

INTERNAL AUDIT REPORT
COMPENSATION ADMINISTRATION
FUNCTIONS

APRIL 2005

OFFICE OF MANAGEMENT AND
COMPLIANCE AUDITS



Miami-Dade County Public Schools

giving our students the world

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Miami-Dade County Public Schools

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April 25, 2005

Members of The School Board of Miami-Dade County, Florida
Members of The School Board Audit Committee
Dr. Rudolph F. Crew, Superintendent of Schools

Ladies and Gentlemen:

We are pleased to present the results of our review of the compensation administration function. The purpose of our review was to determine the adequacy of the control environment for the compensation process and compare current practices to those of similar public agencies. During the 2003-04 fiscal year, Human Resources' Compensation Administration Department estimates that it processed over 230,000 salary adjustments and payments for supplements, stipends, tuition reimbursements and other transactions totaling nearly \$300 million.

Based on our audit, we concluded that the control environment needs certain improvements to prevent ineligible payments of supplements, stipends, and salary step increases. There is also a need to reduce the number of salary supplements to more manageable levels, and to improve the detection and collection of overpayments. We recommend that Compensation Administration work with the Payroll Department and Information Technology Services to enhance the preventive and detective controls to reduce incorrect pay rates and steps on a timelier basis. Procedures for processing salary step increases and pay raises, supplements and stipends, and addendum contracts for supplements paid to employees can be enhanced. In order to strengthen the collection of overpayments, stronger policies and procedures need to be adopted. We understand that some aspects of our recommendations will be subject to the collective bargaining process.

We would like to thank the staff of Compensation Administration for their cooperation and the courtesy extended to our staff during the audit.

Sincerely,

Allen M. Vann, CPA

Chief Auditor

Office of Management and Compliance Audits

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TABLE OF CONTENTS

	PAGE NUMBER
EXECUTIVE SUMMARY	1
BACKGROUND	2
OBJECTIVES, SCOPE, AND METHODOLOGY	3
FINDINGS AND RECOMMENDATIONS	
1. Improve Accountability and Reduce the Number of Supplements	4
2. Strengthen Controls Over Supplements	7
3. Strengthen Controls Over Processing of Stipends	10
4. Enhance Controls Over Salary Adjustments	13
5. Strengthen Controls To Detect and Recover Overpayments	15
APPENDIX – 6Gx13- <u>4D-1.03</u>, Compensation and Related Benefits Salary Guides--Adjustments	18

EXECUTIVE SUMMARY

Compensation Administration's activities are generally performed following good business practices, and in compliance with the applicable laws, regulations, Board rules and labor contracts; however, we noted the need to improve the following conditions:

Supplements The District uses several hundred different supplement amounts to pay employees for extra duties, which is substantially more than any other comparable school districts. While most pay supplements are listed in the labor contracts, there is no master list describing all the different supplements, duties involved, the eligibility requirements and guidelines for review and approval.

Stipends Although the labor contract describes the eligibility criteria to receive stipends, there are very few written procedures on how stipends are processed. We found several mentor secretary, advanced placement, and critical staff shortage stipend overpayments. The alternative education stipends, though not processed by Compensation Administration, are automatically paid to employees based on their position code regardless of whether or not they are working in an alternative education school or program.

