

# **Audit of Payroll System**

**February 15, 2019**

**Report #2019-02**



## **MISSION STATEMENT**

The School Board of Palm Beach County is committed to providing a world class education with excellence and equity to empower each student to reach his or her highest potential with the most effective staff to foster the knowledge, skills, and ethics required for responsible citizenship and productive careers.

Donald E. Fennoy II, Ed.D.  
Superintendent of Schools

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# Audit of Payroll System

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# Audit of Payroll System

## EXECUTIVE SUMMARY

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Pursuant to the *Office of Inspector General's (OIG) 2017-18 Work Plan*, we have audited the District's Payroll system for the period of July 1, 2015 through June 30, 2018. The primary objectives of this audit were to (1) evaluate the adequacy of controls for payroll processing, (2) determine the completeness of personnel records and forms for newly hired employees, and (3) determine the accuracy and timeliness in processing payroll adjustments. The audit produced the following major conclusions:

### 1. Adequate Internal Controls

The OIG performed tests to determine if controls were adequate in ensuring (a) paychecks were issued to legitimate employees, (b) newly hired employees had valid social security numbers, (c) critical staff duties were segregated, (d) off-cycle payrolls were handled accordingly, and (e) salaries for newly hired employees were set properly. The tests revealed no exceptions in the above areas, and the controls appeared adequate.

### 2. Some Personnel Records/Forms Missing for New Employees

During Fiscal Years 2017 and 2018, the District hired 6,405 and 6,058 new employees respectively. The OIG reviewed the personnel records for 60 sample new employees to determine if the new employment documentation was complete and salary information was accurate. We noted that some required records/forms were missing for 12 of the 60 sample new employees. Missing forms included one *Employment Reference Verification Form*, six *Public Record Exemption Forms*, four *Online New Employee Orientation (NEO) Forms*, and one *Collection & Use of Social Security Collection Notice*.

### 3. Payroll Overpayments

The District spends approximately \$1.1 billion in payroll per year. According to the Accounting Services Department, a total of \$476,665 in payroll overpayments were processed during Fiscal Years 2016, 2017, and 2018: \$157,024 in Fiscal Year 2018, \$167,375 in Fiscal Year 2017, and \$152,266 in Fiscal Year 2016. As of November 30, 2018, the District has recouped \$350,519 (74%) of the \$476,665 overpayments from current and former employees.

Based on the District's *Fringe Benefit Rate Schedules*, the District also incurred \$73,669 in additional expenses<sup>(1)</sup> in the Florida Retirement System "FRS" contributions, and Social Security & Medicare taxes due to the payroll overpayments. Consequently, total overpayments including fringe benefits was \$550,334 (\$476,665 + \$73,669) during Fiscal Years 2016 through 2018.

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<sup>(1)</sup> The OIG's analysis does not include the medical insurance benefits. The Patient Protection and Affordable Care Act of 2010 (PPACA) disallows the District from recouping the health insurance costs. Specifically, "*Plan sponsors and/or insurers cannot terminate coverage effective with a date in the past even if the member was covered in error.*"

The recoupment of overpayments from active employees is being handled through the District's PeopleSoft Payroll System and would automatically adjust the fringe benefits expenses paid by the District. As a result, as of November 30, 2018, the remaining overpayments in fringe benefits was \$19,573 <sup>(2)</sup>; and the remaining total overpayments including fringe benefits was \$145,719 (\$476,665 – \$350,519 + \$19,573).

The \$183,445 (\$550,334 ÷ 3) in average payroll overpayments per year was about 0.02% of the District's average annual payroll of \$1.1 billion.

#### **4. Retroactive Pays Processed Timely**

During Fiscal Year 2018, the Payroll Section processed a total of \$13,015,346 in 23,892 <sup>(3)</sup> retroactive pays due to pay rate adjustments.

To determine the accuracy and timeliness in processing the retroactive pays, the OIG reviewed the calculations of 50 retroactive payments, totaling \$34,509.12, for 30 random sample employees. The review noted that all sample retroactive payments were timely processed.

