



Follow-up Review Report



Payroll and Timekeeping Practices at Maintenance Operations and Facilities Construction



Some progress was made in implementing the prior audit recommendations, but most of the recommendations were not fully implemented, and require future follow-up.

January 2009

THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

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Superintendent of Schools

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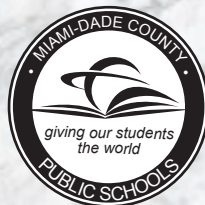


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Alberto M. Carvalho

January 22, 2009

Miami-Dade County School Board

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Members of The School Board of Miami-Dade County, Florida
Members of the School Board Audit Committee
Mr. Alberto M. Carvalho, Superintendent of Schools

Ladies and Gentlemen:

In accordance with School Board Rule 6Gx13-2C-1.14, Section IV.B.3 and the approved Audit Plan for FY 2008-2009, we have reviewed the actions taken by management to implement the recommendations included in our prior internal audit report of Payroll and Timekeeping Practices at Maintenance Operations and Facilities Construction. This report was issued October 25, 2005, and the audit objectives were to determine whether the payroll and timekeeping practices in place are in compliance with established District policies and procedures, and whether those practices effectively reduce the risks of lost wages, payroll irregularities, and inaccurate project and work order cost information. An additional objective of the audit was to compare various payroll timekeeping systems used by other public and private entities vis-à-vis M-DCPS.

EXECUTIVE SUMMARY AND CONCLUSIONS

Our prior audit report disclosed instances of non-compliance with District's policies, procedures and rules; significant weaknesses in internal controls; inefficient and ineffective timekeeping practices; lost wages; and costs mischarged in the Department of Maintenance Operations and Facilities Construction.

We made 11 recommendations to improve the process. Management was in general agreement with our recommendations and provided responses indicating the findings would be addressed. Of the 11 audit recommendations, one (1) was fully implemented, seven (7) were partially implemented, and three (3) were not implemented.

In our follow-up review, we found that the instances of non-compliance found in our previous audit have not been entirely corrected. We recommended that the department needed to enhance and effectively employ the documentation of employees' attendance. Our follow-up review and observation of payroll records disclosed that daily attendance for a few employees was not properly documented. We observed instances where employees did not indicate their attendance on a daily basis, but were reported present on the Final Payroll Roster.

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Our analysis of payroll records for two particular administrators based at the Central Maintenance office from May 2007 to September 2008 indicated that these employees did not document their attendance on a daily basis. In fact, emails from one of the employees indicated that she was absent on the days in question. The total days in questions for both employees are 220. Based on their daily pay rates, this amounts to total questioned costs of \$105,185. We also completed a detailed review of seven pay periods in the 2007-08 and 2008-09 fiscal years at three different Maintenance locations. The same condition noted above was repeated. A total of 18 employees did not indicate their attendance on a daily basis for a total of 48 days. This amounted to an additional questioned amount of \$12,265. During our follow-up, we examined various documents demonstrating that the payroll clerk responsible for completing the payroll at the location where the majority of the discrepancies occurred had brought the discrepancies to her administrators' attention. Moreover, that payroll clerk provided to us all payroll records requested and used to document the majority of the discrepancies noted. During the course of our review, the payroll clerk was transferred to another department.

The payroll clerks prepared daily reports to document employees requesting leave. However, when employees started their work day at a location other than their home base location, their time of arrival was not documented. Instead, employees signed Daily Attendance Sheets post factum. As indicated on the Payroll Processing Procedures Manual, a travelers log should be used to document "mobile employees" attendance. Our recommendation of submitting the Daily Status Forms to work order control clerks on a timely basis was implemented. In addition, we found that Daily Status Forms reviewed agreed with employees' payroll information.

Our second recommendation entailed strengthening processes and controls for overtime, compensatory time and part-time employees. Our follow-up review disclosed that this recommendation was partially implemented. Payroll processing for part-time hourly employees complied with District's payroll processing policies and procedures. However, compensatory time guidelines were not followed. Compensatory time leave was not reported as "other" on the Payroll Absence Report System (PARS), as required. Accumulated compensatory time for employees exceeded the maximum limit allowed. Compensatory time that was erroneously accrued, taken, and/or paid was not recovered, as previously recommended. The total amount for which we do not have evidence of recovery was \$92,600.