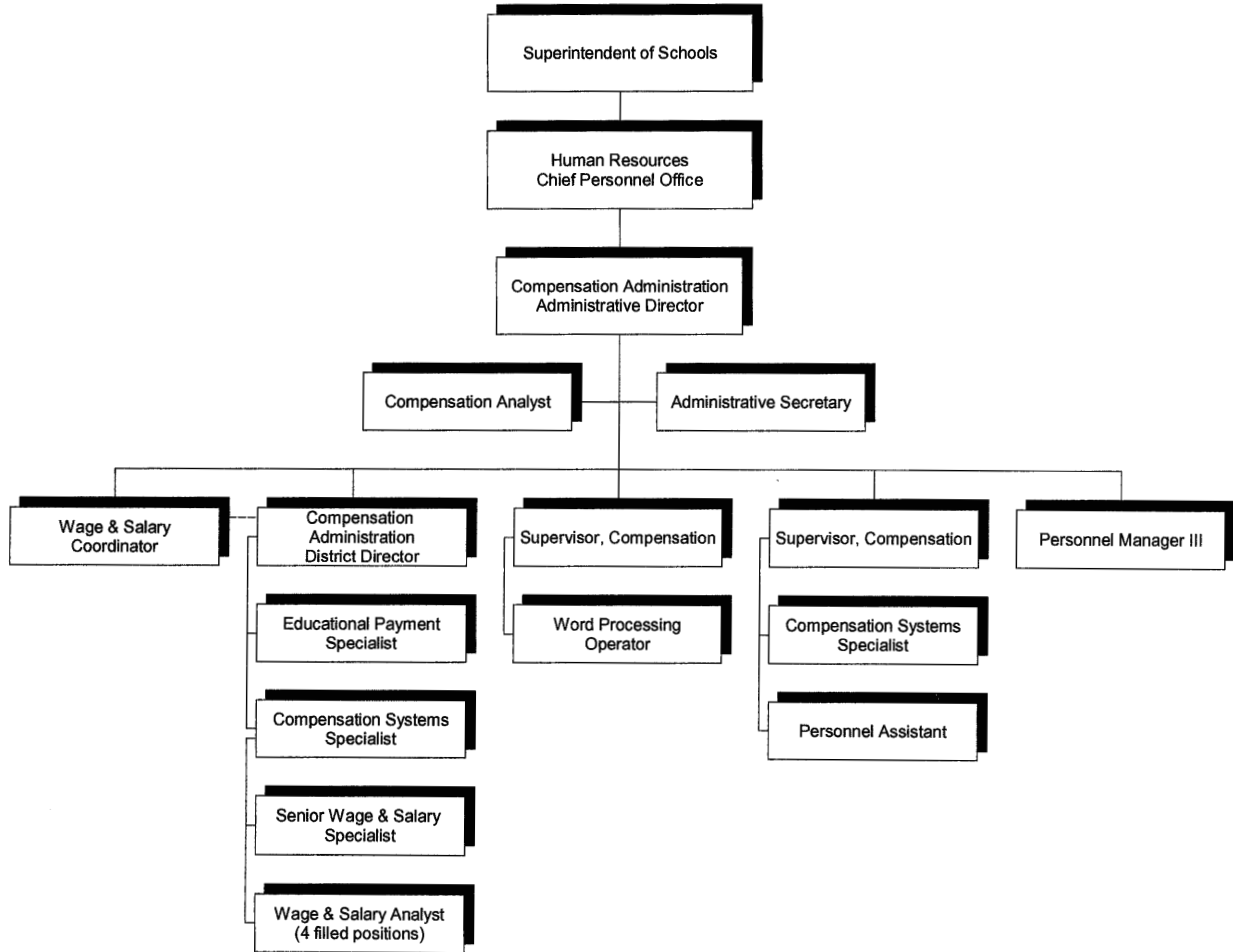
Salary Adjustments Salary step placements are, in a small number of cases, not being adequately reviewed and approved by an administrator, and sometimes have resulted in overpayments. Most salary overpayments are caused by tardy notification to Compensation Administration by work locations of retroactive changes in salary status, such as deletion of supplements and changes in job codes. Some overpayments are caused when an employee is hired or changed to an incorrect job code, pay rate, or step placement.

Overpayments Overpayment errors, although not common, are not being timely detected because it requires performing a salary audit of the specific employee. When errors are detected, some employees do not repay their overpayments or are making minimal payments due to hardship deferral or reductions in payments, which make the complete collection unlikely. Strengthening repayment policies and collection procedures are needed.

Based on our observations, we made 10 recommendations. Management accepted the recommendations and provided implementation dates.

BACKGROUND

Compensation Administration is a department under Human Resources that currently has 18 authorized positions consisting of 6 administrators and 12 clerical staff, as shown below:



Compensation Administration is responsible for processing salary supplement and stipend payments, salary adjudications, credential and incentive payments, tuition reimbursements as well as developing salary schedules, developing and maintaining job descriptions, classification of positions, and maintaining employee contracts. Compensation Administration also processes salary rates adjustments to comply with wage and hour laws, request for job reclassifications reappointment process, summer school compensation, and administers the recovery of salary overpayments.

OBJECTIVES, SCOPE AND METHODOLOGY

In accordance with the Audit Plan for the 2004-05 fiscal year, we performed a review of the Compensation Administration functions. Our primary objectives were to determine whether:

- internal control environment is adequate and procedures comport with applicable State laws, regulations and School Board rules; and
- compensation practices are comparable to those of other neighboring school districts, municipalities and comports with good business practices.

Based on our assessment of the School District's risks as it relates to this function, we concentrated our testing on transactions pertaining to salary adjustments and placement, supplements and stipend payments, tuition reimbursements, and training payments made during the last quarter of the 2003-04 fiscal year and the current fiscal year. We also reviewed the recovery of salary rate overpayments. We limited our review of other functions, such as maintaining job descriptions and employee contracts, due to the lower risks. We also did not compare salary schedules and benefits to other neighboring school districts and municipalities.

