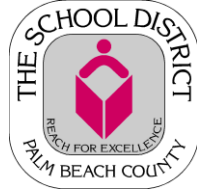


**Audit of
Payroll for Temporary Workers**

September 16, 2022

Report #2022-08



MISSION STATEMENT

The mission of the School District of Palm Beach County is to educate, affirm, and inspire each student in an equity-embedded school system.

Michael J. Burke
Superintendent of Schools

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Audit of Payroll for Temporary Workers

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Audit of Payroll for Temporary Workers

EXECUTIVE SUMMARY

Pursuant to the *Office of Inspector General's (OIG) 2021-22 Work Plan*, we have audited the Payroll for Temporary Workers. The primary objectives of the audit were to (1) assess the adequacy of procedures for processing payroll for temporary workers, (2) determine if payrolls for temporary workers were accurately documented and processed at selected departments and schools, and (3) determine the extent of compliance with the *Fair Labor Standards Act (FLSA)* and *School Board Policies*.

1. Procedures for Processing Temporary Workers' Payroll Appeared Adequate

The District has established procedures involving multiple departments that separate the responsibilities for creating new positions, verifying hours worked, and distributing paychecks. All temporary workers, except for certain exempt positions, are required to record actual hours worked through electronic time collection systems (TCD).¹ Site timekeepers validate employees' time records and make corrections, as needed. Principals and Directors approve time worked by employees at their locations. The work-hours are automatically imported into PeopleSoft. Then, specific PeopleSoft program modules apply various rules and convert reported time into payable time. Paychecks are distributed electronically into employees' bank accounts. All documentation related to work-hours is maintained at the work locations. Our review concluded the District's procedures accurately captured work-hours for temporary hourly workers and correctly calculated wages based on the appropriate pay-rate.

Management's Response: Management concurs. (See page 8.)

2. 21% of Sampled Temporary Employees Not Complying With Time Recording Requirements

District procedures require that all hourly employees, with some exceptions, record their work-hours electronically through the TCD which is the official record for *FLSA* record-keeping purposes. We reviewed the payroll records of 534 employee-pay-periods for 100 sample temporary employees at 13 locations (nine schools and four departments). The review found that 39 of the 100 sample employees were exempt from using the TCD. Of the remaining 61 employees who were required to use the TCD, 13 (21%) employees at five locations (three schools and two departments) did not use the TCD to record work-hours. Instead, timekeepers manually entered work-hours directly into PeopleSoft for payroll processing. The District should update training and reference materials to emphasize the TCD requirements for each group of temporary workers.

¹ Electronic time collection systems include the Biometric Time Collection Devices and Web Clock System, which are collectively referred to as TCD in this report.

Management's Response: *The Payroll Area provides annual Payroll and Timekeeping Process Training in eLearning for Principals and District Administrators. This training includes information relating to TCDs and requirements for payroll reporting. We will update the Helpful Office Procedures in the Payroll and Time & Labor Training Manual to provide clearer guidance of exemptions to using the TCD and update training materials and job aids to emphasize the requirement for temporary workers to use the TCD. (See page 8.)*

3. Manual Time Entries Without Missed Punch Reports

Our review determined that 61 of the 100 sampled employees were required to use the TCD to record work-hours. We found that 16 of the 61 sampled employees had missed punches for a total of 80 pay-periods. Site timekeepers made manual time entries totaling 3,406 work-hours with gross wages of \$54,053 without the required principal-approved *Missed Punch Reports*. To ensure proper record-keeping and fiscal accountability, site timekeepers should obtain supporting documentation from employees prior to adding worked-hours to the payroll system.

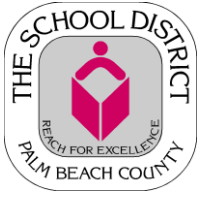
Management's Response: *The Payroll Area's Payroll and Time & Labor Training Manual indicates that Missed Punch Report forms should be retained at work sites for a period of three years. The Payroll Area provides a "Memo For Missed Punch Report" on the Payroll Site Administrators section of the District Hub. The memo provides a tool for locations to use when employees have a missed punch on the timesheet. (See page 8.)*

4. Duplicate Payments

At one location (John F. Kennedy Middle School), the OIG identified two employees who received duplicate wage payments totaling \$1,470 during three pay-periods. The timekeeper erroneously entered the same days and hours worked on two separate job records. We immediately informed Payroll about the potential duplicate payments. Payroll staff confirmed that overpayments had occurred and acted to recoup the extra wages.

