accuracy and following up with the employees/supervisors on any proposed adjustments, as well as manually entering the time into TERMS for processing. This is not the case for all departments within the District, as Kronos is utilized by several departments.

Seven (7) support personnel at Transportation has the ability to edit employee time into Kronos. Kronos is used inconsistently by Transportation.

Overall Summary / Highlights

The observations identified during our assessment are detailed within the pages that follow. We have assigned relative risk or value factors to each observation identified. Risk ratings are the evaluation of the severity of the concern and the potential impact on the operations of each item. There are many areas of risk to consider in determining the relative risk rating of an observation, including financial, operational, and / or compliance, as well as public perception or ‘brand’ risk.

Due to the significance and high risk of the issues identified, we recommend Management create an action plan and the District conduct a full-scope follow up to the recommendations within 6 - 12 months.

Fieldwork was performed July 2018 through August 2018

Objectives and Scope

The objectives for this internal audit were to:

- Obtain an understanding of the overall timekeeping process at the Transportation Department;
- Identify internal control gaps and provide recommendations to strengthen internal controls around the process;
- Detail test timekeeping transactions to ensure the operating effectiveness of the timekeeping process, including timekeeping-specific attributes noted in the anonymous letters written to the District and provided to RSM by the General Counsel’s Office; and
- Analyze payroll data including overtime to identify trends.

Our scope period was April 1, 2018 through June 30, 2018.

To gain an understanding of the timekeeping process within Transportation, we conducted interviews with key management and operational personnel in Transportation and the Payroll Department. We developed Transportation-level flowcharts of the process, which are included in the report. We performed detailed testing to meet the objectives outlined above, including examination of timesheets, supporting records for time recorded, and Kronos system user access.

Using a risk based approach, we selected forty (40) individual timesheets from Transportation. Twenty-five (25) of the timesheets were from bus drivers and attendants and fifteen (15) coming from support personnel.

At the conclusion of our audit, we summarized our findings into this written report, and conducted an exit conference September 5, 2018.

Summary of Observation Ratings

(See page 7 for risk rating definitions)

	High	Moderate	Low
Timekeeping Internal Audit	7	-	-

We would like to thank all Transportation team members who assisted us throughout this internal audit.



EXECUTIVE SUMMARY (CONTINUED)

Observations Summary

Below is a summary listing of the observations that were identified during this internal audit. Detailed observations are included in the observations matrix section of the report.

Summary of Observations

Observations	Rating
1. Segregation of Duties	High
2. Timesheet Accuracy, Verification, and Authorization	High
3. Timekeeping Process	High
4. Pre-approval of Overtime	High
5. Timekeeping Systems Lockdown and Notifications	High
6. Standardized Policies and Procedures	High
7. Department Staffing Monitoring	High



BACKGROUND

Overview

Tracking and paying Transportation’s workforce is a voluminous, complex, and highly decentralized process. It has a significant budget impact and thus is inherently a high-risk function. For fiscal year 2018, salary amount totaled \$11,630,056, of which \$2,321,002 (19.95%) was overtime. There were approximately 600 full- and part-time employees for FY 2018. The workforce is broken into two functional areas: 1) bus drivers, including attendants, and 2) support personnel. Salary expenses and payroll related data for Transportation for FYs ending June 30, 2016 – 2018 are as follows:

Pay Type	FY 2016	FY 2017	FY 2018
Regular Wages	\$ 7,833,910	\$ 8,596,778	\$ 9,295,448
Extra Pay	\$ 16,062	\$ 27,415	\$ 13,606
Overtime	\$ 2,820,855	\$ 1,959,338	\$ 2,321,002
Total	\$ 10,670,827	\$ 10,583,531	\$ 11,630,056

Generally, timekeeping at schools is separated into two categories: exempt and non-exempt:

- Exempt: Exempt positions are paid salary rather than an hourly wage, and are excluded from minimum wages, overtime regulations and other protections afforded non-exempt employees. Exempt positions are typically executive, supervisory, professional positions.
- Non-exempt: Non-exempt employees, as the term implies, are not exempt from Fair Labor Standards Act (“FLSA”) requirements. Employees who fall within this category must be paid at least the federal minimum wage for each hour worked and given overtime pay of not less than one-and-a-half times their hourly rate of pay for each hour they actually work over the applicable FLSA overtime threshold in the applicable FLSA work period. For the District, the threshold is 37.5 hours.

The full time equivalent breakdown for the District’s Transportation Department is as follows for FY 2018:

Classification	Bus Driver/ Attendant	Administrative
Exempt	-	3.00
Non-Exempt	474.00	89.00
Total	474.00	92.00

Timekeeping and Payroll Process

Employees are paid semi-monthly. Time worked is currently tracked one of two ways: utilizing paper timesheets and/or utilizing the electronic timekeeping system Kronos. Many employees will enter time using both methods for the same time periods. Employees fill out timesheets each week and the respective supervisors approve the timesheets. Transportation Timekeepers are responsible for reviewing timesheets for accuracy and following up with the employees/supervisors on any proposed adjustments, as well as manually entering the time into TERMS for processing.

Kronos is an electronic timekeeping system that allows time entries to be entered through a web interface and/or device, which replaces manual time reporting processes. Seven (7) employees within the support personnel at Transportation have the ability to edit employee time in Kronos. Kronos is used inconsistently by Transportation.

Transportation’s payroll is centrally processed by the District’s Payroll Department within Business & Fiscal Services, as with all District employees. The District’s Payroll Department reviews a variety of exception reports for irregularities and approval of time records prior to processing payroll.