In order to satisfy our objectives, we:

- reviewed of the organizational structure, operating procedures;
- reviewed and tested compensation practices and records of all activity areas;
- performed a risk assessment of the major activities, such as salary step placement of newly hired and reclassified employees, processing of pay adjustments and special payments such as supplements and stipends, tuition reimbursements based on materiality and risks;
- benchmarked certain compensation practices with other government agencies; and
- performed other audit tests as deemed necessary.

Our review was conducted in accordance with generally accepted governmental auditing standards contained in the Government Auditing Standards issued by the Comptroller General of the United States of America.

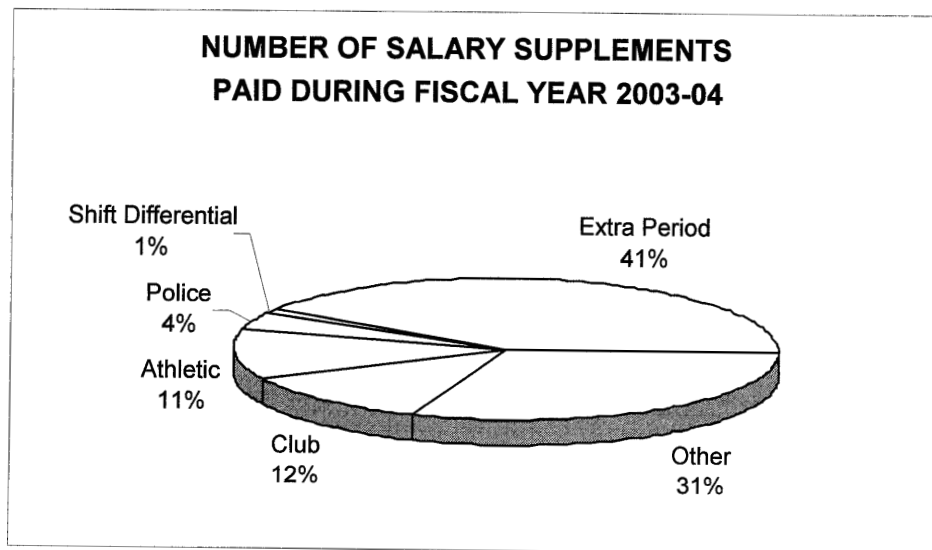
FINDINGS AND RECOMMENDATIONS

1. IMPROVE ACCOUNTABILITY AND REDUCE THE NUMBER OF SUPPLEMENTS

According to Compensation Administration, during the 2003-04 fiscal year, 15,867 supplements totaling \$36,086,121 were paid to approximately 8,000 employees. Salary supplements are added to an employee's base salary for performing additional duties, such as teaching an extra period or acting as a club sponsor. The District uses several hundred different supplement amounts to pay employees for these extra duties. The large number of different supplement amounts is difficult to administer and is more than any other school district to which we compared. In contrast, according to information obtained from Sarasota and Hillsborough County Public Schools they have less than 100 different types of supplements. Other school districts informed us that they pay supplements for club/athletic activities, and special assignments, such as instructional department head or chairperson.

Although Compensation Administration provided us a list of employees receiving each type of supplement, the list included duplicate supplement entries because the employees received pay adjustments that required the supplement to be adjusted for the remaining school year. From this list, we could not determine total supplement payments or how much was paid to each employee during the 2003-04 fiscal year. We also noted that supplements are charged to the same account structures as the employees' salaries which makes it difficult to determine how much is paid annually. Subsequent to our fieldwork, Compensation Administration was able to provide us with a satisfactory listing.

Based on the information provided to us during our audit fieldwork, many of the District's supplements were paid for teaching an extra period as shown below:



Some of the "other" supplements shown above included substitute locators, summer substitute locators, academy leaders, and administrative aides.

In our prior audit of the Centralized Payroll Function, dated April 2003, we reported the need to enhance controls over the payment of supplements, stipends, and allowances, and recommended that the administration attempt to reduce the number of different types of supplements, in order to facilitate administering these payments.

RECOMMENDATION

1.1 Work with the Office of the Controller to create account structures that can be used to better account for these expenditures.

Responsible Department: Human Resources and Financial Operations

Management Response:

Compensation Administration agrees with the recommendation to enhance accountability over supplement payments. Compensation Administration will work with the Office of the Controller to explore the possibility of identifying account structures that can be used to better account for these expenditures.