Management's Response: *The duplicate payments totaling \$1,470 indicated in Table 4 have been recouped. Payroll staff currently run a query each pay period to show Regular Non-Exempt employees who are not using the TCD. Payroll Analysts follow up with the locations. Payroll will work with the ERP Department to develop a query to identify Temporary employees who have time manually entered on the timesheet. (See page 8.)*

Additional Management's Comments: *Additional guidance was provided to the two schools with higher noncompliance to ensure all procedures will be followed going forward. (See page 8.)*



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MEMORANDUM

TO: Honorable Chair and Members of the School Board
Michael J. Burke, Superintendent of Schools
Chair and Members of the Audit Committee

FROM: Teresa Michael, Inspector General

DATE: September 16, 2022

SUBJECT: Audit of Payroll for Temporary Workers

PURPOSE AND AUTHORITY

Pursuant to the *Office of Inspector General's (OIG) 2021-22 Work Plan*, we have audited the Payroll for Temporary Workers. The primary objectives of the audit were to (1) assess the adequacy of procedures for processing payroll for temporary workers, (2) determine if payrolls for temporary workers were accurately documented and processed at selected departments and schools, and (3) determine the extent of compliance with the *Fair Labor Standards Act (FLSA)* and *School Board Policies*.

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 and appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. We believe the evidence obtained provides reasonable grounds for our findings and conclusions.

This audit covered the payroll for temporary employees during July 1, 2020, through June 30 2021. The audit included interviewing District staff and reviewing:

- *Fair Labor Standards Act*
- *School Board Policies*
- *Bulletin #P-13115-CAO/COO* – Automated Time Collection Devices (TCDs) Guidelines
- *Administrative Policies and Procedures – Payroll/Accounting Services*
- *Payroll and Time & Labor Training Manual*
- District Internal Control Narrative – Compensation Procedures
- PeopleSoft Payroll records
- Employee work-hours reported through the TCD and Web Clock System
- Worksite time and attendance records

Draft findings were discussed with staff at the sampled locations and the Department of Accounting Services. The draft report was sent to the Chief Financial Officer for review and comments. Management responses are included in the Appendix. We appreciate the courtesy and cooperation extended to us by staff during the audit. The final draft report was presented to the Audit Committee at its September 16, 2022, meeting.

BACKGROUND

In Fiscal Year (FY) 2021, 9,996 temporary part-time employees² received a total of \$30,272,767 in wages through the Temporary Payroll for 1,891,186 hours worked for temporary part-time jobs. (See Table 1.)

Table 1
Wages for Temporary Part-Time Personnel

	FY 2019	FY2020	FY2021³
Schools			
Wages	\$31,799,311	\$23,643,163	\$15,602,247
Hours	1,930,273	1,408,226	920,933
Departments			
Wages	\$25,542,427	\$19,027,918	\$14,670,520
Hours	1,791,493	1,306,144	970,253
Total Wages	\$57,341,739	\$42,671,081	\$30,272,767
Total Hours	3,721,766	2,714,370	1,891,186

Note: Total does not agree with the sum of the details due to rounding.

Temporary employees are hired based on the needs of the schools and departments. The Temporary Payroll includes wages paid to employees hired solely for part-time, hourly positions, such as substitute teachers and afterschool counselors. The Temporary Payroll also includes wages paid to regular district employees working an additional part-time job, usually for a limited period of time, such as temporary tutors or temporary administrative support. During FY 2021, of the 9,996 budgeted temporary positions, 7,008 positions were filled by regular District employees in addition to their regular full-time positions and 2,988 positions were filled by temporary workers.

Employees are paid biweekly for the pay-period ending one week prior. Temporary jobs are paid at the hourly rate of the regular employee's full-time position or at a negotiated hourly rate approved by the School Board for certain designated temporary jobs, such as afterschool counselors. Temporary workers do not qualify for fringe benefits, such as paid sick leave, paid vacations, or insurances. However, they are eligible to enroll in the voluntary retirement plans offered by the School District.

² There are two types of temporary workers: (1) District employees assigned to temporary part-time positions, and (2) temporary personnel from outside personnel placement agencies. This audit covers only type (1), District employees.

³ On March 16, 2020, in response to the Covid-19 pandemic, the District moved to remote learning which continued through September 28, 2020. Due to the closure of school campuses, many temporary positions were affected.