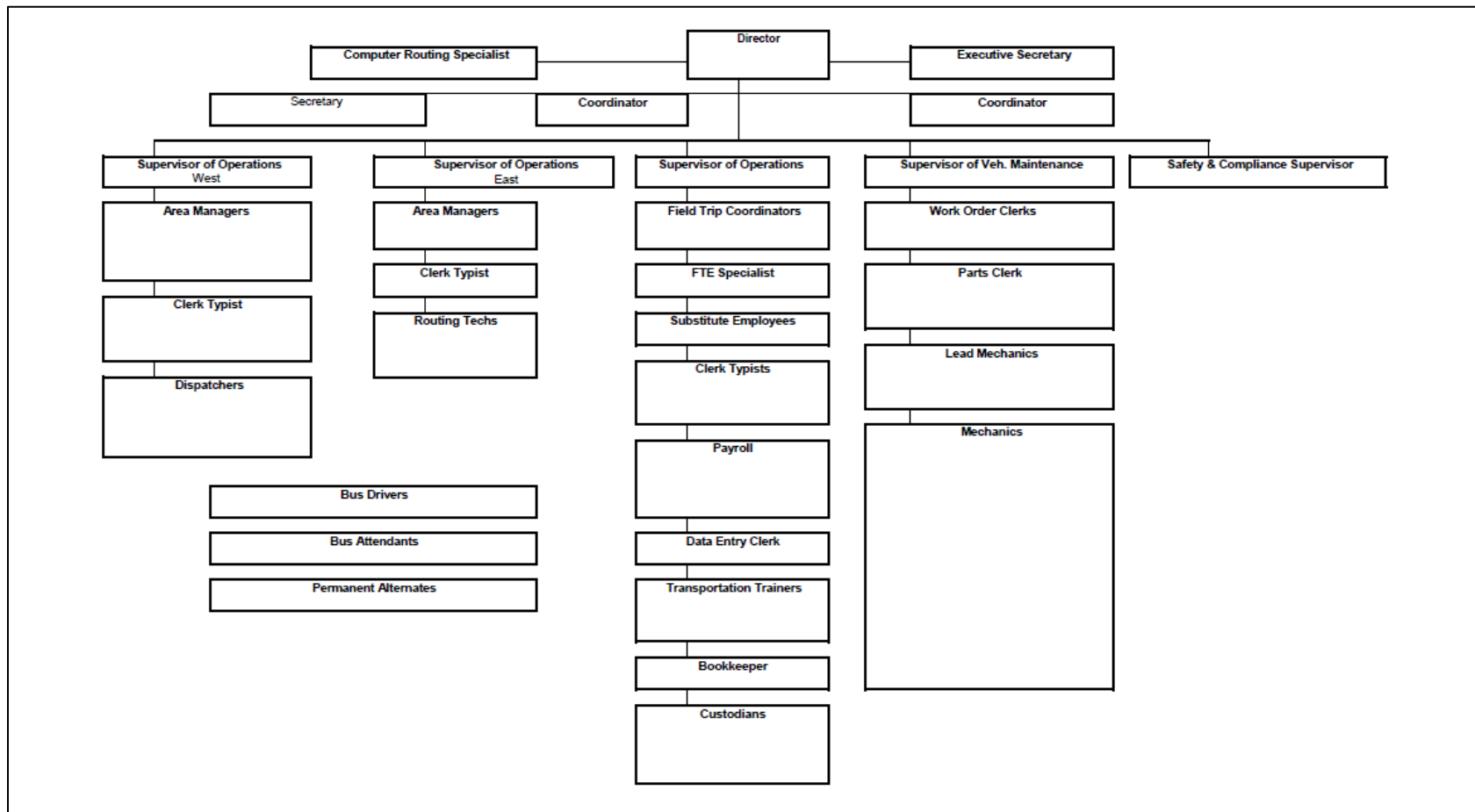
BACKGROUND (CONTINUED)

Laws and Guidelines

The Federal government and the State of Florida have many laws and statutes that the District must comply with regarding timekeeping, hourly pay and labor related issues. They include, but are not limited to, the FLSA, Family & Medical Leave Act (“FMLA”) of 1993, and Florida Statutes 17, 112, and 119 which address Direct Deposit, Deferred Compensation and Public Records. In addition to the above, the District is currently involved with a collective bargaining agreement with the Teamsters Local Union No. 385 for Union employees.

Organizational Chart

The following is an organizational chart of the Transportations Department within the scope of our audit:





OBJECTIVES AND APPROACH

Objectives

The objectives for the internal audit of the Transportation Timekeeping processes included the following:

- Obtain an understanding of the overall timekeeping process at the Transportation Department;
- Identify internal control gaps and provide recommendations to strengthen internal controls around the process;
- Detail test Transportation timekeeping transactions to determine the operating effectiveness of the timekeeping process, including timekeeping-specific attributes noted in the anonymous letters written to the District and provided to RSM by the General Counsel's Office; and
- Analyze Transportation payroll data including overtime to identify trends.

Approach

Our approach consisted of three phases:

Understanding and Documentation of the Process

To gain an understanding of the Timekeeping process, we performed the following:

- Conducted interviews with key management and operational personnel of Transportation to obtain an understanding of the departmental practices for time tracking methods, practices, documents and procedures;
- Performed walk-throughs of the processes to validate our understanding; and
- Developed Transportation level flowcharts of the process (es), which are included in this report.

Evaluation of the Process and Controls Design and Testing of Operating Effectiveness

The purpose of this phase was to evaluate the design of the process and controls and test compliance and internal controls for operating effectiveness based on our understanding of the processes obtained during the first phase. We utilized sampling and other auditing techniques to meet our audit objectives outlined above.

We selected the two functional areas within Transportation: (1) bus drivers and attendants and (2) support personnel. We selected individual timesheets for twenty-five (25) drivers and attendants and fifteen (15) support personnel, including supervisors. Our period in scope was April 1, 2018 to June 30, 2018. We analyzed the payroll activity data for the period for the department to identify potential areas of risk, trends, and other indicators. We conducted the following testing, and other procedures as deemed necessary:

- Identified and assessed segregation of duties and user access controls (Kronos) for proper monitoring and appropriateness over timekeeping;
- Verified that time and attendance information (overtime, leave, compensatory time, special pay, etc.) agreed to appropriately approved and authorized supporting documentation;
- Determined if records and documentation for timekeeping are sufficient to establish an audit trail for all transactions involving employees' time;
- Determined if payroll changes/adjustments (including changes/adjustments after time has been approved by the Supervisor) are appropriately supported, authorized, and verified;
- Reviewed appropriateness of individual and overall time approval;
- Verified that hours paid agree to the supporting documentation (timesheets), is mathematically accurate and reasonable;
- Assessed by detailed testing the timekeeping-specific allegations noted in the anonymous letters written to the District and provided to us by the General Counsel's Office; and
- Reviewed the adequacy of pre- and post-payroll report review and whether the review was performed by appropriate persons.



OBJECTIVES AND APPROACH (CONTINUED)

Approach (continued)

Reporting

At the conclusion of our audit, we summarized our findings into this report. We have reviewed the results with the appropriate persons in Management, including the Superintendent, General Counsel, Director of Transportation, Assistant Superintendent of Operations, and the Director of Budget on September 5, 2018.

Provided below is the observation risk rating definitions for the detailed observations starting on the following page.

Observation Risk Rating Definitions	
Rating	Explanation
Low	Observation presents a low risk (i.e., impact on financial statements, internal control environment, brand, or business operations) to the organization for the topic reviewed and/or is of low importance to business success/achievement of goals.
Moderate	Observation presents a moderate risk (i.e., impact on financial statements, internal control environment, brand, or business operations) to the organization for the topic reviewed and/or is of moderate importance to business success/achievement of goals. Action should be in the near term.
High	Observation presents a high risk (i.e., impact on financial statements, internal control environment, brand, or business operations) to the organization for the topic reviewed and/or is of high importance to business success/achievement of goals. Action should be taken immediately.