URGENCY OF CORRECTIVE ACTION **IMPLEMENTATION SCHEDULE**

Critical

Important

Desirable

Immediately (Short Term)

By January 2006

Contingent upon Funding

1.2 Compensation Administration should work with the Office of Labor Relations to reduce the number of pay supplements and to indicate the purpose and eligibility of each supplement.

Responsible Department: Human Resources/Labor Relations

Management Response:

This office agrees that the supplement system has grown very complex and welcomes the opportunity to reduce the number of supplements, if possible. Collective bargaining agreements between M-DCPS and the respective unions have established existing supplements. In turn, this office has assigned code numbers to identify specific supplement titles and amounts to facilitate programmatic processing of supplements. As noted in the findings, supplements can be divided into several categories:

1. Extra Duty Supplements for Athletics and Clubs
2. Extra Period Teaching Supplements
3. Shift Differential
4. Supplements for School Police
5. Others (longevity, pay differential, etc.)

Supplements in the first category include supplement columns designating years of experience in a supplement category. Columns were negotiated by UTD in the late 1980's. Management has, on several occasions, unsuccessfully attempted to eliminate or reduce the number of supplements.

There are some benefits to having unique supplement codes for designated activities. Controls can be, and in some cases, already are built into the supplement process by having a unique code for different activities and supplemental duties. In this way, schools, region and district offices can ensure the proper allocation of supplements at a location (for example one basketball coach, one baseball coach, one cheerleader sponsor, etc.). Codes are also used to monitor expenditures in certain programs.

Compensation Administration will work with the Office of Labor Relations to develop management proposals to include in the next collective bargaining process with United Teachers of Dade to streamline the number of supplements to make the supplement system more manageable. However, this office will immediately begin to survey other school districts regarding their supplement codes and practices.

URGENCY OF CORRECTIVE ACTION IMPLEMENTATION SCHEDULE

- Critical
- Important
- Desirable

- Immediately (Short Term)
- By July 2006 or date ratification
- Contingent upon Funding

2. STRENGTHEN CONTROLS OVER SUPPLEMENTS

Supplements are generally initiated at each work site where they are approved by the administrator in charge and routed for approval through the applicable regional center or administrative office. While many supplements are described in the labor contracts, the District's Salary Supplement Handbook, developed by Compensation Administration, does not contain a master list or summary of all supplements showing:

- the additional duties associated with each supplement; and
- a description of which employees are eligible to perform and receive each type of supplement.

The lack of such a master list, contributes to control weaknesses. We found that employees are sometimes unaware of the supplements they receive. In a sample of 25 employees receiving supplements for example, one teacher informed us that she was being paid for a club sponsor supplement but that the only additional duty she was performing was working in the after school care for the YMCA. Another teacher initially informed us that he was unaware why he was being paid the supplement but later told us what duties he was performing for this additional compensation. The principal later informed us that he was unsure which supplement code to use for this employee and used the one that he felt was the most appropriate. Staff receiving supplements should be aware of why they are receiving them and staff processing supplements should have guidelines to follow in assigning them.

We also noted that multiple supplement payments were made during the 2003-04 fiscal year to many School Police Officers that were receiving three and four supplements ranging between \$3,000 to \$6,800 per employee, even though the labor agreement with the Fraternal Order of Police states that "under no circumstance shall an employee be entitled to more than one special duty supplement." However, the contract also indicates that "The Chief of School Police may make an exception to this limit based upon staffing or operational requirements." According to Compensation Administration, some of these additions to police base salary are not supplements but rather part of the contractual base salary of certain employees. In two cases a School Police Lieutenant and a School Police Sergeant were given supplements for supervision and training duties, even though these duties were already in their job descriptions.

RECOMMENDATION

- 2.1 Work with the Office of Labor Relations, the Department of Athletics and Activities and other offices, as needed, to update the Salary Supplement Handbook to include a master list of all supplements, the duties it includes, eligibility requirements, and guidelines for initiating and approving each supplement.**

Responsible Department: Human Resources

Management Response:

Compensation Administration agrees that a description of duties for all teachers' salary supplements would be beneficial for the processing of supplements. Currently, eligibility is defined for some supplements in the labor contract and for others in the Salary Supplement Handbook. Additionally, schools often provide definitions of supplemental activities in their School Handbook. This effort would need to be a collaborative one with various district and region offices as well as schools. It is understood that our involvement in approval would only be to the extent that we furnish information concerning responsibilities developed by the approving offices, schools and Labor Relations to the parties who do the approvals, that is, the work locations and approving offices.