CONCLUSIONS

The audit produced the following major conclusions:

1. Procedures for Processing Temporary Workers' Payroll Appeared Adequate

To ensure temporary workers are paid the correct wages, the District has established procedures that separate the responsibilities of creating new positions, verifying hours worked, and distributing paychecks. Multiple departments are involved in this process.

Authorization and Creation of Temporary Positions. Temporary positions are requested by the schools and departments through a Job Action in the PeopleSoft System. The Budget Department verifies available funding and creates the requested positions in the schools' and departments' budgets. The Recruitment and Retention Department in the Human Resources (HR) Division then advertises the positions and assists the schools/departments with the hiring processes. Once a position is filled, the Department of Compensation and Employee Information Services in the HR Division processes the employee's job information into the PeopleSoft System, including the hourly pay-rate.

Capturing Hours Worked. District procedures require all temporary hourly workers record their actual hours worked through electronic time collection systems, either the Biometric Time Collection Devices or the web-based Web Clock System (TCD).⁴ This time collection procedure applies to both full-time regular employees who work second temporary jobs, as well as employees who work only in temporary positions, such as adult education teachers and afterschool counselors. A few exemptions from the use of the TCD are permitted but these situations are minimal, such as confidential administrative assistants⁵ and classroom teachers working certain tutoring positions.⁶

The worksite timekeepers validate employees' time records and make corrections, as needed. Principals and Directors are required to approve all time processed through their locations prior to the close of the time reporting period. All documentation regarding time worked is maintained at the school or department.

TCD Data Automatically Imported Into PeopleSoft. Raw data collected through the TCD are automatically imported into PeopleSoft as reported work time. Specific PeopleSoft program modules then apply rounding rules, subtract lunch periods, if applicable, and convert reported time into payable time.⁷

⁴ Electronic time collection systems include the Biometric Time Collection Devices and Web Clock systems, which are collectively referred to as TCD in this report.

⁵ See *District Bulletin P-13115-CAO-COO*, TCD Guidelines

⁶ See November 6, 2009, email from Chief Financial Officer to Payroll Contacts and all Principals which states, "The District is able to permit this flexibility due to the non-exempt Fair Labor Standards Act (FLSA) status of teachers.

⁷ The OIG performed risk assessments of the TCD System while preparing the FY2016 and FY2107 Work Plans and during the planning for this audit. The risk assessments included observing sample employees recording their work time through TCD and reviewing the subsequent payroll processing. All sample work-hours were accurately entered into PeopleSoft for payroll processing.

Distribution of Paychecks. The Payroll Section (Payroll) of the Accounting Services Department is responsible for processing all the District's payrolls, and providing support and training to over 300 timekeepers in the schools and departments. Payroll does not have the ability to add new employees and jobs to the system. During the processing of payroll records, Payroll staff validate data through numerous manual and online query programs. Upon confirmation, the PeopleSoft System generates files and reports necessary to disburse payments to employees. Paychecks are electronically deposited into employee bank accounts on the date of pay.

Conclusion: Our review concluded the District's procedures for processing temporary payrolls appeared adequate for accurately capturing and verifying the hours worked by temporary hourly workers. Our review also determined that wages were correctly calculated based on the appropriate pay-rates.

Management's Response: Management concurs. (See page 8.)

2. 21% of Sampled Temporary Employees Not Complying With Time Recording Requirements

Pursuant to the *Fair Labor Standards Act (FLSA)*, the District is required to maintain accurate records for hours actually worked by covered (non-exempt) hourly employees. The District utilizes TCD to ensure an accurate and uniform method of work-hour record-keeping for *FLSA* compliance. District procedures require that all hourly employees, with some exceptions, such as confidential administrative assistants and classroom teachers working certain tutoring positions, record their work-hours electronically through the TCD which is the official record for *FLSA* record-keeping purposes.

During FY 2021, 13 locations (nine schools and four departments) incurred more than \$200,000 each in temporary payroll expenditures. The OIG selected a total of 100 sample employees in temporary positions at these 13 locations for detailed review. The OIG reviewed the timekeeping records for a total of 534 employee-pay-periods, comprised of 480 employee-pay-periods for 80 sample employees during regular school days, and 54 employee-pay-periods for 20 sample employees during the summer school period.

