

Office of Inspector General
The School District of Palm Beach County

Case No. 12-009

Lake Worth High School Overtime Pay

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Office of Inspector General
The School District of Palm Beach County

Case No. 12-009

Lake Worth High School Overtime Pay

EXECUTIVE SUMMARY

The Office of Inspector General received a complaint alleging unauthorized overtime pay received by a former school secretary of Lake Worth High School (Subject). The complaint alleged that:

1. The secretary received \$10,000 to \$15,000 in overtime pay for hours she never worked at the night school programs at both Lake Worth High School and Atlantic High School.
2. The former principal of Lake Worth High School was aware of the Subject receiving overtime pay.

Our investigation concluded that although there was no documentation of supervisory approval of overtime work performed by the Subject, both the former and subsequent principals confirmed the Subject performed overtime work. The subject was paid \$10,000 - \$15,000 in overtime each year during fiscal Years 2009 through 2011 for additional hours worked as the school secretary; thus, the first allegation was unfounded.

In addition, we concluded that the former principal was aware of the Subject receiving overtime pay; however, there was no required prior written authorization. Additionally, we found the former principal allowed the Subject to perform additional work and compensated the Subject with monies from unused hours and days budgeted for other staff.

During our investigation, we also noted the following noncompliance and control breakdowns:

- use of others' password ID's to enter and approve overtime hours
- non-compliance with Board Policy on overtime
- absence of "Hard Authorization" required for budget transfers, and
- lack of segregation of duties

The former principal received a written notification of a verbal reprimand from the Office of Professional Standards on December 18, 2013. The former secretary's employment ended on June 28, 2014. Case was referred to the State Attorney's Office by School Police on April 2, 2013.

Office of Inspector General
The School District of Palm Beach County

Case No. 12-009

Lake Worth High School Overtime Pay

INVESTIGATIVE REPORT

AUTHORITY AND PURPOSE

Authority. *School Board Policy 1.092, Inspector General (4)(a)(iv)* provides for the Inspector General to receive and consider complaints, and conduct, supervise, or coordinate such inquiries, investigations, or reviews as the Inspector General deems appropriate.

Allegations. The Office of Inspector General (OIG) initiated an investigation in August 2012 in response to an anonymous complaint alleging potential unauthorized overtime pay received by a former school secretary (subject) of Lake Worth High School. The complaint alleged:

1. The secretary received \$10,000 to \$15,000 in overtime pay for hours she never worked at the night school programs at both Lake Worth High School and Atlantic High School.
2. The former principal of Lake Worth High School was aware of the secretary receiving overtime pay.

BACKGROUND

The subject was employed at Lake Worth High School as the school secretary from July 2006 through June 2010 with the former principal referenced in the complaint. All overtime hours worked were paid from the General Fund administrative function (see Table 1). Subsequently, a change of principal occurred in July 2010 at Lake Worth High School. The subject continued as the school secretary with the subsequent principal through June 2011.¹

Table 1 indicates the amount of overtime received by the subject during School Years 2009 through 2012.

¹ Former Principal served from July 2006 through June 2010; Subsequent Principal served from July 2010 through June 2011.

Table 1
Overtime Payment Received by Subject

School Year	Employed at	Job Title	Function	Overtime Paid
2008-2009	Lake Worth High School	School Secretary	Administrative	\$10,069
2009-2010	Lake Worth High School	School Secretary	Administrative	\$15,229
2010-2011	Lake Worth High School	School Secretary	Administrative	\$6,145
2011-2012	Verde Elementary	School Secretary	Administrative	\$0
	Atlantic High School	Temp Secretary	Adult Education	\$15,330

Beginning July 2011, the subject transferred to Verde Elementary and continued employment as a school secretary. On October 1, 2011, she was hired in a second District job as a temporary secretary with the night school program of Atlantic High School.

School Secretary Position. School secretaries are classified as confidential employees and work full time, 260 days, eight hours per day, totaling 2,080 hours per year. Confidential employees are not required to use the biometric time collection devices (TCD) for clock-in and clock-out. Instead, the payroll system presumes that 40 work hours per week are performed unless a manual adjustment is made to indicate that vacation or sick hours were used or overtime hours were performed. Adjustments to reported time are entered by the appointed payroll contact person for the school.

School secretaries are categorized as non-exempt for purposes of reporting their time worked, making them eligible for overtime pay (time and a half) after 40 hours worked in a week pursuant to the *Federal Fair Labor Standards Act (FLSA)*. *School Board Policy 6.12(1)(C)* requires that overtime be preapproved in writing by the supervisor, and states:

“All cash overtime or compensatory time shall be approved in writing by the appropriate administrator/ supervisor prior to the time being worked. Any employee who works overtime hours without obtaining authorization may be subject to disciplinary action.”

The District must also comply with the collective bargaining agreements and the FLSA that regulate overtime compensation and requires retention of records on which wage computations are based.

REVIEWS PERFORMED

Document Review

- District payroll
- Position tradeoffs
- Budget and ledger transactions in Peoplesoft
- *School Board Policies 3.29, 3.95, and 6.12*

Interviews

- Former Secretary, Lake Worth High School
- Former Principal, Lake Worth High School
- Subsequent Principal, Lake Worth High School
- Assistant Principal, Atlantic High School
- Former Assistant Principal, Lake Worth High School

Because of potential criminal violations identified by the investigation, School Police was contacted on September 21, 2012. Subsequently, we coordinated our investigation with School Police and interviews with staff were taken as sworn statements.

This investigation was conducted in compliance with the *Quality Standards for Investigations* found within the *Principles and Standards for Offices of Inspector General*, promulgated by the Association of Inspectors General.

RESULTS OF REVIEW AND CONCLUSIONS

1. Did the subject receive \$10,000 to \$15,000 in overtime pay for hours she never worked at the night school programs at both Lake Worth High School and Atlantic High School?