- | | |
|-----------------------------------------------|--------------------------------------------------------------------|
| <u>URGENCY OF CORRECTIVE ACTION</u> | <u>IMPLEMENTATION SCHEDULE</u> |
| <input type="checkbox"/> Critical | <input type="checkbox"/> Immediately (Short Term) |
| <input checked="" type="checkbox"/> Important | <input checked="" type="checkbox"/> By <u>2006-07 UTD Contract</u> |
| <input type="checkbox"/> Desirable | <input type="checkbox"/> Contingent upon Funding |

2.2 Develop better exception reports that flag instances where employees are paid excessive supplements.

Responsible Department: Human Resources/Information Technology Services

Management Response:

Compensation Administration will analyze cases in which overpayments have occurred to determine whether there are other programmatic checks which could bring these overpayments to light more quickly or even prevent them.

- | | |
|-----------------------------------------------|---------------------------------------------------------------|
| <u>URGENCY OF CORRECTIVE ACTION</u> | <u>IMPLEMENTATION SCHEDULE</u> |
| <input type="checkbox"/> Critical | <input type="checkbox"/> Immediately (Short Term) |
| <input checked="" type="checkbox"/> Important | <input checked="" type="checkbox"/> By <u>January 1, 2006</u> |
| <input type="checkbox"/> Desirable | <input type="checkbox"/> Contingent upon Funding |

2.3 Develop written agreements to address the employee's extra pay, duties and effective dates of the activity, where applicable.

Responsible Department: Human Resources

Management Response:

Compensation Administration agrees with this recommendation as it provides an opportunity to enhance existing and sound controls that are currently in place to

assist schools in monitoring levels of supplements and identification of employees receiving supplements. This would reduce confusion on the part of the employee when receiving additional compensation for extra duties and/or activities.

This item should be introduced during the next feasible collective bargaining cycle with M-DCPS and United Teachers of Dade (UTD). It would be our goal to establish a joint task force between M-DCPS and UTD as part of the next labor contract so that both parties could develop language for the written agreement.

- | <u>URGENCY OF CORRECTIVE ACTION</u> | <u>IMPLEMENTATION SCHEDULE</u> |
|-----------------------------------------------|--------------------------------------------------------------------|
| <input type="checkbox"/> Critical | <input type="checkbox"/> Immediately (Short Term) |
| <input checked="" type="checkbox"/> Important | <input checked="" type="checkbox"/> By <u>2006-07 UTD Contract</u> |
| <input type="checkbox"/> Desirable | <input type="checkbox"/> Contingent upon Funding |

3. STRENGTHEN CONTROLS OVER PROCESSING OF STIPENDS

With the exception of the Critical Staff Shortage stipend, many stipends are initiated at school sites, reviewed for eligibility by other departments and forwarded to Compensation Administration for payment processing through the District's centralized payroll system. Other stipend reports are routed for approval through the applicable region or administrative office before payment is made. Eligibility criteria for each supplement are indicated in the labor contracts or in state statute. The following are one-time stipend payments during the audit period:

<u>STIPEND</u>	<u>PARTICIPANTS</u>	<u>AMOUNT</u>
Performance Bonus ¹	1,990	\$4,259,200
Alternative Education ¹ (input by the Office of Alternate Education Placement)	962	852,900
Critical Staff Shortage	660	593,900
Advanced Placement	513	482,500
Community Schools ¹	150	109,800
Urban Education	129	93,300
Custodial Training	120	31,200
Mentor ²	Unknown	Unknown
TOTAL (excluding Mentor)	<u>4,524</u>	<u>\$6,422,800</u>

Although the eligibility criteria for each stipend are indicated in the labor contracts, we noted that the Salary Handbook does not include procedures for initiating, reviewing, and approving stipends. For one-time stipend payments during fiscal year 2003-04 our review disclosed the following concerns:

- Although Compensation Administration does not process alternative education stipends, we noted that this stipend is automatically paid to employees based on their position code regardless of whether or not they are working in an alternative education school or program. Twenty two of the 26 employees we tested for the alternative education stipend did not appear to have worked in an alternative education school site or program according to their job codes, job descriptions and master schedules, as required by the UTD contract. We were informed by the Office of Alternate Education Placement that the State eliminated the additional funding for alternative education several years ago, but these positions still automatically receive this stipend even though the program requirement no longer exists. The Office of Alternate Education Placement was also unable to provide us with reports identifying which schools and employees were paid approximately \$163,600 or 19% of the alternative education stipends;

¹ Processing and approving eligibility for these payments are performed by offices and departments outside of Compensation Administration.

² Compensation Administration and the Payroll Department were unable to provide us with a report of Mentor stipend payments. The payments are charged to account structures that contain thousands of other payments made during the year.