#### **5. Access to PeopleSoft Not Timely Removed from Four Terminated/Transferred Employees**

As of April 12, 2018, a total of 135 persons (31 District employees at six locations, and 104 employees at 45 charter schools) had access to update salary information screens in the PeopleSoft System. The review of these 135 users revealed that access to the PeopleSoft System for four transferred/terminated employees was not timely removed. These four employees included: (a) two District employees transferred from the Compensation & Employee Information Services Department to the Professional Standards Department on April 3, 2014, and September 7, 2017; and (b) two charter school employees who resigned from the charter schools on August 24, 2016, and June 25, 2017 respectively, and were subsequently employed by other charter schools. Since access to update salary information was needed only for their prior positions, it should be removed promptly. The OIG noted no irregularities by these four employees and provided the audit conclusions to Human Resources and Information Technology for ratification in April 2018.

***Management's Response:*** *Concurs. (Please see page 11.)*

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<sup>(2)</sup> Of the \$476,665 in payroll overpayments, \$12,890 (3%) were overpayments to former employees who abandoned their job. OIG's estimate of recoupment in fringe benefits was based on the assumption that all the payroll recoupments were received from active employees through the District's PeopleSoft Payroll System.

<sup>(3)</sup> Some employees may have received retroactive pay adjustments during the year for District-wide salary adjustments, and other adjustments due to job reclassifications, promotions, etc.



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DONALD E. FENNOY II, Ed.D., SUPERINTENDENT

## MEMORANDUM

TO: Honorable Chair and Members of the School Board  
Donald E. Fennoy II, Ed.D., Superintendent  
Chair and Members of the Audit Committee

FROM: Lung Chiu, CPA, Inspector General

DATE: February 15, 2019

SUBJECT: Audit of Payroll System

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### PURPOSE AND AUTHORITY

Pursuant to the *Office of Inspector General's (OIG) 2017-18 Work Plan*, we have audited the District's Payroll system for the period of July 1, 2015 through June 30, 2018. The primary objectives of this audit were to (1) evaluate the adequacy of controls for payroll processing, (2) determine the completeness of personnel records and forms for newly hired employees, and (3) determine the accuracy and timeliness in processing payroll adjustments.

### SCOPE AND METHODOLOGY

This audit was conducted in accordance with *Generally Accepted Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence we obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The audit scope included Fiscal Years 2016, 2017 and 2018, and (1) on-site observations at selected schools and departments to verify that payrolls were issued to only District employees, and (2) interview with District staff. The audit also reviewed the following:

- *Florida Statute 1012.47, Absence without leave*
- *School Board Policies:*
  - *3.08 - District Personnel Files*
  - *3.10 - Conditions of Employment with the District and District Procedures*
  - *2.501 - Information Security – Access Control Policy*

- Relevant School District’s Operating Procedures, including:
  - Payroll/Accounting Services – Administrative Policies & Procedures Manual
  - Balance of Payment (BOP) Deferred Retro Procedures
  - Information Technology’s Standard Operating Procedures
  - Procedures for creation and maintenance of employee records in PeopleSoft for payroll processing
  - Procedures for processing for payroll processing and reconciliation
- Payroll transactions for Fiscal Years 2017 and 2018.

Audit conclusions were provided to staff during the audit so that necessary actions could be taken immediately. The draft report was sent to management for review and comments. Management comments are included in the Appendix. We appreciate the courtesy and cooperation extended to us by staff during the audit. The final draft report was included in the February 15, 2019, Audit Committee Meeting Agenda.

## BACKGROUND

The Payroll Section of the Accounting Services Department is responsible for the accurate and timely payment of employee wages. The District uses the PeopleSoft System to process employee payroll. District employees are paid biweekly on Fridays for the two-week periods ending one week prior to the paydays.

Employee work time and attendance is the basis for the payroll computing process. Regular non-exempt and temporary employees report their work hours through the Time Collection Devices (TCDs). Employee work hours captured by TCDs are automatically transferred into the PeopleSoft System for record keeping and payroll processing. Regular exempt employees are paid on contractual amounts or established salary schedules.

The Payroll Section processes paychecks for approximately 28,000 employees with estimated annual payroll expenses of \$1.1 billion for Fiscal Year 2018. (Please see Table 1.)