Hours at Lake Worth High School Were Performed But Not Documented. The subject received \$31,443 in overtime pay for Fiscal Years 2009 through 2011, for work she performed as the school secretary at Lake Worth High School, not with the night school program. As a confidential school secretary, the subject was not required to use the TCD to record the time worked. Any additional hours or adjustments to time worked had to be manually entered into the payroll system (PeopleSoft). Additional hours worked were to be documented by a timesheet and verified by the supervisor's signature. A review of the school's payroll records and files for Fiscal Years 2009 through 2011 found no supporting documentation authorizing the two overtime hours entered every work day for the subject. However, both the former and subsequent

principals of Lake Worth High School stated that the subject did perform additional hours at work each day.

Although there was no documentation for the overtime performed, both the former and subsequent principals confirmed that work was performed after normal work hours every day by the subject. As a result, the allegation regarding the subject not performing the overtime hours but receiving the pay at the Lake Worth High night school was **unfounded**.

However, the subject received \$10,000 - \$15,000 in overtime each year for additional hours as the school secretary without prior written authorization or documentation (see page 3).

Atlantic HS Night School Hours Were Documented. The subject received \$15,330 in overtime pay during Fiscal Year 2012, from Atlantic High School night school program. The program director confirmed and produced documentation that the subject worked the overtime hours. As the school secretary at Verde Elementary, the subject worked a 260-day full-time position; therefore, all night school work hours performed qualified as overtime. However, the night school hours worked was a second job with a different job title. The overtime hours to be incurred were preauthorized in the employment recommendation as required by *School Board Policy 3.95 – Personnel Authorized to Hold More Than One Job with the School Board*.

The allegation regarding the subject not working the hours for overtime pay at the Atlantic High School night school was **unfounded**.

2. Was the former principal aware of the subject receiving overtime pay?

Principal Intended Subject's Overtime to Be Funded by Extra Duty Days. In a January 9, 2013, interview by school police, the former principal indicated that during Fiscal Years 2009 and 2010, he intended to use trade-offs² of unused Extra Duty Days³ and unused supplements to pay the subject additional overtime compensation for time beyond her 40 hours. The subject regularly worked beyond the normal eight-hour day performing tasks normally assigned to instructional employees, such as organizing the graduation ceremonies and finalizing class schedules for which the former principal felt the subject should be compensated.

² A trade-off is the exchange of a budgeted position or line item for another position or line item. For schools, trade-offs must be approved by the Area Superintendent, the Chief Academic Officer and the Budget Department. The approval process is in place to insure that academic and operational functionality is maintained at the school level.

³ High School budgets include Extra Duty Days (XDD) for instructional employees who perform additional tasks during the summer beyond their contracted work year. Extra Duty Days funding is not available to pay for extra work done by school secretaries who are 12-month employees. Per *Bulletin #12747-CAO/COO* dated March 31, 2008, “[*Extra Duty Days*] may be reallocated to other non-12-month school staff on an even trade basis.” Any hours worked by the school secretaries (12-month school staff) beyond the normal 40-hour work week must be paid as overtime per *FLSA*.

However, the former principal insisted that he would not have approved overtime pay because he believed that the School Board does not condone overtime pay and favors compensatory time-off in lieu of paying overtime. The former principal did not believe that he was paying the subject overtime because he was using money earmarked but unused for instructional days such as Extra Duty Days. Because instructional personnel are exempt from overtime pay, he believed that using these instructional funds for the subject did not qualify as overtime pay even though the subject was a non-instructional employee. Moreover, he also used money made available from requested workday reductions of other office staff. His goal was to allow the subject to perform the added work and have the monies from unused hours and/or days that other office staff and instructional personnel did not want.

Subject Confirmed Former Principal's Knowledge. In a subsequent police interview on January 29, 2013, the subject confirmed that she and the former principal discussed how she would be paid for the additional work she performed. The subject acknowledged during a November 6, 2012, interview by police that the Budget Department would never knowingly approve funding for overtime through trade-offs of instructional days. She stated it was the former principal's idea of placing unused instructional days' trade-off funds in supply accounts for subsequent transfer to pay for overtime to avoid raising a red flag. The conversation about setting aside these unused days to pay the subject for extra hours worked was confirmed by a retired school administrator in a phone interview on December 12, 2012.

During the January 9, 2013, interview, the former principal stated that he did not understand the finances. He relied heavily on and trusted the subject to advise him about the school's budget and the availability of funding. He stated that he did not look at the school's accounts.

We concluded that the allegation of the former principal having knowledge of the subject receiving overtime pay as **substantiated**.

ADDITIONAL NONCOMPLIANCES

During our investigation of the complaint, we also noted numerous noncompliance issues.

3. Noncompliance with Board Policy on Overtime

Overtime Not Preauthorized. As required by *School Board Policy 6.12*, "All cash overtime or compensatory time shall be approved in writing by the appropriate administrator/ supervisor prior to the time being worked." The requirement for preauthorization was reinforced in both *Bulletin #P-12950-CAO/COO/HR – Hold on Non-Instructional Personnel Hiring Extended (September 22, 2008)* and *Bulletin #P-13308-CAO/COO – Hiring and Travel Restrictions (September 30, 2009)*.

Both bulletins stated that preauthorization is required for overtime and add the requirement of submitting an *Expenditure Justification form (PBSD 1862)* to the Waiver Review Committee.

In a statement to School Police on October 17, 2012, the subject indicated she was aware of the School Board Policy requiring written preauthorization. She also confirmed that preauthorization of the overtime hours in question was made verbally between herself and the former principal without a written preauthorization. No *Expenditure Justification (Form PBSD 1862)* for Fiscal Years 2009 and 2010 were located either in the school's records or in the Budget Department files.