- Eleven of the 30 sampled employees receiving the critical staff shortage stipend were rehired teachers instead of newly hired teachers, and two of these employees had previously been paid this stipend. The UTD contract indicates that this one-time only stipend is paid to newly hired full-time teachers;
- Approximately one third of the teachers we tested for the advanced placement stipend were paid the annual \$500 stipend for teaching at a D or F school more than once. This occurred because the teachers appeared to be paid \$500 for each advanced placement class taught. One teacher for example, taught three advanced placement classes in a D school and was paid \$1,500 instead of \$500. The State Statute and procedures we reviewed indicate payment of "An additional bonus of \$500 to each Advanced Placement teacher in a school designated performance grade category "D" or "F"; and
- Although Compensation Administration processes mentor stipend payments after eligibility is determined by the Department of Training and Development, we could not obtain a list of employees paid this stipend during the 2003-04 fiscal year. Because identifying employees that received the stipend was difficult, we tested five readily available payments and noted that four mentors did not appear to have worked in the same positions for which they were mentoring. We were also unable to verify records during our fieldwork that documented that the employees receiving the mentor stipend had 1) met certain requirements; e.g. three consecutive years of acceptable evaluations, and 2) performed the required visits.

RECOMMENDATION

3.1 Work with Information Technology Services to develop better reports to identify and prevent stipend payments to ineligible employees, and eliminate unnecessary stipends.

Responsible Department: Human Resources

Management Response:

Compensation Administration agrees that ineligible employees should not receive payment for stipends and there are some specific enhancements that can be put into place immediately through additional programming blocks through the efforts of Information Technology Services.

We agree that Critical Staff Shortage stipend should not be paid twice to an employee and we will adopt the necessary measures to prevent this from happening. We will seek clarification from Labor Relations concerning the status of rehired teachers. Should it prove necessary, we will seek to incorporate clarifying language in the UTD contract.

Having said that, it is important to note that Compensation Administration in most cases does not determine eligibility as this involves factors that are outside the professional scope of Compensation (i.e., student testing data, teacher course eligibility). We will work with the individual departments that determine eligibility and address the concerns cited by the auditors and place additional controls in place.

While up to the present, Compensation Administration has had no direct involvement with the alternative education stipend, we do agree with the auditors findings and will work with the Office of Alternative Education, using our established control procedures, to curb payment to ineligible employees. We agree to design a form that will document that eligibility was verified and approved by the respective departments.

URGENCY OF CORRECTIVE ACTION IMPLEMENTATION SCHEDULE

- | | |
|-----------------------------------------------|-----------------------------------------------------------|
| <input type="checkbox"/> Critical | <input checked="" type="checkbox"/> Immediately (08/2005) |
| <input checked="" type="checkbox"/> Important | <input type="checkbox"/> By _____ |
| <input type="checkbox"/> Desirable | <input type="checkbox"/> Contingent upon Funding |

3.2 Improve record keeping procedures to document employees receiving stipends and that eligibility was properly validated.

Responsible Department: Human Resources

Management Response:

Compensation Administration will work with the Office of Training and Development to design a form for signature which will verify that employees have met the eligibility requirements for the mentor stipend prior to disbursement.

URGENCY OF CORRECTIVE ACTION IMPLEMENTATION SCHEDULE

- | | |
|-----------------------------------------------|---------------------------------------------------------|
| <input type="checkbox"/> Critical | <input type="checkbox"/> Immediately (Short Term) |
| <input checked="" type="checkbox"/> Important | <input checked="" type="checkbox"/> By <u>June 2005</u> |
| <input type="checkbox"/> Desirable | <input type="checkbox"/> Contingent upon Funding |

4. ENHANCE CONTROLS OVER SALARY ADJUSTMENTS

During the 2003-04 fiscal year, Compensation Administration processed approximately 112,000 salary adjustment transactions. Newly hired employees are, by default, set at the lowest salary step. Subsequent experience step adjustments for teachers are determined by an analyst and, if eligibility is unclear, reviewed by an administrator. A database is maintained to ensure that no experience is credited more than once. Other subsequent adjustments include credential increase (specialist, master or doctorate degrees), changes in job code, reclassification, addition or deletion of supplements, and salary increases. Adjustments are prepared by one analyst and reviewed by another analyst or specialist. Adjustments exceeding \$2,000 are reviewed by a senior specialist and those over \$6,000 are reviewed by an administrator.