13 (21%) Sample Employees Did Not Record Work-Hours through TCD. The review found that 39 of the 100 sample employees were exempt from using the TCD for recording their work-hours. The time records of these employees were entered manually into PeopleSoft by the site timekeepers. Of the remaining 61 employees who were required to use the TCD to record their work-hours, the OIG found that 13 (21%) employees at five locations (three schools and two departments) did not use the TCD to record work-hours. Instead, our interviews of the site timekeepers revealed that they manually entered work-hours directly into PeopleSoft for payroll processing. (See Table 2.)

**Table 2
Noncompliance with Required TCD Use**

Location	Temporary Employees			
	Number of Employees Reviewed	Exempt from TCD Use	Used TCD?	
			Yes	No
John F. Kennedy Middle	10 ^(note)	2	1	7
Adult and Community Education Dept.	5	0	2	3
Palm Beach Lakes High	10 ^(note)	5	5	0
Forest Hill Elementary	10	2	7	1
Chuck Shaw Adult Education Center	5	0	4	1
Extended Learning Department	10	0	9	1
Boca Raton High Adult Education	5	0	5	0
Exceptional Student Education Dept.	15	11	4	0
Hammock Pointe Elementary	5	3	2	0
Hospital Homebound Instructional Servs.	10	10	0	0
Lake Shore Middle	5	2	3	0
Lake Worth High Adult Education	5	0	5	0
Limestone Creek Elementary	5	4	1	0
Totals	100	39	48	13

Note: One sample employee held two temporary positions: one during the school year at John F. Kennedy Middle and one during summer school at Palm Beach Lakes High.

Written Procedures and Training Materials Need Updating and Clarification. The site timekeeper at one (John F. Kennedy Middle) of the 13 sample locations was unaware of the District’s requirement that the TCD must be used by all hourly workers, except certain job categories. Additionally, both the *Payroll/Accounting Services Administrative Policies and Procedures* and the Principal’s Timekeeping and Payroll Approval eLearning classes do not accurately reflect the current exemptions from TCD use for confidential administrative assistants and some classroom teachers.

Recommendation

A centralized, electronic record is critical to meet the burden of proof required by *FLSA* when reporting time worked by employees. To ensure compliance with the timekeeping requirements of the *FLSA* and District Procedures, the Payroll Section of the Accounting Services Department should consider providing annual refresher trainings for department heads and timekeepers on payroll and timekeeping requirements. The District should also update training and reference materials to emphasize the TCD requirements for each group of temporary workers.

Management’s Response: The Payroll Area provides annual Payroll and Timekeeping Process Training in eLearning for Principals and District Administrators. This training includes information relating to TCDs and requirements for payroll reporting. We will update the Helpful Office Procedures in the Payroll and Time & Labor Training Manual to provide clearer guidance of exemptions to using the TCD and update training materials and job aids to emphasize the requirement for temporary workers to use the TCD. (See page 8.)

3. Manual Time Entries Without *Missed Punch Reports*

Temporary hourly workers, except for certain exempt positions, are required to record their time using the TCD. In the event an employee failed to record their time (missed punch) using the TCD, the employee is required to submit a *Time Clock Missed Punch Report (MPR) (PBSD 2323)* to the site timekeeper to support manual time entry. The employee and his supervisor sign the form to certify the correct time is being submitted. Section D4 of the *Payroll and Time & Labor Training Manual* requires the *MPR* be retained at the work site for three years.

The OIG review found that 16 of the 61 sampled employees required to use the TCD at five locations (three schools and two departments) had missed punches in a total of 80 pay-periods. Site timekeepers manually entered work-hours without the required supporting *MPRs*. The unsupported manual entries totaled 3,405.75 work-hours with gross wages of \$54,052.28.⁸ (See Table 3.)

Table 3
Manual Time Entry without *MPR*

Location	Number of Employees	Number of Pay Periods	Hours Entered Manually without <i>Missed Punch Report (PBSD 2323)</i>	Total Wages
John F Kennedy Middle	8	45	2,426	\$38,575
Chuck Shaw Adult Ed Tech Center	1	3	80	1,207
Forest Hill Elementary	1	6	318	4,770
Extended Learning	1	2	7	88
Adult and Community School	5	24	575	9,412
Totals	16	80	3,406	\$54,052

Recommendation

As required by *Bulletin #P-13115-CAO/COO*, “Employees that fail to utilize the TCD, adhere to their approved schedule, or repeatedly miss punches should be counseled by the supervisor and subjected to progressive disciplinary action if necessary.” Failing to comply could be considered a violation of *School Board Policies 1.013 (Responsibilities of School District Employees and Staff)*, *3.02 (Code of Ethics)*, and *3.10 (Conditions of Employment with the District)*.