**Table 1  
District’s Payrolls for Fiscal Years 2016, 2017, and 2018**

Employee Type	FY16		FY17		FY18	
	# of Employees	Payroll Expenses	# of Employees	Payroll Expenses	# of Employees	Payroll Expenses
Regular Administrative	1,199	\$101,593,369.50	1,274	\$113,463,690.14	1,326	\$118,624,773.01
Regular Instruction	12,599	\$673,101,110.80	12,707	\$691,391,765.85	12,883	\$ 727,045,914.13
Regular Non-instruction	7,888	\$203,411,209.56	8,035	\$217,337,474.10	8,171	\$ 222,222,897.48
Temp Instructional	4,032	\$22,365,420.79	3,834	\$22,317,108.58	3,717	\$23,149,633.96
Temp Non-instructional	1,963	\$10,327,445.13	1,978	\$11,153,381.37	1,882	\$10,714,058.60
<b>Total</b>	<b>27,681</b>	<b>\$1,010,798,555.78</b>	<b>27,828</b>	<b>\$1,055,663,420.04</b>	<b>27,979</b>	<b>\$ 1,101,757,277.18</b>

*Source: PeopleSoft System and Accounting Services Department*



## CONCLUSIONS

The audit produced the following major conclusions:

### 1. Adequate Internal Controls

The OIG performed tests to determine if controls were adequate in ensuring (a) paychecks were issued to legitimate employees, (b) newly hired employees had valid social security numbers, (c) critical staff duties were separated, (d) off-cycle payrolls were handled accordingly, and (e) salaries for new employees were set properly.

(a) Payroll Checks Issued to Legitimate District Employees. To ascertain if payrolls were paid to legitimate employees, the OIG performed on-site observations at five sample locations (three departments and two schools) during May 2017. These five sample locations had a total 1,057 employees on payroll during May 13 through 26, 2017. During the on-site visits at the five sample locations, the OIG interviewed a total of 35 employees. To minimize the interruptions to staff at the schools and departments operations, we performed the following to verify the accuracy of the payroll lists at each location:

- To verify if all employees on the payroll lists were active District employees, we interviewed at least two non-Payroll Contact staff, such as school principal/department head and supervisory staff.
- We interviewed five random sample employees and inspected their employee ID badges. If the sample employees were not available, we reviewed their approved leave application forms.

No exceptions were noted during the on-site observations at the above locations.

(b) Application Controls. Pursuant to **School Board Policy 3.09(3)(b)(v), Social Security Numbers**, states

*“The School District shall collect the social security number of each applicant and employee ... for such purposes as may be directed by the employee, such as direct deposit of wages or salary, payroll deductions, etc.”*

The PeopleSoft System requires a valid social security number be entered into the system for creating a new employee record. With the assistance of Compensation and Employee Information Services Department, the OIG conducted testing by attempting to create new employee records: (1) entering the social security numbers of a random sample of three employees<sup>(4)</sup>, (2) omitting the social security number<sup>(5)</sup>, and (3) entering fictitious social security numbers beginning “000” and “666”<sup>(6&7)</sup>. The system rejected the entries in all

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The system rejected the entries with the following error messages:

<sup>(4)</sup> “A National ID cannot be used within the same country for two different individuals...”

<sup>(5)</sup> “Warning – Social Security Number should be entered for US Employees...”

<sup>(6)</sup> “Social Security Number cannot begin with 000 or 666...”.

<sup>(7)</sup> According to Social Security Administration, no social security numbers will be issued beginning with the numbers “000” or “666”. (Source: <https://www.ssa.gov/kc/SSAFactSheet--IssuingSSNs.pdf>)

three scenarios with the appropriate error messages. Our testing of the need for a valid social security number for employee payroll concluded that the system control in social security number is working as intended.