Compensation Administration receives a Daily File Maintenance Report, also known as the daily change report; however, the report is voluminous and therefore time consuming to review daily. This report contains hundreds of daily changes instead of only exceptions or highly questionable transactions. Compensation Administration also receives an Increase-Decrease Report, which reports large increases and decreases, and the weekly Contract Type F - No Full-Time Assignment report to detect employees that may no longer be eligible to be paid at the Fair Labor Standards Act (FLSA) overtime rate.

Although Compensation Administration receives many reports intended to detect errors and overpayments, errors sometimes go undetected. For example, in one instance an employee was promoted in December 2003, retroactive to August, and incorrectly placed on a higher step for 96 days, resulting in an overpayment of \$2,167. Compensation Administration depends on well trained employees to identify errors, and estimates that it takes about three years to train an analyst to the requisite level of competence. Although we understand that it is difficult to develop shorter reports that detect payroll exceptions because of the complexities of multiple labor contracts, pay programs and over 40 different salary schedules, more efficient and timely reviews are needed.

RECOMMENDATION

4.1 Enhance controls over initial step placement and salary adjustments by requiring greater review of these determinations.

Responsible Department: Human Resources

Management Response:

Compensation Administration has in place numerous controls on quality of adjudication, including checking of daily change and increase-decrease reports, reports to identify possible FLSA violations, closer scrutiny of large salary adjustments and detailed review and verification of mass salary settings. Based

on analysis of the relevant risk, however, we agree that the review process can be modified both as to classes of cases to check and personnel to effect the review.

URGENCY OF CORRECTIVE ACTION

- Critical
- Important
- Desirable

IMPLEMENTATION SCHEDULE

- Immediately (Short Term)
- By August 2005
- Contingent upon Funding

5. STRENGTHEN CONTROLS TO DETECT AND RECOVER OVERPAYMENTS

Overpayments errors, although not common relative to the \$1.6 billion paid in annual base salaries, may occur at the time that an employee is hired or promoted because an incorrect job code, pay rate, or step placement is set. Compensation Administration indicated that the great majority of overpayments occur because of untimely notification of retroactive changes in employee job codes, pay, supplement, etc. We found that most overpayments take a long time to detect. For example, in one instance a newly hired teacher was incorrectly placed on a higher salary step because he was mistaken for another employee with 14 years of experience. By the time the error was discovered, 28 months later, the employee had been overpaid approximately \$27,500.

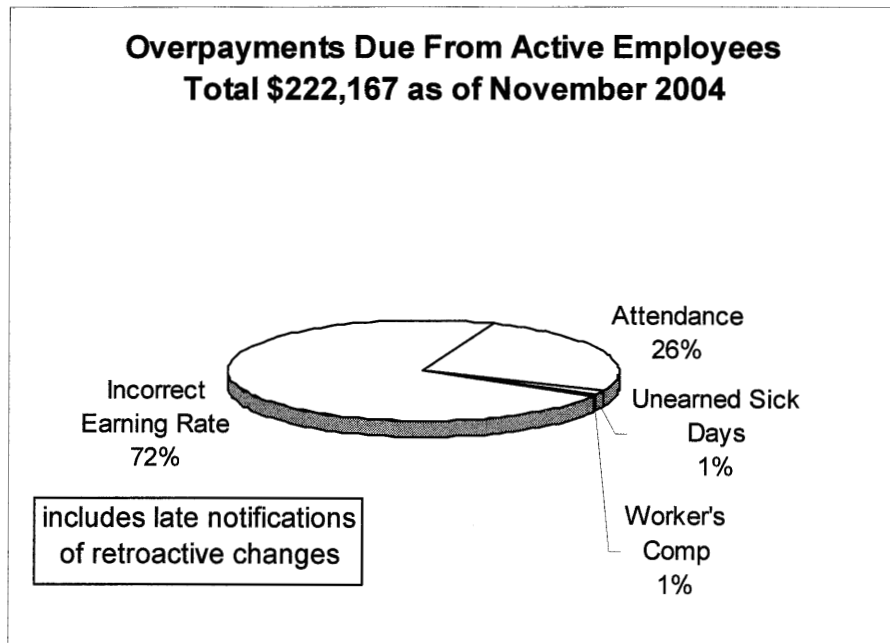
Although there are several reports that are used to detect certain types of overpayments, some salary rate errors are not timely detected until an "audit" of a specific employee is performed.

Salary audits are usually performed when an employee or school site personnel question the pay rate, and others are performed when salary rate errors are noted. The salary audit is

performed by an analyst who goes back to when the employee was first hired and verifies that the pay rate was properly adjusted each time there was a raise or change in job code.