The former principal acknowledged the District's requirement for preauthorization of overtime but did not feel that it was required for the additional work performed by the subject despite the fact that her tasks caused her to work beyond her normal eight-hour day. He viewed the subject's additional work as performing tasks normally assigned to instructional personnel and therefore payable from the available unused instructional days.

Conversion of Days Through Trade-offs. The former principal and subject mutually agreed that money available from unused instructional and office staff days would be used to pay for additional work performed by the subject. Trade-offs were used to convert unused days into supply money, in anticipation of future transfers to fund the added work performed. However, initial attempts in both Fiscal Years 2009 and 2010 to trade days for overtime were unsuccessful. Many times, the trade-off values were calculated incorrectly and corrections were subsequently made by the Budget Department, significantly reducing the original amounts intended to go to supplies.

Budget Transfers to Off-Set Overtime Deficits. In the original discussions between the former principal and subject, the subject's additional work performed would be paid at two hours per day as long as funding from the unused days was available. According to the subject, any monies placed into the supplies accounts from trade-offs could be used to pay for her overtime. Using that reasoning, then the total amount of overtime paid should not have exceeded the amount of available trade-off monies.

As the budget bookkeeper, the subject had knowledge that when funds were not available, she should have ceased collecting overtime pay per her discussion with the former principal. Yet the subject continued to incur overtime payments, which resulted in a deficit in the budget line. To resolve the issue of the budget deficit, the subject initiated budget transfers, moving money from various instructional and administrative accounts to administrative overtime account (See Table 2).

With the budget transfers in Fiscal Year 2009 to cover the deficit, the subject's overtime payments totaled \$13,058 (\$10,259 + \$2,799 benefits), which exceeded the available trade-off funding of \$2,651 by \$10,407. To resolve this overspending, the subject transferred \$7,082 from instructional supplies, \$4,309 from the administrative postage and supplies, and \$1,667 extra duty days to the administrative overtime account.

For Fiscal Year 2010, budget transfers were performed by the subject to cover the deficit created by her overtime payments of \$16,646 (\$15,486 + \$1,160 benefits), which exceeded the available trade-off funding of \$5,058 by \$11,588. Eventually, the subject transferred \$13,160 from instructional supplies and \$3,486 from administrative postage to pay her overtime. Transfers were not taken from the administrative supply account where trade-off monies were placed.

Table 2
Budget Trade-offs and Budget Transfers

Fiscal Year 2009

Trade-off Date	Intended Set Aside	Final Set Aside	Transfer Date	From			To Overtime	
				Instr.	Admin	XDD ⁴	Salary	Benefits
8/7/2008	\$8,066	\$0						
			8/12/2008		\$3,651		\$2,592	\$1,059
9/23/2008	\$2,633	\$2,651						
			11/11/2008	\$2,580			\$2,000	\$580
			2/6/2009			\$1,667	\$1,667	
			3/31/2009	\$3,212	\$658		\$3,000	\$870
			6/10/2009	\$1,290			\$1,000	\$290
Totals	\$10,699	\$2,651	Totals	\$7,082	\$4,309	\$1,667	\$10,259	\$2,799

Fiscal Year 2010

Trade-off Date	Intended Set Aside	Final Set Aside	Transfer Date	From			To Overtime	
				Instr.	Admin	XDD ³	Salary	Benefits
6/10/2009	\$1,061	\$1,061						
			8/5/2009	\$3,000			\$3,000	
9/22/2009	\$10,691	\$3,997						
			11/5/2009		\$3,486		\$3,486	
			1/25/2010	\$5,000	\$658		\$5,000	
			4/9/2010	\$5,160			\$4,000	\$1,160
Totals	\$11,751	\$5,058	Totals	\$13,160	\$3,486		\$15,486	\$1,160

⁴ Extra Duty Days

Subsequent Principal Not Aware of the Transfers. In July 2010, the former principal of Lake Worth High School accepted a new position and was replaced by the subsequent principal. The subject admitted during a sworn statement on November 6, 2012, that she did not inform the subsequent principal she was entering and receiving pay for two hours overtime each day. She continued to initiate budget transfers to cover the deficit in the budget created by her overtime payments.

The subsequent principal discovered what the subject had done after notification from the Budget Department that the administrative overtime account was in deficit and needed to be corrected. He stated that he was unaware that the subject was receiving overtime although he did acknowledge that she often worked late. He stated that he never authorized the subject to perform or be paid for overtime.

When the subsequent principal questioned the subject, she prepared an Expenditure Justification (PBSD 1862) dated December 2, 2010, explaining the reasons for the principal's secretary to work additional hours and receive overtime. During interviews with the subject, she stated that when presented to the subsequent principal for his signature, he refused to sign the justification. She admitted to using his signature stamp to sign the document and placing it in the payroll files. She believed it was necessary to have this form in the files to show justification for the overtime paid to date.

On December 8, 2010, the subsequent principal contacted the Area Superintendent and Department of Professional Standards. After interviews by the Professional Standards Manager, he instructed the subject to compose a memorandum for the school files. The memo dated and signed on December 8, 2010, by the subject, stated that she understood "no overtime will be granted for any employee unless previously requested and approved by [the principal]." Because the subsequent principal refused to preauthorize any overtime, the subject did not perform any additional overtime hours or receive any additional overtime payments after December 8, 2010, for her position as school secretary.

4. No "Hard Authorization" Required for Budget Transfer.

There is no "hard authorization" (electronic or manual signature) required for budget transfers. Therefore, there is no evidence of supervisor's approval. Prior to the adoption of PeopleSoft in Fiscal Year 2006, the manual signature of the principal was required on a paper budget amendment form which was forwarded to the Budget Department for processing. Without a signature, it is now possible for the school's budget-keeper to move money between accounts without the principal's authorization.