OBSERVATIONS MATRIX

Observation	1. Segregation of Duties
High	<p>Proper segregation of duties in the timekeeping process should not allow any one person from having the ability to authorize and record their own time in the payroll software system.</p> <p>Of the forty (40) timesheets reviewed, we noted (1) is a Transportation Timekeeper whose timesheet was missing a supervisor's review. This Transportation Timekeeper has access and responsibility over entering time into TERMS.</p> <p>In addition, the Transportation Director was included in our original sample selection. We were informed that the Transportation Director, as well as all non-exempt positions in the District, are not required to complete a timesheet. As such, the Transportation Director's timesheets are not available for testing of proper completion and segregation of duties.</p> <p>Without the proper segregation of duties surrounding timesheets, time entry and payroll processing, the opportunity of the following could occur without being detected in a timely manner, if at all: 1) Human error, 2) Misappropriation of payroll funds, 3) Fraudulent time reporting, or 4) Other types of irregularities.</p>
Recommendation	<p>We recommend that all employees complete timesheets and that regardless of level, be approved by the level above the employee. This would entail:</p> <ul style="list-style-type: none"> • Supervisors (or equivalents) approve bus drivers and attendants. • All support personnel should be approved by their supervisor. • Coordinators approve supervisors and any assistant who directly reports to coordinators. • Director approves coordinator and any assistant who directly reports to director. • Policies and procedures on the review and approval of Department Directors' timesheets and exception pay.
Management's Action	<p>Response: Management concurs that no employee should have the ability to record and authorize their own time in the payroll system. The current process in Transportation is that each employee's timesheet is reviewed and approved by the employee's immediate supervisor at the conclusion of the pay period. Transportation Timekeepers submit their timesheets to the Director for authorization. Their time is input in TERMS by the Director's Administrative Assistant.</p> <p>Although the supervisor's review and authorization is part of the process, omission of the approval signature does not preclude the processing of the employee's payroll. Timesheet information is entered in TERMS by Timekeepers and the timesheet is returned to supervisor for amendment.</p> <p>Action plan</p> <p>Establish a clear, formal hierarchy for the review and authorization of every employee's hours worked as part of the District-wide Policy and Procedures Manual (see Observation #6). The basis of this hierarchy is that each employee's time is reviewed and authorized by their immediate supervisor up to and including the Director. This hierarchical approach would ensure that no timekeeper can record and authorize their own timesheet.</p> <p>Responsible Party: Transportation Department</p> <p>Estimated Completion Date: June 2019</p>



OBSERVATIONS MATRIX (CONTINUED)

Observation	2. Timesheet Accuracy, Verification, and Authorization
High	<p>We noted the following:</p> <p><u>Timesheet Accuracy</u> Employees should be paid for actual time worked. Through examination of documentation, we noted that support personnel employees (non-exempt) did not clock out for their lunch break, or clock back in upon their return. We noted for ten (10) of fifteen (15) support personnel timesheets tested, the employee did not clock out for their lunch break, or clock back in upon their return. We were unable to determine if this was appropriate as the policies and procedures are not clear on how breaks are to be treated.</p> <p><u>Employee Sign Off on Timesheet</u> In order to certify that hours worked and reported on their respective timesheets each pay period is accurate, all employees are required to sign off on their timesheet. Of the forty (40) individual timesheets reviewed, one (1) was not signed off by the employee. Additionally, three (3) timesheets lacked the employee signing the date on the timesheet. Employee review of timesheets is a mitigating factor that serves to identify errors prior to payroll processing.</p> <p><u>Timesheet Approval</u> Based on discussions with staff, we were informed that all timesheets require supervisor signature. Of the forty (40) individual timesheets reviewed, we noted that eleven (11) of the timesheets did not have the approval of the supervisor. These eleven (11) were isolated to the support personnel and were non-exempt employees This total represents 73% of all the support personnel timesheets we reviewed.</p> <p><u>Pre-Payroll Review and Reconciliation</u> It is our understanding that time from the manual timesheets and Kronos is combined into a spreadsheet by the Transportation Timekeepers, which is then manually entered into TERMS. Currently the Transportation Timekeepers perform a pre-payroll verification of the time entered into TERMS.</p> <p><u>Post Payroll Review and Reconciliation</u> We noted that there currently is no monitoring of the payroll expense after it has been incurred and no comparison to budget. We did note that the Director currently reviews a pre-payroll report; however, this report does not show actual expenditures.</p> <p>Because of the manually intensive timekeeping process, the review of pre-payroll exception input review of the timesheets to supporting documentation, which is currently being performed, and post-payroll review are key steps in detecting erroneous time reporting and over/under payments caused by human error.</p>



OBSERVATIONS MATRIX (CONTINUED)

Observation	2. Timesheet Accuracy, Verification, and Authorization (continued)
<p>Recommendation</p>	<p>We recommend the following:</p> <p><u>Timesheet Accuracy</u> The District should determine how lunches and breaks are to be captured for all employee types and should document these policies and procedures formally in writing. For example, the District could automatically deduct 1 hour/day for lunch breaks for hourly employees in accordance with FLSA standards, or could require the employees to clock in/out for lunch breaks each day. This should be part of the formal policies and procedures process as described in Observation #6.</p> <p><u>Employee Sign Off on Timesheet</u> As a best practice, employees should review their timesheets for each payroll period and approve to certify they agree with the timesheet information. This should be documented and dated by the individual employee.</p> <p><u>Timesheet Approval</u> All timesheets, regardless of level, be approved by the level above the employee. This would entail:</p> <ul style="list-style-type: none"> • Supervisors (or equivalents) approve bus drivers and attendants. • All support personnel should be approved by their supervisor. • Coordinators approve supervisors and any assistant who directly reports to coordinators. • Director approves coordinator and any assistant who directly reports to director. • Policies and procedures on the review and approval of Department Directors' timesheets and exception pay. <p><u>Pre-Payroll Review and Reconciliation</u> Transportation Timekeepers should perform a reconciliation between the timekeeping system of record (we recommend Transportation fully utilize Kronos throughout the department, see Observation #3) and TERMS, which should be independently reviewed and verified. This will ensure that uploaded data from Kronos is properly captured and calculated in TERMS before District Payroll performs their payroll processing.</p> <p><u>Post Payroll Review and Reconciliation</u> The Transportation Director should perform a formal post payroll review by, at least, comparing aggregate totals on post payroll reports to the applicable department's internal timekeeping records to verify accurate and complete processing. Any discrepancies identified from this review should be reported back to the District's Payroll Department in a timely manner. The post payroll review should be documented, so that there is a trail of the review and accountability. The documented review could include an electronic sign off, with the review date and saved to the shared drive. This will aid in the identification of payroll time entry errors, if any.</p> <p>On a quarterly basis, the payroll expense for the department should be aggregated into appropriate subcategories to properly monitor against the department budget and expectations of performance. In addition, Transportation should consider developing key performance indicators (KPIs) to help bolster their review over payroll and workforce management. This is further addressed in Observation #7.</p>