The labor unions of the covered employees repeatedly rejected the various proposals made by Maintenance management to exclude hours not worked, with the exception of holidays, from the computation of overtime premium paid to employees and to align the labor contracts terms and District's policies and procedures with the Fair Labor Standards Act. Consequently, employees continue to be assigned overtime in the same work week that they are granted compensated leave. According to Maintenance payroll clerks, subsequent to our prior audit, they attended only one refresher training session offered by Maintenance administration.

Mechanisms to manage and monitor mobile Maintenance staff were implemented but subsequently discontinued. Specifically, the piloted GPS technology introduced was discontinued, reportedly due to its high cost to maintain. Periodic on-site visitations by management have not substantially increased, due to a growth in the mechanic-to-supervisor ratio. We agree with management. Trades employees have increased by 14% and coordinators have decreased by 25%. However, we recommend that visits be done at least sporadically to encourage accountability.

A review of estimated work order costs and time is performed by supervisors. However, an explanation of significant variances is not documented.

Based on our observation, the Office of School Facilities management has taken some actions to address most of the findings and recommendations in our prior audit report; however, those actions fall short of fully correcting the findings and recommendations. Subsequent to our field work, management has taken action towards implementing some of the recommendations.

This report was distributed on January 12, 2009 as a draft to the Office of School Facilities, for their review and comment. Pursuant to School Board Rule 6Gx13-2C.1.14, we requested that the OSF provide a management response and corrective action plans to the open audit recommendations, which would have been included with this final report. However, we did not receive a written management response and corrective action plan by the January 20, 2009 due date. Inasmuch as the deadline for submitting a response was reached, this report is being issued as is.

Sincerely,



Allen Vann, CPA, Chief Auditor

Office of Management and Compliance Audits

OBJECTIVE, SCOPE AND METHODOLOGY

The objective of this follow-up review was to determine the progress and extent of the implementation of management's plans of action for addressing the 11 recommendations in our original audit report. The review covered actions taken by the administration subsequent to issuing our original audit report.

We performed the following procedures to satisfy our objective:

- Interviewed district staff involved in the payroll and timekeeping process;
- Reviewed the organizational structure;
- Examined, on a sample basis, completed payrolls and supporting documents;
- Observed current payrolls and employee sign-in procedures;
- Obtained information from school administration on employees' presence at schools;
- Performed other procedures deemed necessary.

This performance audit follow-up review is not an audit, but is intended to provide a current status on prior audit findings and recommendations. However, we believe that the evidence obtained and reviewed provides a reasonable basis for our conclusions on the status of prior audit findings and recommendations. This follow-up review did not include a specific assessment of the overall internal controls.

BACKGROUND

The Office of School Facilities (Facilities) is responsible for constructing, renovating, remodeling, and maintaining Miami-Dade County Public Schools (M-DCPS) more than 390 schools and other facilities. The Office is organized into three sections: a design unit, a construction unit, and a maintenance unit.

The design and construction units (Facilities Construction) comprise 263 employees, of which 196 are administrative and support staff, 31 are project coordinators (project managers), and 36 are plan reviewers/code inspectors (including six asbestos project inspectors). The maintenance unit (Maintenance) comprises 951 tradespersons (including trades forepersons) and 175 administrative and support staff, including 47 coordinators and project coordinators.