Budget transfers are permitted between functions and accounts at the school level. The subject initiated transfers by creating a budget amendment in PeopleSoft online. Adjustments to non-salary accounts were immediately posted. The Budget Department staff can only post adjustments to salary accounts. However, the Budget Department does not usually question the purpose of a budget transfer because it is presumed that the principal has approved the transfer.

Since there were no hard authorizations required, the principal's approval could not be verified. Moreover, the former principal acknowledged that he made no effort to look at the accounts. He relied on his secretary to handle the financial transactions.

5. Using Others' Logins to Enter and Approve Overtime Hours

The subject was the payroll contact of the school and was responsible for entering staff hours into the payroll system. District software controls prevent payroll contacts from recording or making changes to their own payroll time records. An alternate payroll contact was appointed by the principal to support and enter the primary contact's hours. However, the alternate payroll contact was changed in July 2009 upon her retirement.

Our review of the subject's recorded time in Fiscal Year 2009 showed that two additional work hours each day were entered by the school's designated alternate payroll contact. Interviews by School Police with the appointed alternate contact revealed that the alternate had never been trained nor knew how to access the payroll system. The alternate stated to School Police that all work hours were entered into the payroll system by the school secretary. Furthermore, some of the dates and times of data entry attributed to the alternate contact occurred when the alternate was not on duty or on District holidays.

During a sworn statement taken on January 29, 2013, the subject admitted that beginning July 2009, she used the login and password of the newly appointed alternate to enter her own overtime hours. She also acknowledged that she used the principal's login and password to approve the payroll including her own overtime. The former principal confirmed that he had provided the subject with his login and password for the purpose of checking emails and electronically approving payroll and other transactions.

School Board Policy 3.29(6) – Acceptable use of Technology by Employees, states that passwords “shall not be shared with anyone but the employee to whom they were assigned. Employees are responsible for all activity that occurs for user accounts that have been assigned to them as well as any e-signatures that are attributed to their account.”

6. No Segregation of Duties

The subject was assigned both the duties of budget-keeper and payroll contact at Lake Worth High School. The assignment of both responsibilities, in addition to the unauthorized computer network logins, gave the subject the ability to circumvent the controls of unauthorized overtime. In addition to entering and approving her own hours, she was allowed to transfer money undetected to cover the deficit created by the overtime payments she paid herself.

RECOMMENDATIONS

We recommend that the District review the documentation procedures for overtime preapproval as required by *School Board Policy 6.12 – Overtime/Compensatory Time Off Under Certain Circumstances*. Currently, the policy does not define the form or the manner in which it should be filed for preapproved overtime. The policy only addresses the issues for compensatory time.

We also recommend that the District review existing procedures for initiating and documentation requirements for authorizing budget transfers. The current procedures do not require any documentation indicating a supervisory approval before the transfer is posted to the budget.

FURTHER ACTION

School Police completed its investigation in early 2013 and referred its results to the State Attorney's Office on April 2, 2013, for necessary action. Our conclusions were referred to the Office of Professional Standards on June 4, 2013. The former principal received a written notification of a verbal reprimand on December 18, 2013. The former secretary resigned effective June 28, 2014.

OIG COMMENTS REGARDING FORMER PRINCIPAL'S RESPONSE

The OIG provided a draft copy of this report to the appropriate parties, including the former Principal, the subsequent Principal, and the former secretary of Lake Worth High School.

The OIG received a response from the former Principal's attorney, comprised of two emails and a redlined version of the OIG's draft report (attached hereto). The attorney asked the OIG to either "accept these inclusions and changes" or "attach [the] redline version to the report when it is submitted to the School Board and when it is posted on [the] website."

The OIG evaluated each of the responsive comments. None were found appropriate for inclusion in the OIG's final report.

Pursuant to *School Board Policy 1.092.6.b.iv.*, the redlined version of the OIG's draft report submitted by the former Principal's attorney is attached hereto in its entirety.

----- Forwarded message -----

From: **Fred A. Schwartz** <schwartz@kolawyers.com>

Date: Thu, Aug 14, 2014 at 11:19 AM

Subject: OIG Case No. 12-009 Report re Saltzman

To: "Joni.loehrig@palmbeachschools.org" <Joni.loehrig@palmbeachschools.org>

Cc: Stephanie Lamb <lamb@kolawyers.com>

Dear Ms. Loehrig,

For the purpose of clarity and context I converted your report from PDF to Word and red-lined the inclusions and changes I would strongly request to confirm the facts and the conclusions with the two investigations by the School Police and the Palm Beach County State Attorney's Office. I hope you will accept these inclusions and changes. If not, I would ask that you attach my redline version to the Report when it is submitted to the School Board and when it is posted on your website. Due to the format conversion, the page breaks are somewhat askew. However, I do not believe that this offends the continuity of the report.

Fred

FRED A. SCHWARTZ, ESQ.

Partner-in-Charge

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e-mail schwartz@kolawyers.com

TO: Lung Chiu, Inspector General

FROM: Fred A. Schwartz, Esq. Attorney for the Former Principal

DATE: 08-26-2014

SUBJECT: Office of Inspector General Case No. 12-009

Dear Inspector General Chiu,

In response to your proposed report in this matter, I have sent to you a redlined version of your proposed report which I believe corrects the misapprehensions one would form in reading the proposed version of your report.

The additions I have made to your report are taken from the reports of two school detectives who conducted two detailed investigations of this matter and from the public record of the State Attorney's Office. The former secretary attempted to excuse her actions by suggesting that the former principal condoned and assisted her illegal behavior. The detectives interviewed everyone even peripherally connected to this matter in their excellent, separate criminal and administrative investigations. They concluded that, administratively, the former principal should have better supervised and not reposed so much trust in his ten year confidential secretary. They also concluded that the former principal did not knowingly or intentionally assist the former secretary in her illegal actions. The conclusions of the detectives were corroborated by the State Attorney's Office which only charged the former secretary with criminal acts.