OBSERVATIONS MATRIX (CONTINUED)

Observation	2. Timesheet Accuracy, Verification, and Authorization (continued)
<p>Management's Action</p>	<p>Response: Management concurs that employees should be paid for all hours worked and that current department policies and practices are not clearly documented. All employees are indeed required to sign-off their timesheet, however, omission of the signature does not preclude the processing of the employee's payroll. Whenever signatures are missing Timesheet information is entered in TERMS by Timekeepers and the timesheet is returned to supervisor for amendment.</p> <p>Action plan</p> <p>The Director will document and clarify expectations for how employees lunch and break periods are to be captured for timekeeping purposes.</p> <ul style="list-style-type: none"> This action has been completed with the distribution of written directives from the Director. <p>Responsible Party: Transportation Department</p> <p>Estimated Completion Date: October 2018 [COMPLETED—September 2018]</p> <p>In order to eliminate the need for "paper signatures," management will investigate the practicality and possibility of electronic review and "sign-off" of employee timesheets utilizing KRONOS (or any other suitable automated system) for each payroll period.</p> <p>Responsible Party: Transportation Department</p> <p>Estimated Completion Date: June 2019</p> <p>Management will collaborate with district Payroll and IT to formulate a process by which the Director can perform a periodic post payroll review to compare the timekeeping system with TERMS.</p> <ul style="list-style-type: none"> Collaboration is complete. Director reviews total payroll labor hour review against TERMS at the end of each pay period. <p>Responsible Party: Transportation Department</p> <p>Estimated Completion Date: June 2019 [COMPLETED December 2018]</p> <p>Management will establish a list of Key Performance Indicators (KPI's) that are aligned with the district's overall strategic plan. Selected KPI's will be compared against national pupil transportation benchmarks for analysis and continuous improvement. Once in place, KPI's will be reviewed on a monthly basis by the Director.</p> <p>UPDATE: Director is currently using a rudimentary dashboard to monitor total labor hours paid to Bus Operators and Attendants at the conclusion of each pay period (see Appendix B). Work is in progress to establish the same dashboard for other Transportation support employees.</p> <p>Responsible Party: Transportation Department</p> <p>Estimated Completion Date: April 2019</p>



OBSERVATIONS MATRIX (CONTINUED)

Observation	2. Timesheet Accuracy, Verification, and Authorization (continued)
Management's Action	Action plan - continued Management will collaborate with district Payroll to determine and implement an effective method to monitor and document the working hours of Salaried-Exempt employees, perhaps a time log. <ul style="list-style-type: none">• Collaboration has been completed and time logs for Salaried-Exempt employees will be implemented in January 2019. Responsible Party: Transportation Department Estimated Completion Date: February 2019 [COMPLETED December 2018]



OBSERVATIONS MATRIX (CONTINUED)

Observation	3. Timekeeping Process
High	<p>We noted the following related to time entry:</p> <p><u>Time Tracking</u> Currently, the Transportation Department utilizes two methods to capture time- paper timesheets and the electronic system Kronos. Through interview of key Department employees and review of detailed documentation, we noted that many times employees will utilize both methods to track time for the same pay period. When the recorded time on paper and the time in Kronos do not agree, the Transportation Timekeepers will decide how to proceed on a case-by-case basis. They may or may not hold discussions with the employee and/or supervisor to determine which entries are correct. Thus, there is not a defined set of master timekeeping data for the Transportation Department, as sometimes the paper timesheets will be the source document for an employee's time and sometimes the Kronos records will be the source of information.</p> <p><u>Adoption of Timekeeping Software</u> Transportation's timekeeping process is largely manual. Manual procedures in a timekeeping process increase the risk of human error in data entry, fraudulent time reporting, and processing of unauthorized employee time, which can result in under/over payment of time worked. In addition, manual procedures can decrease workflow efficiency – manual steps; time spent interpreting unreadable timesheets; follow up on missing timesheets; recalculation of totals; tracking down supervisor approval; corrections; and dealing with other errors or irregularities in the source documents provided.</p> <p>Per discussions with District Payroll, there are departments who fully utilize Kronos for timekeeping. Transportation uses Kronos in an unofficial capacity for some employees but has not fully adopted Kronos as its automated timekeeping system department-wide. Bus drivers/attendants currently have no access to the system. Support personnel have access to the system, but we were not able to see a consistent pattern of use by all employees.</p> <p><u>Timekeeping System Training</u> Through our discussions with process owners and observations of system use, we noted a lack of general timekeeper knowledge of the system. General knowledge and comfortability of system use was inconsistent throughout the department. For example, employees were not able to provide Kronos timekeeping reports for an audit trail. In addition, employees were not aware that time could be approved in Kronos or that Kronos could track PTO requests, sick time, jury duty, etc.</p> <p>Without adequate training and regular guidance, users have developed their own understanding of Kronos and timekeeping methodologies, leading to inconsistencies and gaps in the timekeeping process in Transportation. This can lead to improper time entry or utilization of the system.</p>
Recommendation	<p>We recommend that the Kronos timekeeping system be consistently adopted for the entire Department. Utilizing an electronic system will reduce the time and effort needed to manually track and approve timesheets. The risk of error will decrease, as the system can be configured to calculate hours and track exception time.</p> <p>In addition, employees should be properly trained in the use of software and other technology used in the performance of their jobs. The training should be monitored and managed by the District.</p>



OBSERVATIONS MATRIX (CONTINUED)

Observation	3. Timekeeping Process (continued)
<p>Management's Action</p>	<p>Response: Management concurs that the current process for timekeeping and payroll is labor intensive, time consuming, redundant, and highly prone to errors and omissions. Transportation Timekeepers spend much of their time performing simple data entry and troubleshooting timesheets with errors and missing information; such as signatures.</p> <p>Action plan</p> <p>Management will collaborate with District Human Resources and Fiscal Services offices to explore the practicality and possibility of hiring a supervisory level payroll subject matter expert. This leadership role will be responsible for the department's compliance with all applicable Federal and State wage and hour laws, as well as, implementing District and industry best practices.</p> <ul style="list-style-type: none"> • Commitment to support this position has been reached at the district office. Work is in progress to identify and recruit a suitable applicant. <p>Responsible Party: Transportation Department</p> <p>Estimated Completion Date: February 2019 [COMPLETE—December 2018]</p> <p>Management will investigate the practicality and possibility of migrating timekeeping functions for all Transportation employees to KRONOS. If practical, Transportation will formulate a separate implementation plan.</p> <p>UPDATE: Management has scheduled a site visit in January with Orange County Schools Transportation for an overview of how that district uses KRONOS for Bus Operator/Attendant timekeeping.</p> <p>Responsible Party: Transportation Department</p> <p>Estimated Completion Date: June 2019</p> <p>Management will collaborate with district Payroll to formulate and implement formal training for Transportation Timekeepers, to include: generally accepted principals of timekeeping and payroll, Fair Labor Standards Act, along with sufficient technical training in KRONOS and TERMS to make them all "expert" level end users.</p> <p>Responsible Party: Transportation Department</p> <p>Estimated Completion Date: June 2019</p>