To ensure proper record-keeping and fiscal accountability, site timekeepers should obtain supporting documentation from employees prior to adding worked-hours to the payroll system.

Management’s Response: *The Payroll Area’s Payroll and Time & Labor Training Manual indicates that Missed Punch Report forms should be retained at work sites for a period of three years. The Payroll Area provides a “Memo For Missed Punch Report” on the Payroll Site Administrators section of the District Hub. The memo provides a tool for locations to use when employees have a missed punch on the timesheet. (See page 8.)*

⁸ The term “gross wages” does not include the District’s employer contributions to Florida Retirement System, and Social Security and Medicare taxes.

4. Duplicate Payments

At one location (John F. Kennedy Middle School), the OIG identified two employees who received duplicate wage payments totaling \$1,470 during three pay-periods. (See Table 4.) The employees were approved with multiple jobs with the District. The timekeeper erroneously entered the same days and hours worked on two separate job records.

We immediately informed Payroll about the potential duplicate payments. Payroll staff confirmed that overpayments had occurred and acted to recoup the extra wages. Additionally, Payroll began work on creation of exception reports to identify duplicate payments in the future.

Table 4
Duplicate Payments

Employee #	Employee Record #	Pay Period Ending	Total Hours	Total Wages
1	0	1/29/2021	35	\$525
	1	1/29/2021	35	\$525
2	0	2/5/2021	28	\$420
	1	2/5/2021	28	\$420
	0	2/12/2021	35	\$525
	1	2/12/2021	35	\$525
Total Duplicate Hours and Wages			98	\$1,470

Recommendation

To improve the accuracy and the integrity of the payroll process, the District should reinforce the mandatory use of *TCDs* to prevent duplicate recording of hours worked, and utilize exceptions to detect duplicate payments.

Management's Response: *The duplicate payments totaling \$1,470 indicated in Table 4 have been recouped. Payroll staff currently run a query each pay period to show Regular Non-Exempt employees who are not using the TCD. Payroll Analysts follow up with the locations. Payroll will work with the ERP Department to develop a query to identify Temporary employees who have time manually entered on the timesheet. (See page 8.)*

Additional Management's Comments: *Additional guidance was provided to the two schools with higher noncompliance to ensure all procedures will be followed going forward. (See page 8.)*

– End of Report –

Management's Response



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RECEIVED

SEP -9 2022

INSPECTOR GENERAL

TO: Teresa Michael, Inspector General
FROM: Heather Frederick, Chief Financial Officer *HF*
DATE: September 9, 2022
SUBJECT: Response to Audit of Payroll for Temporary Workers

Management reviewed the Audit of Payroll for Temporary Workers and has the following responses to recommendations.

- 1. Procedures for Processing Temporary Workers' Payroll Appeared Adequate**
Management concurs.
- 2. 21% of Sampled Temporary Employees Not Complying With Time Recording Requirements**
The Payroll Area provides annual Payroll and Timekeeping Process Training in eLearning for Principals and District Administrators. This training includes information relating to TCDs and requirements for payroll reporting. We will update the Helpful Office Procedures in the Payroll and Time & Labor Training Manual to provide clearer guidance of exemptions to using the TCD and update training materials and job aids to emphasize the requirement for temporary workers to use the TCD.
- 3. Manual Time Entries Without Missed Punch Reports**
The Payroll Area's Payroll and Time & Labor Training Manual indicates that Missed Punch Report forms should be retained at work sites for a period of three years. The Payroll Area provides a "Memo For Missed Punch Report" on the Payroll Site Administrators section of the District Hub. The memo provides a tool for locations to use when employees have a missed punch on the timesheet.
- 4. Duplicate Payments**
The duplicate payments totaling \$1,470 indicated in Table 4 have been recouped. Payroll staff currently run a query each pay period to show Regular Non-Exempt employees who are not using the TCD. Payroll Analysts follow up with the locations. Payroll will work with the ERP Department to develop a query to identify Temporary employees who have time manually entered on the timesheet.

Additional guidance was provided to the two schools with higher noncompliance to ensure all procedures will be followed going forward.

The School District of Palm Beach County, Florida
A Top High-Performing A-Rated School District
An Equal Opportunity Education Provider and Employer

MB