Unfortunately, in reading your draft report, without my redlined factual additions, an uninformed member of the public could perceive that the former principal was a knowing and intentional party to the former secretary's wrongdoing. I have discussed this concern with Ms. Loehrig of your office, other employees of the District, and an attorney in your office. Other than the attorney, everyone was very courteous. However, everyone took the position that the proposed report was, like the Ten Commandments, set in stone. No one wished to correct the false impressions that the proposed report engenders. Although I suggested that the former principal sue the District for defamation, he merely wants the record to be clear. Therefore, if you will not correct the misimpressions in your proposed report, please include this memorandum and my redlined version of your proposed report with you report when it is given to the School board or posted on your website.



THE SCHOOL DISTRICT OF
PALM BEACH COUNTY, FLORIDA

OFFICE OF INSPECTOR GENERAL
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LUNGCHIU, CIG, CPA
INSPECTOR GENERAL

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E. WAYNE GENT, SUPERINTENDENT

MEMORANDUM

TO: Dr. Ian Saltzman, Area Superintendent
FROM: Lung Chiu, Inspector General
DATE: July 30, 2014
SUBJECT: Office of Inspector General Case No. 12-009

As the result of a complaint received in this Office, we have conducted an investigation as summarized in the attached draft report. In accordance with *School Board Policy 1.092*, this letter is to provide you with twenty (20), working days to submit a written response to the draft report.

The twenty (20), working day time period commences upon your receipt of this letter. Please note that ten (10) of the 20 days satisfies any requirements, if applicable, under *Section 1012.31, Florida Statutes*.

After this Office receives and reviews your response, a final report will be completed and published as required by the above policy. The final report, along with your response, is considered a public record and available for inspection, in accordance with Florida law and School Board policies.

In addition to your written response, you may meet or otherwise communicate with this Office to discuss any of the issues raised in the draft report. Should you desire to arrange a meeting, or have any questions, you may contact our Director of Investigations, Joni Loehrig, at (561) 434-8183.

Office of Inspector General
The School District of Palm Beach County

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EXECUTIVE SUMMARY

DRAFT

The Office of Inspector General received a complaint alleging unauthorized overtime pay received by a former school secretary of Lake Worth High School (subject). The complaint alleged that:

1. The secretary received \$10,000 to \$15,000 in overtime pay for hours she never worked at the night school programs at both Lake Worth High School and Atlantic High School.
2. The former principal of Lake Worth High School was aware of the secretary receiving overtime pay.

Our investigation concluded that although there was no documentation of supervisor approval of overtime work performed by the former secretary, both the former and subsequent principals confirmed the subject performed overtime work. The subject was paid \$10,000 - \$15,000 in overtime each year during fiscal Years 2009 through 2011 for additional hours as the school secretary; thus, the first allegation is unfounded.

In addition, we concluded that the former principal was aware of the subject receiving overtime pay; but there was no prior written authorization as required. Also, we found the former principal allowed the subject to perform additional work and used the monies from unused hours and days budgeted for other staff to compensate her. However, the former principal was honestly not aware that a full-time secretarial employee was not eligible to be compensated for extra work actually performed through the use of monies from unused hours and days of other staff.

During our investigation, we also noted the following intentional noncompliance by the secretary and inadvertent control breakdowns on the part of the former, and subsequent, principals :

- Using Others' Logins to Enter and Approve Overtime Hours,
- Circumventing Board Policy on Overtime,
- No "Hard Authorization" Required for Budget Transfers, and
- No Segregation of Duties

The former principal received a written notification of a verbal reprimand from the Office of Professional Standards on December 18, 2013. The former secretary's employment ended on June 28, 2014. Case was referred to the State Attorney's Office by School Police on April 2, 2013.

Office of Inspector General
The School District of Palm Beach County

Case No. 12-009

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INVESTIGATIVE REPORT

DRAFT

AUTHORITY AND PURPOSE

Authority. *School Board Policy 1.092, Inspector General (4)(a)(iv)* provides for the Inspector General to receive and consider complaints, and conduct, supervise, or coordinate such inquiries, investigations, or reviews as the Inspector General deems appropriate.

Allegation. The Office of Inspector General (OIG) initiated an investigation in August 2012 in response to an anonymous complaint alleging potential unauthorized overtime pay received by a former school secretary (subject) of Lake Worth High School. The complaint alleged:

1. The secretary received \$10,000 to \$15,000 in overtime pay for hours she never worked at the night school programs at both Lake Worth High School and Atlantic High School.
2. The former principal of Lake Worth High School was aware of the secretary receiving overtime pay.

BACKGROUND

The subject was employed at Lake Worth High School as the school secretary from July 2006 through June 2010 with the former principal referenced in the complaint. The subject had previously been the former principal's confidential secretary for six (6) years, and he completely trusted her. All overtime hours worked were paid from the General Fund administrative function (see Table 1). Subsequently, a change of principal occurred in July 2010 at Lake Worth High School. The subject continued as the school secretary with the subsequent principal through June 2011.¹

Table 1 indicates the amount of overtime received by the subject during School Years 2009 through 2012.

¹ Former Principal served from July 2006 through June 2010; Subsequent Principal served from July 2010 through June 2011; Current Principal served from July 2011 to present.

Table 1
Overtime Payment Received by Subject

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	Atlantic High School	Temp Secretary	Adult Education	\$15,330

Beginning July 2011, the subject transferred to Verde Elementary and continued employment as a school secretary. On October 1, 2011, she was hired in a second District job as a temporary secretary with the night school program of Atlantic High School.