OBSERVATIONS MATRIX (CONTINUED)

Observation 4. Pre-approval of Overtime

High

Overtime may be necessary for employees for many reasons, including emergencies or unscheduled call-outs. While there is a business need for overtime, a process should exist to approve overtime prior to it being incurred. This could result in better budget and expenditure management for Transportation. Approving overtime after the fact does allow for some accountability and oversight, however it does not allow for real-time monitoring.

The Transportation Department appears to have an overtime approval process that was informal and inconsistently applied. During our testing of employee overtime, we noted that ten (10) timesheets out of thirty-four (34) with overtime, did not have documented approval for overtime. Of these, eight (8) were in the support personnel, which represents 53% of the items tested. In addition, we noted one (1) overtime calculation was incorrect by ½ hour due to a footing error. All of the employees tested were non-exempt employees under the Fair Labor Standards Act (FLSA) and thus entitled to overtime pay.

Without proper controls in place to approve overtime, the District could inadvertently pay employees for unnecessary overtime.

There is risk that if employees are able to consistently work a significant number of hours of overtime, employees may establish their lifestyle based not on their base pay, but total earnings, consequently creating an expectation and/or perceived entitlement to those hours. In addition, with the District being a public sector entity, they are subject to required salary disclosures that may create negative public opinion due to perception of unrealistic or above market pay and how that relates to the taxes collected by the District.

Below is a breakdown of the top ten (10) bus drivers and attendants and support personnel employees with the highest overtime amount as a percentage of their regular wages for the FYs 2016-2018. As demonstrated below, employees are earning up to 50% of their total wages in overtime.

FY 2018 Bus Drivers/ Attendants					
Employee	Job Title	Reg Wages	OT	Total	OT %
Felipe Salazar	Bus Driver	\$ 24,919	\$ 31,119	\$ 56,038	56%
Deidra Duffell	Bus Driver	21,650	24,752	46,402	53%
Clara Almanzar	Bus Driver	18,613	20,076	38,690	52%
Jose Ruiz-Rivera	Bus Driver	16,950	18,026	34,975	52%
Janet Hundley	Bus Driver	24,903	25,083	49,985	50%
Lora Falconer	Bus Driver	18,862	18,963	37,825	50%
Judy Peters	Bus Driver	21,275	20,414	41,689	49%
Rafael Acevedo	Bus Driver	29,183	27,982	57,165	49%
Majda Harakat-Squafi	Bus Driver	16,606	15,702	32,308	49%
Jose Hernandez	Bus Driver	21,980	19,668	41,648	47%
		\$ 214,940	\$ 221,785	\$ 436,725	51%

FY 2018 Support Personnel					
Employee	Job Title	Reg Wages	OT	Total	OT %
Evandro Fracasso	Mechanic	\$ 45,747	\$ 17,241	\$ 62,988	27%
Francisco Ortega Gonzalez	Lead Mechanic	51,395	17,988	69,383	26%
Audra Rodriguez	Computer Routing Tech	35,715	12,355	48,070	26%
Patricia Chesnut	Supervisor - Transp Ops	58,390	18,919	77,309	24%
Kristina Moses	Area Manager	39,789	12,113	51,902	23%
Martha Melendez	Student Rec Clerk - Transp	32,247	9,721	41,967	23%
Gladys Felix-Davis	Transportation Trainer	39,510	11,753	51,263	23%
Adriana Fracasso	Area Manager	59,323	17,389	76,711	23%
Jose Espiet	Lead Mechanic	52,948	15,189	68,137	22%
Daniel Gutierrez	Bookkeeper	39,275	11,051	50,326	22%
		\$ 454,339	\$ 143,718	\$ 598,057	24%



OBSERVATIONS MATRIX (CONTINUED)