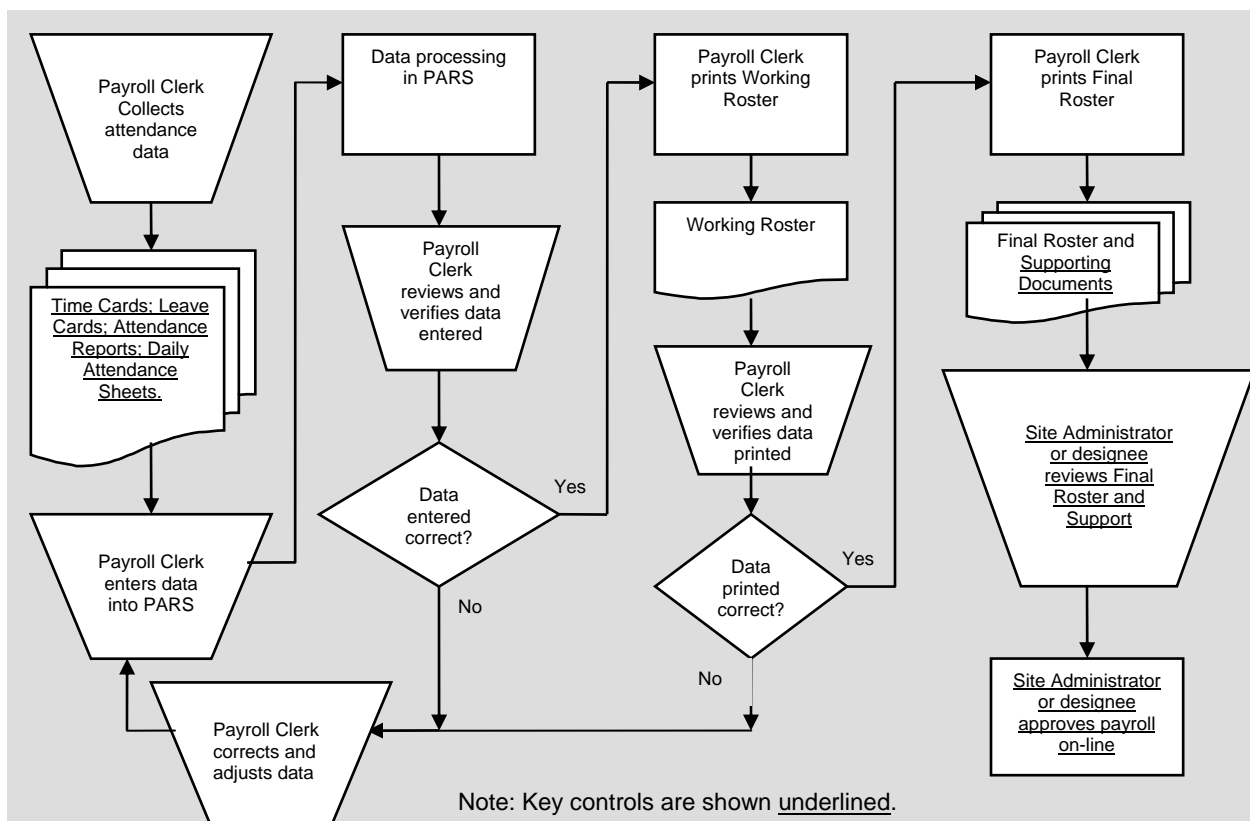
Payroll Timekeeping Process

Facilities uses the District's Payroll Absence Reporting System (PARS) in conjunction with a series of manual processes to report all employees' attendance and time worked to the Payroll Department of the Office of Accounting. For full-time employees, the payroll and timekeeping process works on an exception basis, meaning, full-time employees are considered present for all 10 working days during each payroll period unless otherwise indicated and evidenced by documentation of employees' absence.

Hence, in preparing the payroll, only known absences (i.e., sick, personal, vacation, etc.) are recorded in PARS. Overtime pay and part-time hourly employees' payroll are recorded separately, and are based on the total number of actual hours worked. The process is manually driven, from the collection of employees' time to the processing of the payroll.

Each work location within Facilities is responsible for preparing its own payroll. All but one of the locations use either some form of daily attendance sheets, or a combination of daily attendance sheets and time cards to collect employees' attendance data. The one exception, a Region Maintenance Centers, uses swipe cards in lieu of time cards.

The processing of employee attendance data includes of the following steps:



**Follow-up Review of Payroll and Timekeeping Practices at
Maintenance Operations and Facilities Construction**

Audit Committee Meeting Presented – October 25, 2005

Audit Findings	Recommendations	Corrective Action By Management	Auditors' Comment
<p>1. The systems for documenting employees' attendance need to be enhanced and more effectively employed.</p>	<p>1.1 Enforce procedures requiring supervisors to review daily attendance reports to determine the attendance of each employee assigned to them. Quality control reviews by management, coupled with accountability, should be a part of this process.</p>	<p>Management has advocated for an automated time and attendance system to assist in monitoring employees' daily attendance, sites visited, related times and activities.</p> <p>Currently, the Maintenance location's payroll clerks provide management with twice daily (AM & PM) leave reports.</p> <p><u>Note:</u> a pilot program utilizing GPS technology was undertaken but found to be unmanageable without significant additional staff and resources to consider full scale implementation.</p>	<p>Partially Implemented. Leave reports are prepared daily. However, these reports do not account for employees that start their work day at a location other than their home base location. We recommended to management that a traveler's log, as required by the Payroll Processing Procedures Manual be implemented immediately.</p>
<p>1.2 Ensure that employees' attendance is properly documented each day; Daily Status Forms are submitted to the work order control clerks in a timely manner, entered into the work order system and</p>	<p>As recommended, management has reduced the number of places for non-trade employees to sign in by consolidating the names on a limited number of rosters and placing them in a more central location at each worksite.</p>	<p>Partially Implemented. Daily Status Forms reviewed agree with payroll information and are submitted and entered into the</p>	<p>Partially Implemented. Daily Status Forms reviewed agree with payroll information and are submitted and entered into the</p>