School Secretary Position. In accordance with State law, school secretaries are classified as confidential employees and work full time, 260 days, eight hours per day, totaling 2,080 hours per year. Confidential employees are not required to use the biometric time collection devices (TCD) for clock-in and clock-out. Instead, the payroll system presumes that 40 work hours per week are performed unless a manual adjustment is made to indicate that vacation or sick hours were used or overtime hours were performed. Adjustments to reported time are entered by the appointed payroll contact person for the school.

School secretaries are categorized as non-exempt for purposes of reporting their time worked, making them eligible for overtime pay (time and a half) after 40 hours worked in a week { pursuant to the *Federal Fair Labor Standards Act (FLSA)*. *School Board Policy 6.12(1)(C)* requires that overtime be preapproved in writing by the supervisor. Specifically,

"All cash overtime or compensatory time shall be approved in writing by the appropriate administrator/ supervisor prior to the time being worked. Any employee who works overtime hours without obtaining authorization may be subject to disciplinary action."

The District must also comply with the collective bargaining agreements and the FLSA that regulate overtime compensation and requires retention of records on which wage computations are based.

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REVIEWS PERFORMED

Document Review

- District payroll
- Position tradeoffs
- Budget and ledger transactions in Peoplesoft
- *School Board Policies 3.29, 3.95, and 6.12*

Interviews

- Former Secretary, Lake Worth High School
- Former Principal, Lake Worth High School
- Subsequent Principal, Lake Worth High School

Because of potential criminal violations identified by the investigation, School Police was contacted on September 21, 2012. Subsequently, we coordinated our investigation with School Police and interviews with staff were taken as sworn statements. Two separate School Police officers attempted to corroborate the subject's allegations that the former principal knowingly condone her illegal activities. They interviewed witnesses the subject said would implicate the former principal. In each case the interviewee either had no knowledge or exculpated the former principal

RESULTS OF REVIEW AND CONCLUSIONS

1. *Did the subject receive \$10,000 to \$15,000 in overtime pay for hours she never worked at the night school programs at both Lake Worth High School and Atlantic High School?*

Hours at Lake Worth High School Were Performed But Not Documented. The subject received \$31,443 in overtime pay for Fiscal Years 2009 through 2011, for work she performed as the school secretary at Lake Worth High School, not with the night school program. As a confidential school secretary, the subject was not required to use the TCD to record the time worked. Any additional hours or adjustments to time worked had to be manually entered into the payroll system (PeopleSoft). Additional hours worked were to be documented by a timesheet and verified by the supervisor's signature. A review of the school's payroll records and files for Fiscal Years 2009 through 2011 found no supporting documentation authorizing the two overtime hours entered every work day for the subject. However, both the former and subsequent principals of Lake Worth High School stated that the subject did perform additional hours at work each day.

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Although there was no documentation for the overtime performed, both the former and subsequent principals confirmed that work was performed after normal work hours every day by the subject. As a result, the allegation regarding the subject not performing the overtime hours but receiving the pay at the Lake Worth High night school was **unfounded**.

However, the subject received \$10,000- \$15,000 in overtime each year for additional hours as the school secretary without prior written authorization or documentation (see page 5).

Atlantic HS Night School Hours Were Documented. The subject received \$15,330 in overtime pay during Fiscal Year 2012, from Atlantic High School night school program. The program director confirmed and produced documentation that the subject worked the overtime hours. As the school secretary at Verde Elementary, the subject worked a 260-day full-time position; therefore, all night school work hours performed qualified as overtime. However, the night school hours worked was a second job with a different job title. The overtime hours to be incurred were preauthorized in the employment recommendation as required by *School Board Policy 3.95 – Personnel Authorized to Hold More Than One Job with the School Board*.

The allegation regarding the subject not working the hours for overtime pay at the Atlantic High School night school was unfounded.

2. *Was the former principal aware of the subject receiving overtime pay?*

Principal Intended Subject's Overtime to Be Funded by Extra Duty Days. In a January 9, 2013, interview by school police, the former principal indicated that during Fiscal Years 2009 and 2010, he intended to use trade-offs² of unused Extra Duty Days³ and unused supplements to pay the subject additional overtime compensation for time beyond her 40 hours. The subject regularly worked beyond the normal eight-hour day performing tasks normally assigned to instructional employees, such as organizing the graduation ceremonies and finalizing class schedules for which the former principal felt the subject should be compensated.

² A trade-off is the exchange of a budgeted position or line item for another position or line item. For schools, trade-offs must be approved by the Area Superintendent, the Chief Academic Officer and the Budget Department. The approval process is in place to insure that academic and operational functionality is maintained at the school level.

³ High School budgets include Extra Duty Days (XDD) for instructional employees who perform additional tasks during the summer beyond their contracted work year. Extra Duty Days funding is not available to pay for extra work done by school secretaries who are 12-month employees. Per *Bulltin #12747-CAOICOO* dated March 31, 2008, "[Extra Duty Days] may be reallocated to other non-12-month school staff on an even trade basis." Any hours worked by the school secretaries (12-month school staff) beyond the normal 40-hour work week must be paid as overtime per *FLSA*.

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However, the former principal insisted that he would not have approved overtime pay because he believed that the School Board does not condone overtime pay and favors compensatory time-off in lieu of paying overtime. The former principal did not believe that he was paying the subject overtime because he was using money earmarked but unused for instructional days such as Extra Duty Days. Because instructional personnel are exempt from overtime pay, he believed that using these instructional funds for the subject did not qualify as overtime pay even though the subject was a non-instructional employee. Moreover, he also used money made available from requested workday reductions of other office staff. His goal was to allow the subject to perform the added work and have the monies from unused hours and/or days that other office staff and instructional personnel did not want. The investigators and the State Attorney's Office found that the former principal, although wrong, in good faith believed he could compensate the subject in this manner for work she actually performed.