Observation	4. Pre-approval of Overtime (Continued)					
	FY 2017 Bus Drivers/ Attendants					
	Employee	Job Title	Reg Wages	OT	Total	OT %
	Janet Hundley	Bus Driver	\$ 20,085	\$ 20,264	\$ 40,349	50%
	Lora Falconer	Bus Driver	17,682	15,096	32,778	46%
	Judy Peters	Bus Driver	18,887	15,083	33,970	44%
	Felipe Salazar	Bus Driver	20,195	15,757	35,952	44%
	Joan Brown	Bus Driver	22,719	17,717	40,436	44%
	Deidra Duffell	Bus Driver	22,674	17,209	39,883	43%
	Margie Foust	Bus Driver	19,012	14,345	33,357	43%
	Teresa Rios	Bus Driver	15,326	11,486	26,811	43%
	Beatriz Diaz	Bus Driver	13,619	10,202	23,821	43%
	Patricia Bancelin	Bus Driver	15,902	11,796	27,699	43%
			\$ 186,101	\$ 148,955	\$ 335,055	44%
	FY 2017 Support Personnel					
	Employee	Job Title	Reg Wages	OT	Total	OT %
	Evandro Fracasso	Mechanic	\$ 45,107	\$ 21,499	\$ 66,605	32%
	Joshua Fix	Mechanic	38,380	17,158	55,537	31%
	Daniel Gutierrez	Bookkeeper	38,947	17,136	56,083	31%
	Audra Rodriguez	Comp Routing Tech/Clk Typist	28,821	12,102	40,923	30%
	Gladys Felix-Davis	Transportation Trainer	35,988	14,880	50,868	29%
	Lawana Henry	Clerk Typist	31,652	12,193	43,845	28%
	Damaris Pagan	Clerk Typist/Area Manager	30,597	11,673	42,271	28%
	Michael Bundy	Transportation Trainer	44,437	16,449	60,886	27%
	Joy Threadgill	Area Manager	57,908	20,634	78,542	26%
	Bobbie Sandoval	Parts Clerk	34,440	11,970	46,410	26%
			\$ 386,276	\$ 155,694	\$ 541,969	29%
	FY 2016 Bus Drivers/ Attendants					
	Employee	Job Title	Reg Wages	OT	Total	OT %
	Janet Hundley	Bus Driver	\$ 16,643	\$ 21,441	\$ 38,084	56%
	Juan Andino	Bus Driver	17,868	20,189	38,057	53%
	Wilfredo Reyes	Bus Driver	12,397	13,983	26,380	53%
	Douglas Kendel	Bus Driver	14,989	15,398	30,388	51%
	Erick Arteaga	Bus Driver	5,337	5,435	10,772	50%
	Margie Foust	Bus Driver	15,885	16,097	31,982	50%
	Judy Peters	Bus Driver	15,885	16,056	31,941	50%
	Carmen Pallavicine	Bus Driver	11,637	11,489	23,126	50%
	Janet Koudelka	Bus Driver	17,050	16,103	33,154	49%
	Kimberly Ireland	Bus Driver	14,639	13,517	28,156	48%
			\$ 142,330	\$ 149,709	\$ 292,039	51%
	FY 2016 Support Personnel					
	Employee	Job Title	Reg Wages	OT	Total	OT %
	Martha Melendez	Student Rec Clerk/Clerk Typist	\$ 28,705	\$ 15,640	\$ 44,345	35%
	Gladys Felix-Davis	Transportation Trainer	14,278	7,582	21,860	35%
	Bobbie Darius	Parts Clerk	33,613	17,446	51,059	34%
	Francisco Ortega Gonzalez	Mechanic/ Lead Mechanic	47,446	22,380	69,826	32%
	Diane Torrens	Clerk Typist	19,043	8,943	27,986	32%
	Amy Taylor	Field Trip Coordinator/Clerk Typ	29,333	13,245	42,577	31%
	Evandro Fracasso	Mechanic	44,917	19,778	64,695	31%
	Damaris Pagan	Clerk Typist	28,480	12,255	40,736	30%
	Lawana Henry	Clerk Typist	31,615	13,457	45,072	30%
	Adriana Fracasso	Area Manager	45,202	18,805	64,007	29%
			\$ 322,632	\$ 149,532	\$ 472,164	32%
Recommendation	We recommend that overtime be pre-approved, including date of approval, by the Supervisor responsible for approving the employee's timecard. All evidence of approval should be documented retained in accordance with the District's retention policy. Pre-approval of overtime should be provided to Transportation Timekeepers in support of the overtime incurred each pay period, and if not received, the District should consider an appropriate disciplinary response to implement. This process should be documented in the policies and procedures as described in Observation #6.					



OBSERVATIONS MATRIX (CONTINUED)

Observation	4. Pre-approval of Overtime (Continued)
Management's Action	<p>Response: Management concurs that overtime does not currently receive the pre-approval of the employee's supervisor. This practice appears to have emerged over a period of time as a result of Bus Operator staffing shortfalls and higher than usual daily absenteeism rate.</p> <p>Action plan</p> <p>Management will formulate and implement a defined process for determining when and if overtime is justifiable and necessary. This process will include a requirement that any overtime is approved in advanced by the employee's supervisor.</p> <p>Responsible Party: Transportation Department</p> <p>Estimated Completion Date: January 2019</p>



OBSERVATIONS MATRIX (CONTINUED)

Observation	5. Timekeeping System Lockdown and Notifications
High	<p>Through our analysis of timekeeping records, we noted the following:</p> <p><u>Timekeeping Notifications</u> Timekeeping records should be notified to the proper departments within a timely and efficient manner. District payroll is currently notified via email from Transportation when timesheets are ready for processing. If an email is not received, Payroll must manually contact the department to confirm the timesheets are complete, creating a timing issue for payroll processing. By relying on manual communication from the department to assert timekeeping activities are complete, the District risks utilizing timesheet data that is not complete and / or delaying the payroll process.</p> <p><u>Timekeeping System Lockdown</u> Once employee time has been finalized by the Transportation Timekeepers and submitted to District Payroll for processing, it should not be edited. Currently, employee timesheets are editable in Kronos after Payroll has begun their process. Additionally, the opportunity exists for managers or timekeepers to edit employee timesheets after payroll is processed, leading to variances between Kronos and paper timesheets and misstatement of employee time, obscuring the audit trail.</p>
Recommendation	<p>We recommend the following:</p> <p><u>Timekeeping Notifications</u> Transportation, with assistance from the District, develop an automatic queue within Kronos to notify Payroll when the timekeeping is complete for the pay period. This will help create a smooth process flow and reduce the timing issues created by manual notifications</p> <p><u>Timekeeping System Lockdown</u> Once Kronos is fully adopted, a final lockdown of the departments' time entry files in Kronos should be implemented to prevent any changes to the underlying Kronos systems after payroll has been processed. This will protect the audit trail of employee pay.</p>
Management's Action	<p>Response: Management concurs that the current process for timekeeping and payroll is time consuming, redundant, human powered and highly prone to errors and omissions. Further, the manual notification that the department is ready for Payroll processing at the district office could lead to unnecessary delays. This current process appears to have evolved over the years to ensure that employees are paid from the most accurate timekeeping data possible to preclude short payments.</p> <p>Action plan</p> <p>Management will collaborate with district Payroll and IT departments to explore the practicality and possibility of establishing an automated queue for the upload of timekeeping data. This process will include a lockdown period in which no further modifications can be made.</p> <p>Responsible Party: Transportation</p> <p>Estimated Completion Date: June 2019</p>



OBSERVATIONS MATRIX (CONTINUED)

Observation	6. Standardized Policies and Procedures
High	<p>Currently, there are no centralized formal District-wide Timekeeping Policies and Procedures in place, nor are there formal written department-level procedures for Transportation.</p>
	<p>Centralized, standardized, and documented procedures provide vital information to employees in the event of absence and employee turnover, and assist with succession/back up planning or other occurrences. Documented policies and procedures provide detailed instruction to assist in accurate and consistent process functioning, monitoring and reporting. This practice also provides management with a benchmark to monitor against to ensure that staff performs processes that are consistent, accurate, on schedule, and that are properly reviewed, where applicable.</p> <p>Consistent standardized policies and procedures reduce errors, number of corrections needed, opportunities for misuse or fraud, and strengthens the ability to provide proper management over timekeeping and payroll processing.</p>
Recommendation	<p>We recommend the following:</p> <ul style="list-style-type: none"> • The District should create a formalized Timekeeping Policy and Procedure manual that is to apply to all Departments. The Timekeeping Policy and Procedure manual should detail the timekeeping process and payroll timeline. The procedures should also include definitions of the various roles as it relates to timekeeping: Employee, Timekeeper, Supervisor, Department Director, Payroll, etc. There should also be a provision for how long records are to be maintained. • If needed, the Transportation Department in turn should create their own manual that standardizes the requirements for compliance, including, but not limited to the items noted in Observations #1 through #4. There are considerations applicable to Transportation such as compliance with bargaining agreements, etc. which are department-specific and should be documented and formalized. Any deviations from the District-wide policies and procedures must be approved by the District. • Conduct a mandatory Transportation-wide training when the policies and procedures are finalized and issued. Attendance should be mandatory for all Transportation employees. Periodic training for updates should be performed and attended by new persons involved in the process and as a refresher to existing persons. Training attendance should be maintained for each employee that attends to ensure all personnel with timekeeping responsibilities complete the necessary training. • Review policies and procedures at least annually, and update the procedures as needed (include the revised date within the document). Updated policies and procedures should be distributed to all departments within a week of implementation.