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	<p>reconciled to the payroll information. Consolidate the daily attendance sheets used and post them in one general location or a minimum of locations where payroll clerks can easily monitor the daily attendance and ensure that employees adhere to guidelines in the Payroll Processing Procedures Manual.</p>	<p>Maintenance management began to develop a request for proposals (RFP) for an automated Time and Attendance System to track employees' daily attendance, locations visited and the associated times. Due to the upcoming implementation of the District's Enterprise Resource Planning (ERP) system, management was instructed not to pursue the RFP.</p> <p>Currently, each Maintenance location payroll clerk determines the daily attendance status of the location's employees through multiple means including daily roster, call-in audio recording (AM & PM), electronically (Zone Mechanics with computer access) and time cards. Use of a Traveler's Log is being implemented to further improve accountability. Employee attendance is reconciled prior to payroll being submitted.</p>	<p>work order system timely. Daily Attendance Sheets are consolidated and daily monitored by payroll clerks. However, employees' daily attendance is not properly documented. We observed instances where employees did not indicate their presence on a daily basis but were reported present on the Final Roster. Consequently, adherence to guidelines in the Payroll Processing Procedures Manual was not observed. Questioned payroll costs related to these inconsistencies amounted to \$117,000.</p>

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Audit Committee Meeting Presented – October 25, 2005

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	<p>1.3 Leave cards should be submitted to the payroll clerks in a timely manner and the payroll clerks should reconcile these to daily attendance records on a daily basis.</p>	<p>Daily Status Forms (DSF) submitted by trade employees are documents that relate directly to COMPASS, the Maintenance work order system. Although COMPASS does not interface with the District's payroll system, management places great emphasis on the importance of the daily submittal of the DSF; reports have been developed and are used as a management tool to identify employees delinquent in their submittal.</p>	
		<p>Greater emphasis has been placed on the importance of submitting leave cards in a timely manner. Maintenance location payroll clerks provide supervisors with twice daily (AM & PM) leave reports that are reconciled with the "Daily Payroll Attendance Sheets." Each Maintenance location payroll clerk determines the daily attendance status of the location's employees through</p>	<p>Fully Implemented.</p>

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<p>2. Processes and controls for overtime, compensatory time and part-time employees pay need to be strengthened.</p>	<p>2.1 Adhere to rules for overtime pay, compensatory time and part-time hourly employees as stated in the M-DCPS Salary Handbook and Payroll Processing Procedures Manual. Except when impracticable, overtime and compensatory time worked must be pre-approved. Also, part-time hourly employees should not be allowed to work beyond established limits.</p>	<p>multiple means including daily roster, call-in audio recording (AM & PM), electronically (Zone Mechanics with computer access) and time cards. Also, each payroll clerk follows-up with the appropriate administrator when leave data for an employee does not reconcile with the employee's attendance records.</p>	<p>Partially Implemented. Adherence to M-DCPS Salary Handbook and Payroll Processing Procedures Manual for part-time hourly employees was observed for payrolls reviewed. However, compensatory time guidelines were not followed. Employees are granted compensatory time leave; however, time</p>

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Audit Committee Meeting Presented – October 25, 2005

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	<p>2.2 The District should consider excluding hours not worked, with the exception of holidays from the computation of overtime premium paid to employees and consider aligning the labor contracts terms and District policies and procedures with this algorithm.</p>	<p>Proposals were proffered by M-DCPS management to four Unions: AFSCME, DCSSAA, FOP, and DCSSMEC. These proposals were offered during the 06-09 Successor Contract negotiations. Each of the four Unions "rejected" the proposal to stipulate that an employee will be paid overtime after working 40 hours not including paid leave such as vacation, sick, or personal leave. Proposals were proffered to DCSSMEC on 12/5/06 and rejected the same day.</p>	<p>is not reported as "other" on the Payroll Absence Report System (PARS). Additionally, accumulated employees' compensatory time exceeded maximum established limit.</p> <p>Not implemented. Through no fault of management, the implementation of this recommendation was not effected. During negotiations with the labor unions for the affected employees, management proffered various proposals to address the recommendation; however all were rejected by each union.</p>