- (c) Segregation of Duties Adequate. The review concluded that separation of duties appeared adequate. Segregation of duties is an important internal control procedure designed to reduce the risk of loss due to intentional or unintentional errors and fraud in a financial system. Adequate segregation of duties includes separation of the custodial, recording, authorizing and reconciliation functions. The OIG reviewed (1) the District's payroll processing procedures, and (2) four sample pay-periods reconciliation between the payroll registers and the General Ledger. Specifically, the Compensation & Employee Information Service Department is responsible for maintaining employee job and salary information, each department and school is responsible for verifying and approving the work hours of their employees, and the Payroll Section of the Accounting Services Department is responsible for processing and reconciliation of payroll.
- (d) Off-Cycle Payroll Consistent With Procedures. The on-cycle payroll is the District's regular bi-weekly payroll. Off-cycle processing refers to processing payments and making payroll corrections outside the normal (on-cycle) payroll processing. Off-cycle processing is scheduled only as needed, such as correcting errors, early termination payments, annual leave pay-outs, reissuing paychecks when direct deposits were returned by the banks due to various reasons such as closed or invalid bank accounts, etc.

A total 1,940 off-cycle payroll checks totaling \$1,078,046.22 were processed during Fiscal Years 2017 and 2018. The OIG reviewed 20 sample off-cycle payroll checks. The review concluded that all of them were processed with the required documentation and approvals for the off-cycle payroll runs in accordance with the Accounting Services internal policies and procedures.

- (e) New Employees' Salaries Complied With District Guidelines. The OIG reviewed the initial pay rates for 60 sample new employees hired during Fiscal Years 2017 and 2018. Our review concluded that these new employees' initial pay rates were properly approved and consistent with the District's salary schedules and guidelines.

***Management's Response:*** *Management concurs that controls are adequate. As the Inspector General indicates, our department pays in excess of \$1.1 Billion in wages to roughly 28,000 employees on a bi-weekly basis which equates to approximately 725,000 paychecks annually. (Please see page 11.)*

## **2. Some Personnel Records/Forms Missing for New Employees**

During Fiscal Years 2017 and 2018, the District hired 6,405 and 6,058 new employees respectively. The OIG reviewed the personnel records for 60 sample new employees to determine if the employment documentation was complete and salary information was accurate.

Some Forms for New Employees Missing. Some required records/forms were missing for 12 of the 60 sample new employees. Missing forms included one *Employment Reference Verification Form*, six *Public Record Exemption Forms*, four *Online New Employee Orientation (NEO) Forms*, and one *Collection & Use of Social Security Collection Notice*. (Please see Table 2.)

**Table 2**  
**Personnel Records/Forms Missing**

Type of Records/Forms Missing	Number of New Employees
Employment Reference Verification Form	1
Public Record Exemption Form	6
Online New Employee Orientation (NEO) Form	4
Collection & Use of Social Security Collection Notice	1
<i><b>Total</b></i>	<i><b>12</b></i>

Public Records Exemption Forms Not Completed By Employees. The District replaced the hard-copy *Public Records Exemption Forms* with the online (Self-Service) Public Records Exemption Forms beginning March 20, 2017. The *Instruction for Onboarding* states that, “these mandatory requirements must be completed within 30 calendar days of receiving access.” However, six of the 60 sample employees hired during August 2017 and June 2018 had not completed the *Public Records Exemption Forms* in the PeopleSoft System as of October 5, 2018.

Pursuant to *Chapter 119, Florida Statutes*, “every person who has custody of a public record shall permit the record to be inspected and copied by any person desiring to do so....providing access to public records is a duty of each agency.” Therefore, it is important to acknowledge that if an employee has not submitted this form in a timely fashion, the District could inadvertently disclose confidential information, such as home address and telephone numbers (including unlisted/unpublished numbers), and photograph, in response to a public records request.

**Recommendation**

The Human Resources Department should ensure that new employees have (1) completed all the required forms prior to working at the School District, and (2) complete the online *Public Records Exemption Forms* in the PeopleSoft System within 30 calendar days after receiving access to the PeopleSoft System.

***Management’s Response:** Management concurs with the recommendation in this area. The recruiting process has been revised and the associated employees trained to detail with a standard consistent process to clear a new hire, including associated paperwork. Human Resources (HR) is in process of revisiting the processing of the Public Record Exemption Form. (Please see page 11.)*

### 3. Payroll Overpayments

The District has approximately \$1.1 billion in payroll expenses per year. According to the Accounting Services Department, a total of \$476,665 in payroll overpayments were processed during Fiscal Years 2016 through 2018: \$157,024 in Fiscal Year 2018, \$167,375 in Fiscal Year 2017, and \$152,266 in Fiscal Year 2016. As of November 30, 2018, the District has recouped \$350,519 (74%) of the \$476,665 overpayments. (Please see Table 3.)