Subject Confirmed Former Principal's Knowledge. In a subsequent police interview on January 29, 2013, the subject confirmed that she and the former principal discussed how she would be paid for the additional work she performed. The subject acknowledged during a November 6, 2012, interview by police that the Budget Department would never knowingly approve funding for overtime through trade-offs of instructional days. She stated it was the former principal's idea of placing unused instructional days' trade-off funds in supply accounts for subsequent transfer to pay for overtime to avoid raising a red flag. The conversation about setting aside these unused days to pay the subject for extra hours worked was confirmed by a retired school administrator in a phone interview on December 12, 2012. However, the "red flag" conversation and the former principal's knowledge that the money was placed in supply accounts were never corroborated and the former principal has adamantly denied said discussions. The investigators and the State Attorney's office found that the subject lacked credibility.

During the January 9, 2013, interview, the former principal stated that he did not understand the finances. He relied heavily on and trusted the subject to advise him about the school's budget and the availability of funding. He stated that he did not look at the school's accounts, as he trusted his long term confidential secretary. Rather he said he concentrated on successfully raising the high school's academic grade and alleviating disciplinary problems.

We concluded that the allegation of the former principal having knowledge of the subject receiving additional pay (although he was not aware it was overtime pay) as substantiated.

ADDITIONAL NONCOMPLIANCES

During our investigation of the complaint, we also noted numerous noncompliance issues.

3. Noncompliance with Board Policy on Overtime

Overtime Not Preauthorized. As required by *School Board Policy 6.12*, "All cash overtime or compensatory time shall be approved in writing by the appropriate administrator/ supervisor prior to the time being worked." The requirement for preauthorization was reinforced in both *Bulletin #P-12950-CAO/COO/HR - Hold on Non-Instruction Personnel Hiring Extended (September 22, 2008)* and *Bulletin #P-13308-CAO/COO - Hiring and Travel Restrictions (September 30, 2009)*.

Both bulletins stated that preauthorization is required for overtime and add the requirement of submitting an *Expenditure justification form (PBSD 1862)* to the Waiver Review Committee.

In a statement to School Police on October 17, 2012, the subject indicated she was aware of the School Board Policy requiring written preauthorization. She also confirmed that preauthorization of the overtime hours in question was made verbally between herself and the former principal without a written preauthorization. No *Expenditure justification (Form PBSD 1862)* for Fiscal Years 2009 and 2010 were located either in the school's records or in the Budget Department files.

The former principal acknowledged the District's requirement for preauthorization of overtime but did not feel that it was required for the additional work performed by the subject despite the fact that her tasks caused her to work beyond her normal eight-hour day. He viewed the subject's additional work as performing tasks normally assigned to instructional personnel and therefore payable from the available unused instructional days.

Conversion of Days Through Trade-offs. The former principal and subject mutually agreed that money available from unused instructional and office staff days would be used to pay for additional work performed by the subject. Unbeknownst to the former principal trade-offs were used to convert unused days into supply money, in anticipation of future transfers to fund the added work performed. However, without the former principal's knowledge, initial attempts by the subject in both Fiscal Years 2009 and 2010 to trade days for overtime were unsuccessful. Many times, the trade-off values were calculated incorrectly and corrections were subsequently made by the Budget Department, significantly reducing the original amounts intended to go to supplies.

Budget Transfers to Off-Set Overtime Deficits. In the original discussions between the former principal and subject, the subject's additional work performed would be paid at two hours per day as long as funding from the unused days was available. According to the subject, any monies placed into the supplies accounts from trade-offs could be used to pay for her overtime. Using that reasoning, then the total amount of overtime paid should not have exceeded the amount of available trade-off monies.

As the budget bookkeeper, the subject had knowledge that when funds were not available, she should have ceased collecting overtime pay per her discussion with the former principal. Yet the subject continued to incur overtime payments, which resulted in a deficit in the budget line. To resolve the issue of the budget deficit, the subject initiated budget transfers, moving money from various instructional and administrative accounts to administrative overtime account (See Table 2).

With the budget transfers in Fiscal Year 2009 to cover the deficit, the subject's overtime payments totaled \$13,058 (\$10,259 + \$2,799 benefits), which exceeded the available trade-off funding of \$2,651 by \$10,407. To resolve this overspending, the subject transferred \$7,082 from instructional supplies, \$4,309 from the administrative postage and supplies, and \$1,667 extra duty days to the administrative overtime account. [The former principal was unaware of these transfers.](#)

For Fiscal Year 2010, budget transfers were performed by the subject to cover the deficit created by her overtime payments of \$16,646 (\$15,486 + \$1,160 benefits), which exceeded the available trade-off funding of \$5,058 by \$11,588. Eventually, the subject transferred \$13,160 from instructional supplies and \$3,486 from administrative postage to pay her overtime. Transfers were not taken from the administrative supply account where trade-off monies were placed. [The former principal was unaware of these transfers.](#)

Table 2
Budget Trade-offs and Budget Transfers

Fiscal Year 2009

Trade-off Date	Intended Set Aside	Final Set Aside
8/17/2008	\$8,066	\$0
9/23/2008	\$2,633	\$2,651
Totals	\$10,699	\$2,651

Transfer Date	From			To Overtime	
	Instr.	Admin	XDD ⁴	Salary	Benefits
8/12/2008		\$3,651		\$2,592	\$1,059
11/11/2008	\$2,580			\$2,000	\$580
2/16/2009			\$1,667	\$C667	
3/31/2009	\$3,212	\$658		\$3,000	\$870
6/10/2009	\$1,290			\$1,000	\$290
Totals	\$7,082	\$4,309	\$1,667	\$10,259	\$2,799

Fiscal Year 2010

Trade-off Date	Intended Set Aside	Final Set Aside
6/10/2009	\$1,061	\$1,061
9/22/2009	\$10,691	\$3,997
Totals	\$11,751	\$5,058

Transfer Date	From			To Overtime	
	Instr.	Admin	XDDJ	Salary	Benefits
8/5/2009	\$3,000			\$3,000	
11/5/2009		\$3,486		\$3,486	
1/25/2010	\$5,000	\$658		\$5,000	
4/9/2010	\$5,160			\$4,000	\$1,160
Totals	\$13,160	\$3,486		\$15,486	\$1,160

⁴ Extra Duty Days

Subsequent Principal Not Aware of the Transfers. In July 2010, the former principal of Lake Worth High School accepted a new position and was replaced by the subsequent principal. The subject admitted during a sworn statement on November 6, 2012, that she did not inform the subsequent principal she was entering and receiving pay for two hours overtime each day. She continued to initiate budget transfers to cover the deficit in the budget created by her overtime payments. Thus, the subject was deceiving the subsequent principal in the same manner she deceived the former principal.