OBSERVATIONS MATRIX (CONTINUED)

Observation	6. Standardized Policies and Procedures (continued)
<p>Management's Action</p>	<p>Response: Management concurs that timekeeping and payroll policy and procedures are not centrally documented.</p> <p>Action plan</p> <p>Transportation management will create a departmental process manual that standardizes the department's timekeeping and payroll procedures.</p> <p>Responsible Party: Transportation Department</p> <p>Estimated Completion Date: May 2019</p> <p>Transportation staff will conduct mandatory training once the timekeeping and payroll policies and procedures are finalized and issued.</p> <p>Responsible Party: Transportation Department</p> <p>Estimated Completion Date: August 2019</p> <p>Management will establish an annual cycle for the review of timekeeping and payroll processes and procedures.</p> <p>Responsible Party: Transportation Department</p> <p>Estimated Completion Date: June 2019</p>



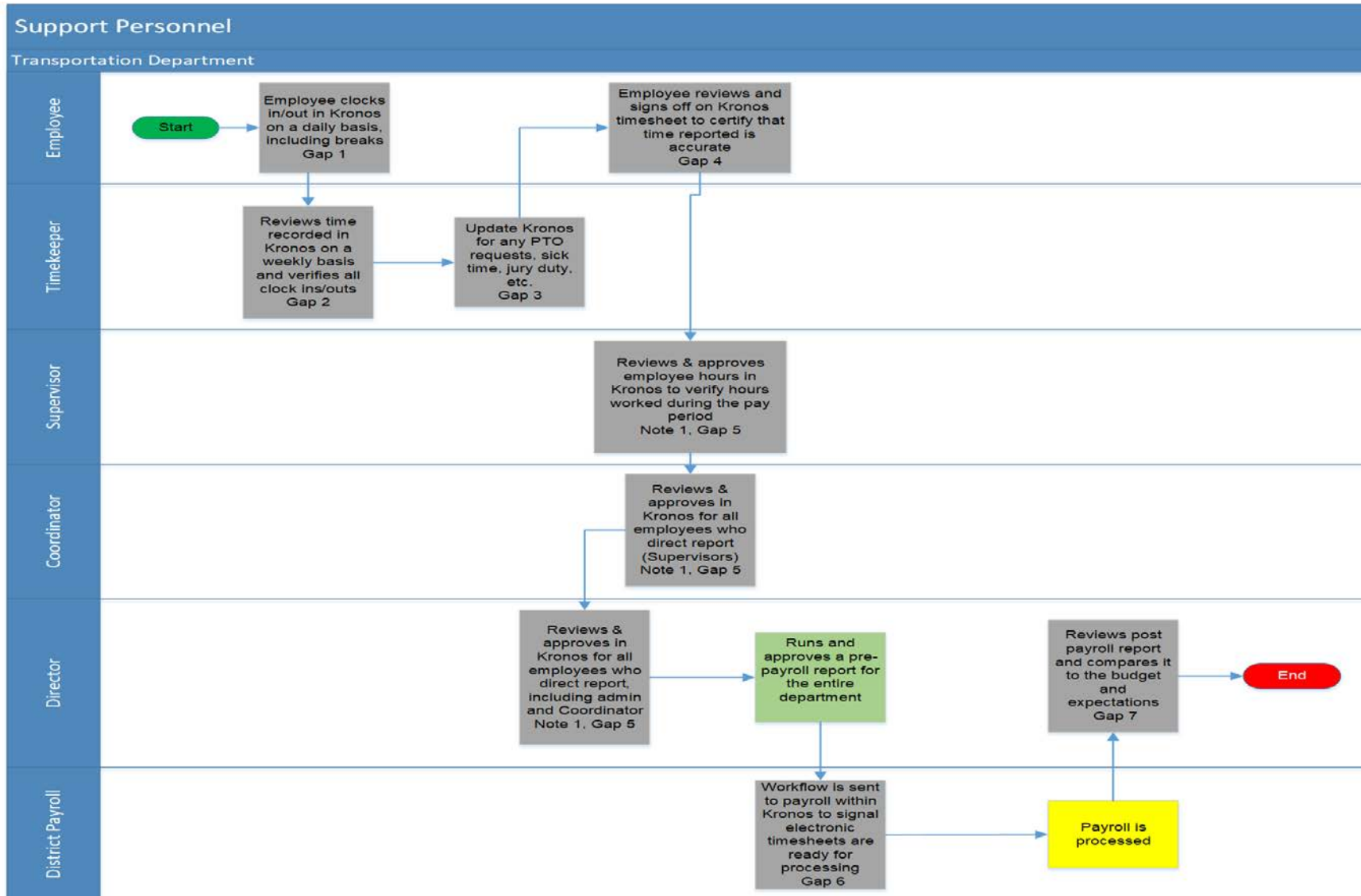
OBSERVATIONS MATRIX (CONTINUED)