**Table 3**  
**Payroll Overpayments**

Fiscal Year	# of Employees	Gross Overpayments (A)	(As of November 30, 2018)	
			Gross Overpayments Recouped (B)	Remaining Overpayments (C) = (A) – (B)
2018	244	\$157,024	\$95,002 (61%)	\$62,022 (39%)
2017	235	167,375	129,536 (77%)	37,839 (23%)
2016	231	152,266	125,981 (83%)	26,285 (17%)
<b>Total</b>	<b>710</b>	<b>\$476,665</b>	<b>\$350,519 (74%)</b>	<b>\$126,146 (26%)</b>

*Source: PeopleSoft System and Accounting Services Department.*

Based on the District’s FY16, FY17 & FY18 *Fringe Benefit Rate Schedules*, the District also incurred a total estimated overpayments of \$73,669 <sup>(8)</sup> in related fringe benefits for Florida Retirement System “FRS” contribution, and Social Security & Medicare taxes: \$24,574 in FY18, \$26,027 in FY17, and \$23,068 in FY16. Total overpayments including fringe benefits was \$550,334 (\$476,665 + \$73,669) during Fiscal Years 2016 through 2018.

The recoupment of overpayments from active employees is being handled through the District’s PeopleSoft Payroll System and would automatically adjust the fringe benefits expenses paid by the District. As a result, as of November 30, 2018, the remaining overpayments in fringe benefits was \$19,573 <sup>(9)</sup>; and the remaining total overpayments including fringe benefits was \$145,719 (\$476,665 – \$350,519 + \$19,573).

Causes for Overpayments. The District’s *Payroll/Accounting Services Administrative Policies & Procedures Manual, page 47*, states the following with regards to overpayments:

*“Overpayment of wages and supplemental payments to the District occur through the payroll process on an ongoing basis. These overpayments occur for various reasons including: clerical errors, resignation/retirement/terminations dates are entered by personnel after paychecks have been received, late submission of*

<sup>(8)</sup> The OIG’s analysis does not include the medical insurance benefits. The Patient Protection and Affordable Care Act of 2010 (PPACA) disallows the District from recouping the health insurance costs. Specifically, “Plan sponsors and/or insurers cannot terminate coverage effective with a date in the past even if the member was covered in error.”

<sup>(9)</sup> Of the \$476,665 in payroll overpayments, \$12,890 (3%) were overpayments to former employees who abandoned their job. OIG’s estimate of recoupment in fringe benefits was based on the assumption that all the payroll recoupments were received from active employees through the District’s PeopleSoft Payroll System.

*attendance from a school or department, employees placed on unpaid leave and backdated, salary decreases or adjustments backdated, worker's compensation issues, and notification of an error of a submission of payment by a school or department that has been discovered. Every effort is made upon discovery or notification of the overpayment, to recover all the funds owed to the District.”*

Job Abandonment. According to the Department of Professional Standards,

*“Job abandonment may be considered when the following occurs:*

- 1. The employee has been absent from the worksite for three (3) consecutive workdays and has not called in or received advanced approval for leave.*
- 2. The employee has been absent from work for ten (10) consecutive workdays and has no sick leave days and has not requested use of annual leave. (Note, the employee may be calling in to report their absences.)*
- 3. Failure to return to work following an approved leave of absence.*
- 4. An employee has received written notice of the Maximum Medical Improvement (MMI) related to a Workers’ Compensation Claim, and has three (3) days unpaid absence without approved leave.”*

(Source: <https://www.palmbeachschools.org/ps/jobabandonment/>)

When an employee abandons his/her job, the payroll contact staff at the school/department is responsible for completing the *SDPB 2535 Job Abandonment Notice Issuance Request*, to be approved by the responsible Principal/Director, and be forwarded to the Department of Professional Standards. Professional Standards reviews the forms and notifies the affected employees by certified mail of termination of their jobs with the District.