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		<p>Proposals were proffered to DCSAA on 8/22/06 and rejected the same day.</p> <p>Proposal was proffered to FOP on 10/24/07 and rejected the same day</p>	
2.3	<p>Improve the management over the assignment of overtime to employees by not assigning employees overtime during the same work week that they were granted compensated leave.</p>	<p>This audit recommendation requires collective bargaining with the affected union(s). To date, no changes have occurred in the District's Overtime policy or Union agreements consequently, established District practices have not changed. Management continues to pursue necessary revisions to existing labor agreements.</p> <p>Collections are facilitated through the District's Payroll Department.</p>	<p>Not implemented. Please refer to comment to Recommendation 2.2. Consequently, employees continue to be assigned overtime in the same work week that they are granted compensated leave.</p>
2.4	<p>Recover amounts related to erroneous time accrued, taken and/or paid.</p>		<p>Not implemented. Employees' earnings and leave history disclosed that erroneous time accrued, taken and/or paid was not recovered. The amount in question is \$92,600.</p>

**Follow-up Review of Payroll and Timekeeping Practices at
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Audit Committee Meeting Presented – October 25, 2005

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	<p>2.5 Train staff responsible for processing payroll on established payroll procedures, and provide periodic refresher training.</p>	<p>Additional training has been provided for payroll clerks and administrators. Such training will be provided on an ongoing basis. The next training session is scheduled for October 16, 2008.</p>	<p>Partially Implemented. Payroll clerks indicated that after conclusion of the audit and prior to this follow-up they received only one training session offered by management.</p>
<p>3. Better controls are needed to ensure employee availability.</p>	<p>3.1 Improve supervision over employees' daily activities. Require supervisors of "mobile employees" to periodically visit remote worksite where "mobile employees" are assigned.</p>	<p>As noted above, management has advocated for an automated time and attendance system to assist in monitoring mobile employees. Due to attrition and ongoing District hiring freezes, the mechanic-to-supervisor ratio has continued to grow. This has made it more challenging for supervisors to visit their mobile employees. Further, because of competing priorities, the frequency of visits has not substantially increased. Improvements will be made when</p>	<p>Partially implemented. To their credit, management wholeheartedly piloted GPS technology, but discontinued its use due to costs constrains. We agree with management that mechanic-to supervisor ratio has increased and commend them for any efforts made.</p>

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		<p>supervisory staff is restored.</p> <p>Additionally, when budgetary resources improve, management will revisit the use of GPS technology for monitoring mobile employees.</p>	<p>However, we recommend performing periodic visits.</p>
	<p>3.2 Continue to pursue the identification and implementation of a system to monitor the whereabouts of "mobile employees" and M-DCPS vehicles.</p>	<p>Upon implementation of the District's ERP system, additional controls will be in place to assist management.</p> <p>Meanwhile, the implementation of a Traveler's Log will improve accountability for mobile employees.</p> <p>A pilot program utilizing GPS technology was previously undertaken but found to be unmanageable without significant additional staff and resources to consider full scale implementation. Consequently, management discontinued the GPS pilot.</p>	<p>Partially implemented.</p> <p>Please refer to comment to Recommendation 3.1. Procedures to document daily attendance for "mobile employees" were not in place. However, at our request, a Traveler's Log and related procedures were implemented.</p>

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	<p>3.3 Require supervisors to review work order costs and explain significant variances from expected costs and time.</p>	<p>Management has developed a pre-cost estimate protocol for service work orders based on historical data. This practice forces supervisors to review the work orders requiring an increase to the pre-established estimate.</p> <p>Maintenance projects are estimated and actual costs are tracked through the use of project software. These projects are managed, reviewed, and updated as necessary on a monthly basis.</p>	<p>Partially Implemented. Review of estimated work order costs and time is performed by supervisors. However, an explanation of significant variances is not documented.</p>

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INTERNAL AUDIT REPORT



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