Observation	7. Department Staffing Monitoring
High	<p>Through our audit procedures and as documented in detail in Observation #4, we noted that there is a substantial population of employees who receive a high percentage of their pay through overtime. The use of overtime may have the unintended consequence of masking the need to add new employees or allowing for the development of employees to obtain this critical knowledge and skillset. To determine if the overtime is excessive or in line with expectations, Transportation should monitor against a detailed and real-time staffing plan.</p> <p>Transportation currently does not have a formalized staffing plan. A staffing plan should be created so as to monitor the progress and effectiveness of department operations. Key data to include in the plan includes current routes, known field trips or other “additional” bus driver tasks, estimated number of driver call outs, current permanent and substitute staffing levels, etc. Key Performance Indicators (“KPIs”) should be defined by Transportation and included in the plan, and should be monitored on a regular basis. Management could consider KPIs such as, but not limited to:</p> <ul style="list-style-type: none"> • Overtime amounts per employee • Overtime costs in relation to hiring of full-time employee (FTE), including employee benefit costs <p>Strategic KPIs monitor the implementation and effectiveness of an organization's strategies, determine the gap between actual and targeted performance and determine organizational effectiveness and operational efficiency. Lack of monitoring of KPIs or the use of poorly functioning KPI's impedes management's ability to make the best decisions for the organization due to the lack of objective and strategically aligned performance feedback.</p>
Recommendation	<p>We recommend that Transportation create a staffing plan in relation to the District's overall strategic goals, and during this process, should identify the relevant KPI's. The staffing plan should also determine how often the KPIs should be monitored, by whom, and include a communication plan to appropriate levels for any KPIs that are not hitting their target. This plan should be formally documented in the processes and procedures manual (Observation #6) and reviewed for relevance on an annual basis, or whenever there is a major change in the industry or the environment.</p>
Management's Action	<p>Response: Management concurs that there is a high number of employees who are receiving additional and/or overtime pay due to the number of vacant Bus Operator positions and high daily absenteeism.</p> <p>Action plan</p> <p>Management will formulate and implement a staffing plan that aligns with the District's strategic plan. This plan will be monitored via the KPI's that will be established as a result of Observation #2.</p> <p>Responsible Party: Transportation Department</p> <p>Estimated Completion Date: June 2019</p>



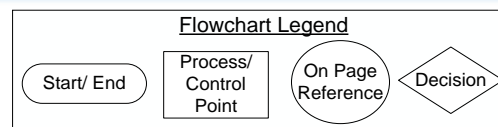
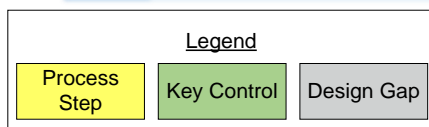
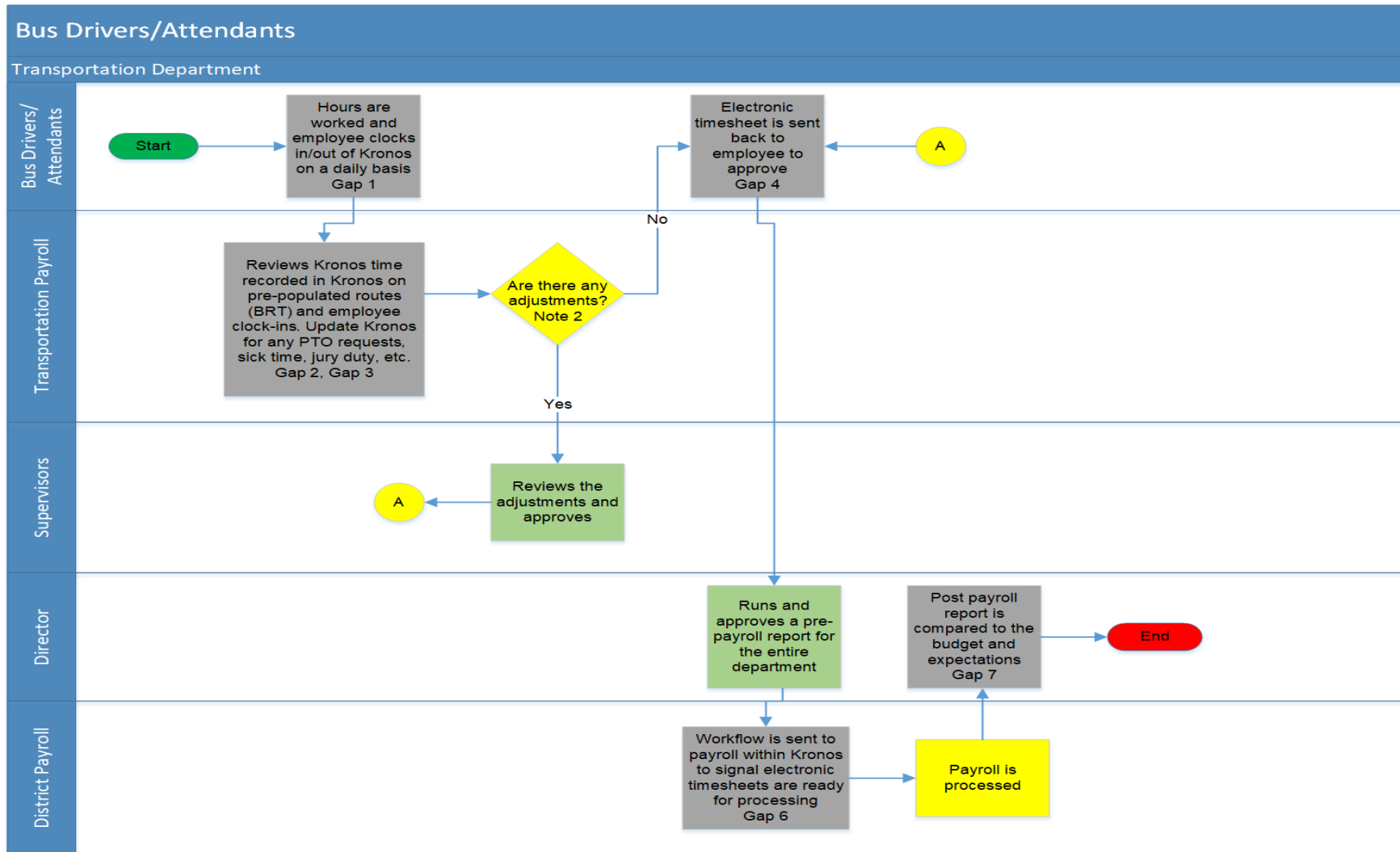
PROCESS MAPS

The flow chart on the following pages illustrates the best practice processes for timekeeping for support personnel and bus drivers/attendants. Process gaps in the current timekeeping procedures are identified and outlined on the following pages.





PROCESS MAPS (CONTINUED)





PROCESS MAPS (CONTINUED)

Gaps Identified in the Existing Process

Gap 1: Not all department employees can electronically clock in/out. Employees still use a physical timesheet to record employee time (see Observation 3).

Gap 2: Timekeepers are unaware of report features in Kronos (see Observation 3).

Gap 3: Timekeepers are not currently using Kronos to track PTO, sick-time, jury duty, etc. (see Observation 3).

Gap 4: No electronic timesheets are used. Employees still use a physical timesheet to record employee time (see Observation 3).

Gap 5: Supervisors (or equivalent) are not approving time records for employees who direct reports (see Observation 2).

Gap 6: No electronic timesheets are used. Employees still use a physical timesheet to record employee time (see Observation 3).

Gap 7: No post-payroll review comparing budget to expectations is performed (see Observation 2).

Additional Notes

Note 1: Errors can be identified at any level of review. To correct an error, all approvals must be removed in Kronos before corrections are made.

Note 2: Adjustments include round-up, field trips, activities, etc.



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