The affected employees are officially terminated by the District when the School Board approves the Personnel Agenda at a Board Meeting. Human Resources enters the first available School Board Meeting date after the employee’s last actual work date as the Termination Date in the PeopleSoft System. However, the affected employees continue to receive the wages up until the Board meeting date if the school/department did not enter the “WOP – Without Pay” earn-code into the PeopleSoft System.

Pursuant to ***Florida Statute 1012.67 Absence without leave,***

*“Any district school board employee who is willfully absent from duty without leave shall forfeit compensation for the time of such absence, and his or her employment shall be subject to termination by the district school board.”*

Of the \$476,665 in payroll overpayments (not including fringe benefits), \$12,890 (3%) were overpaid to 40 former employees who abandoned their jobs.

**Job Abandonment Payroll Overpayments**

<b>Fiscal Year</b>	<b># of Employees <sup>(a)</sup></b>	<b>Gross Overpayments <sup>(a)</sup></b>	<b>Overpaid Fringe Benefits <sup>(b)</sup></b>
2018	13	\$2,882	\$509
2017	17	\$6,419	\$1,120
2016	10	\$3,589	\$598
<b>Totals</b>	<b>40</b>	<b>\$12,890</b>	<b>\$2,227</b>

Sources: (a) PeopleSoft System and Accounting Services Department.

(b) Budget Department – Fringe Benefit Rate Schedules for FY16, FY17, and FY18. Overpaid benefits included the District’s portion of employees’ FRS contribution, Social Security, Medicare, and work compensation/unemployment insurance.

Payroll Overpayments Represent 0.02% of District Payroll Expenses. During Fiscal Years 2016 through 2018, total overpayments including fringe benefits was \$550,334 (\$476,665 + \$73,669), or an average of \$183,445 per year. The \$183,445 average annual payroll overpayment was about 0.02% of the District’s average annual payroll of \$1.1 billion.

**Recommendation**

To ensure that the District does not overpay employees who abandon their jobs, the payroll contact staff at the school/department should immediately update the employees’ records with the “WOP – Without Pay” earn-code in the PeopleSoft System.

**Management’s Response:** *Management concurs and will continue to train and remind school / department payroll contacts to enter WOP (Without Pay) on employees’ timesheets who are no longer working at their location. In an effort to be proactive with terminations, Payroll now has access to a termination dashboard which was previously only available to HR staff. This dashboard shows a listing of Resignations and Terminations requested through the online resignation process. Having this information available allows the Payroll staff to contact the location if WOP is not entered on the timesheet prior to payroll being processed, thus preventing the employee from being overpaid. Management would also like to mention once recoveries are considered the remaining overpayments average approximately \$42k per year (0.004% of District Payroll Expense) and the District processes roughly \$5k in repayments on biweekly basis; every effort is made to recover lost funds. (Please see page 11.)*

**4. Retroactive Pays Processed Timely**

During Fiscal Year 2018, the Payroll Section processed a total of \$13,015,346 in 23,892 <sup>(10)</sup> retroactive pays due to pay rate adjustments. These retroactive pays included 22,170 adjustments, totaling \$12,494,902, and were approved by School Board for District-wide salary adjustments. The other 1,722 retroactive pay adjustments, totaling \$520,444, were for other reasons such as job reclassifications, promotions, etc.

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<sup>(10)</sup> Some employees may have received retroactive pay adjustments during the year for District-wide salary adjustments, and other adjustments due to job reclassifications, promotions, etc.

To determine the accuracy and timeliness in processing the retroactive pays, the OIG reviewed the calculations of 50 retroactive payments, totaling \$34,509.12, for 30 random sample employees. The review noted that all sample retroactive payments were timely processed. However, one of the employees was overpaid by \$27.15.

### **Recommendation**

Payroll should ensure that all retroactive pay adjustments are accurately processed.