The subsequent principal discovered what the subject had done after notification from the Budget Department that the administrative overtime account was in deficit and needed to be corrected. He stated that he was unaware that the subject was receiving overtime although he did acknowledge that she often worked late. He stated that he never authorized the subject to perform or be paid for overtime.

When the subsequent principal questioned the subject, she prepared an Expenditure Justification (PBSD 1862) dated December 2, 2010, explaining the reasons for the principal's secretary to work additional hours and receive overtime. During interviews with the subject, she stated that when presented to the subsequent principal for his signature, he refused to sign the justification. She admitted to using his signature stamp to sign the document and place it in the payroll files. She believed it was necessary to have this form in the files to show justification for the overtime paid to date.

On December 8, 2010, the subsequent principal contacted the Area Superintendent and Department of Professional Standards. After interviews by the Professional Standards Manager, he instructed the subject to compose a memorandum for the school files. The memo dated and signed on December 8, 2010, by the subject, stated that she understood "no overtime will be granted for any employee unless previously requested and approved by [the principal]." Because the subsequent principal refused to preauthorize any overtime, the subject did not perform any additional overtime hours or receive any additional overtime payments after December 8, 2010, for her position as school secretary.

4. No "Hard Authorization" Required for Budget Transfer.

There is no "hard authorization" (electronic or manual signature) required for budget transfers. Therefore, there is no evidence of supervisor's approval. Prior to the adoption of PeopleSoft in Fiscal Year 2006, the manual signature of the principal was required on a paper budget amendment form which was forwarded to the Budget Department for processing. Without a signature, it is now possible for the school's budget-keeper to move money between accounts without the principal's authorization, as the subject did in this case.

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Budget transfers are permitted between functions and accounts at the school level. The subject initiated transfers by creating a budget amendment in PeopleSoft online. Adjustments to non-salary accounts were immediately posted. The Budget Department staff can only post adjustments to salary accounts. However, the Budget Department does not usually question the purpose of a budget transfer because it is presumed that the principal has approved the transfer.

Since there were no hard authorizations required, the principal's approval could not be verified. Moreover, the former principal acknowledged that he made no effort to look at the accounts. He relied on his trusted-secretary to handle the financial transactions-, while he concentrated primarily on academics and discipline.

5. Using Others' Logins to Enter and Approve Overtime Hours

The subject was the payroll contact of the school and was responsible for entering staff hours into the payroll system. District software controls prevent payroll contacts from recording or making changes to their own payroll time records. An alternate payroll contact is appointed by the principal to support and enter the primary contact's hours. However, the alternate payroll contact was changed in July 2009 upon her retirement.

Our review of the subject's recorded time in Fiscal Year 2009 showed that two additional work hours each day were entered by the school's designated alternate payroll contact. Interviews by School Police with the appointed alternate contact revealed that the alternate had never been trained nor knew how to access the payroll system. The alternate stated to School Police that all work hours were entered into the payroll system by the school secretary. Furthermore, some of the dates and times of data entry attributed to the alternate contact occurred when the alternate was not on duty or on District holidays.

During a sworn statement taken on January 29, 2013, the subject admitted that beginning July 2009, she used the login and password of the newly appointed alternate to enter her own overtime hours. She also acknowledged that she used the principal's login and password to approve the payroll including her own overtime. The former principal confirmed that he had provided the subject with his login and password for the purpose of checking emails and electronically approving payroll and other transactions.

School Board Policy 3.29(6) - Acceptable use of Technology by Employees, states that passwords "shall not be shared with anyone by the employee to whom they were assigned. Employees are responsible for all activity that occurs for user accounts that have been assigned to them as well as any e signatures that are attributed to their account."

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6. *No Segregation of Duties*

The subject was assigned both the duties of budget-keeper and payroll contact at Lake Worth High School. The assignment of both responsibilities, in addition to the unauthorized computer network logins, gave the subject the ability to circumvent the controls of unauthorized overtime. In addition to entering and approving her own hours, she was allowed to transfer money undetected to cover the deficit created by the overtime payments she paid herself.

RECOMMENDATIONS

We recommend that the District review the documentation procedures for overtime preapproval as required by School Board Policy 6.12 - Overtime/Compensatory Time Off Under Certain Circumstances. Currently, the policy does not define the form or the manner in which it should be filed for preapproved overtime. The policy only addresses the issues for compensatory time.

We also recommend that the District review existing procedures for initiating and documentation requirements for authorizing budget transfers. The current procedures do not require any documentation indicating a supervisory approval before the transfer is posted to the budget.

FURTHER ACTION

School Police completed its investigation in early 2013 and referred its results to the State Attorney's Office on April 2, 2013, for necessary action. Our conclusions were referred to the Office of Professional Standards on June 4, 2013. The former principal received a written notification of a verbal reprimand on December 18, 2013. The former secretary's employment ended on June 28, 2014. [The former secretary was charged with criminal acts by the State Attorney's office and was allowed to enter a pre-trial diversion program.](#)