*Management's Response: Management concurs that all retroactive pay adjustments be accurately processed. (Please see page 11.)*

## **5. PeopleSoft Access Not Timely Removed from Four Terminated/Transferred Employees**

As of April 12, 2018, a total of 135 persons (31 District employees at six locations, and 104 employees at 45 charter schools) had access to update salary information screens in the PeopleSoft System. The review of these 135 users revealed that:

- (a) Two District employees had transferred from the Compensation & Employee Information Services Department to the Professional Standards Department, one on April 3, 2014, and the other one on September 7, 2017. However, as of April 21, 2018, they still had access to update the salary information screens in the PeopleSoft System. The access was needed only for their prior positions. No irregularities were noted for these two employees. The OIG provided the information to Human Resources and Information Technology (IT) in April 2018 for corrective actions.
- (b) Two users resigned from their former charter schools: one resigned from University Preparatory Academy on August 24, 2016, and subsequently employed by Mavericks High School of Palm Springs; and the other one resigned from Renaissance Charter School at Cypress on June 25, 2017, and was subsequently employed by Renaissance Charter School at Wellington. However, these two users still had access to their former schools' employee records as of April 19, 2018. No irregularities were noted for these two employees. The OIG provided the information to IT during the audit. The users' access to their former employers' records were removed by IT on April 20, 2018.

***School Board Policy 2.501, Information Security – Access Control Policy***, requires that:

*Section 2.a.ix. "The user's User ID shall be immediately disabled when a resignation or termination change in his/her status occurs in PeopleSoft the District's Human Resource system."*

*Section 2.a.x. "User's access rights shall be periodically reviewed to make sure the access is approved and authorized based on the District's business and information security requirements."*

## **Recommendation**

Information Technology should enforce *School Board Policy 2.501*. Access to the PeopleSoft System should be provided to users on an as-needed basis. Employee's access to the PeopleSoft System should be revoked immediately after the employee's transfer/termination.

*Management's Response: Management concurs with the recommendation and IT Security confirmed all corrections were done when identified as part of the audit request. IT now performs a daily review of employees transferred and downgrades security immediately instead of waiting for Principal / Director approval. In addition, as an overall control over changes to PeopleSoft employee data, HR & Payroll staff review daily reports of all changes to employee data. (Please see page 11.)*

– End of Report –



Management's Response



THE SCHOOL BOARD OF  
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Michael Burke  
Chief Financial Officer

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INSPECTOR GENERAL

MEMORANDUM

TO: Lung Chiu, Inspector General

FROM: Nancy Samuels, Director of Accounting Services *NSS*  
Mark Mitchell, Director of Compensation & Employee Information Services

DATE: February 1, 2019

SUBJECT: Response to Audit of Payroll System

Management appreciates the Inspector General's review of our process. Management reviewed the Report related to your Audit of Payroll System and has the following responses.

1. Adequacy of Internal Controls

Management concurs that controls are adequate. As the Inspector General indicates, our department pays in excess of \$1.1 Billion in wages to roughly 28,000 employees on a bi-weekly basis which equates to approximately 725,000 paychecks annually.

2. Some Personnel Records/Forms Missing

Management concurs with the recommendation in this area. The recruiting process has been revised and the associated employees trained to detail with a standard consistent process to clear a new hire, including associated paperwork. Human Resources (HR) is in process of revisiting the processing of the Public Record Exemption Form.

3. Payroll Overpayments

Management concurs and will continue to train and remind school / department payroll contacts to enter WOP (Without Pay) on employees' timesheets who are no longer working at their location. In an effort to be proactive with terminations, Payroll now has access to a termination dashboard which was previously only available to HR staff. This dashboard shows a listing of Resignations and Terminations requested through the online resignation process. Having this information available allows the Payroll staff to contact the location if WOP is not entered on the timesheet prior to payroll being processed, thus preventing the employee from being overpaid. Management would also like to mention once recoveries are considered the remaining overpayments average approximately \$42k per year (0.004% of District Payroll Expense) and the District is processes roughly \$5k in repayments on a biweekly basis; every effort is made to recover lost funds.

4. Retroactive Pays Timely Processed

Management concurs that all retroactive pay adjustments be accurately processed.

5. PeopleSoft Access Not Timely Removed for Terminated / Transferred Employees

Management concurs with the recommendation and IT Security confirmed all corrections were done when identified as part of the audit request. IT now performs a daily review of employees transferred and downgrades security immediately instead of waiting for Principal / Director approval. In addition, as an overall control over changes to PeopleSoft employee data, HR & Payroll staff review daily reports of all changes to employee data.

The School Board of Palm Beach County, Florida  
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