After the salary audit is completed, Compensation Administration contacts the Payroll Department and requests a "Payroll Data Card" which shows the number of days and/or hours the employee was overpaid, how the overpayment amount was calculated, and the rate at which the overpayment occurred. Compensation Administration notifies the employee of the reason for the change in rates leading to the overpayment and later provides the employee with the amount of the overpayment, amount to be collected per paycheck, and date collection will begin.

School Board Rule 6Gx13-4D-1.03, Salary Guides - Adjustments, requires that employees be given written notice of the overpayment, the amount, and the District's intent to recover the overpayment. The rule also requires that overpayment collections be made in the dollar amount at the same rate as the overpayment was made and



allows for adjustment in the repayment rate based upon written proof of financial hardship.

While most active employees are making repayment, most of the 1,300 inactive employees, whose overpayments aggregate over \$500,000, are not paying or are several years in arrears. These accounts are written off and referred to a collection agency after being delinquent for over a year. In some cases of active employees that are paying, the repayment schedule is so minimal that it would take from eight to twenty-eight years to repay the entire obligation.

In some cases, full repayment is unlikely considering the employee's age or length of service. For example, an employee with 29 years of service who was overpaid by approximately \$8,200 was granted a financial hardship reduction of the repayment to \$25 per pay period. We also noted that when most hardships were granted, the reduced or deferred payment plans were indefinite rather than temporary in nature. Compensation Administration needs to establish follow-up procedures to reevaluate hardship case decisions after a reasonable time period.

We reviewed several employee overpayments on hardship status, such as divorce, illness and financial conditions, and noted that although School Board Rule 6GX13-4D-1.03 considers adjustments based on financial hardship. Compensation Administration does not have evaluation criteria that are used to determine the reduced payment or deferral. Written guidelines and procedures are needed to facilitate processing and approving temporary deferral or reduction of the repayment rates.

Finally, when employees agree to a repayment plan, the agreement is not documented on a promissory note to guarantee collection after employees terminate employment.

RECOMMENDATIONS

5.1 Compensation Administration should work with the Payroll Department and Information Technology to enhance the preventive and detective controls.

Responsible Department: Human Resources/Financial Operations

Management Response:

Compensation Administration has multiple preventive controls and detective reports; for example: three times a year a "Salary Calculation" letter is sent to each full-time employee detailing the base salary paid and, in addition, each supplement, shift, etc. being paid; each school has immediate online access to verify which staff members are receiving which supplements and in what amounts; quarterly each work site administrator receives an "Employees' Correct Pay Status" e-mail reminding him/her of common errors in pay status; monthly each location receives a report to enable the location to track employees currently receiving supplements.

Compensation Administration agrees, however, that existing preventive and detective controls can be enhanced. We have already begun to work with ITS to improve training of work-location clerical staff with passwords to PERS/Payroll in observing appropriate input techniques and safeguards in salary matters. We will implement further checks within the department to reduce adjudication errors and explore the feasibility of instituting further programmatic checks for unusual salary transactions. We will also explore the possibility of linking performance on overpayment prevention to evaluation of the responsible work site administrators and/or recovering the overpayment amount from the work locations "02 Fund Account." We will initiate contact with Payroll and ITS.

URGENCY OF CORRECTIVE ACTION IMPLEMENTATION SCHEDULE

- | | |
|-----------------------------------------------|------------------------------------------------------------|
| <input type="checkbox"/> Critical | <input type="checkbox"/> Immediately (Short Term) |
| <input checked="" type="checkbox"/> Important | <input checked="" type="checkbox"/> By <u>January 2006</u> |
| <input type="checkbox"/> Desirable | <input type="checkbox"/> Contingent upon Funding |

5.2 Develop a more stringent overpayment collection procedure that requires repayment over a shorter term and includes set evaluation criteria for granting temporary reduced or deferred payment plans, periodic follow-up, and employee written acknowledgement of the over payment .

Responsible Department: Human Resources/Financial Operations

Management Response:

Compensation administration agrees with this recommendation as it will enhance existing controls. The following steps will be taken in order to establish a procedure:

1. Develop procedures and collections guidelines which will formalize hardship and timeliness criteria for review.
2. Inform the employee through correspondence of the existing process and implementation date.

Executing a promissory note to guarantee collection will require agreement through the bargaining process of each of the five (5) respective bargaining units.

URGENCY OF CORRECTIVE ACTION IMPLEMENTATION SCHEDULE

- | | |
|-----------------------------------------------|---------------------------------------------------------|
| <input type="checkbox"/> Critical | <input type="checkbox"/> Immediately (Short Term) |
| <input checked="" type="checkbox"/> Important | <input checked="" type="checkbox"/> By <u>July 2006</u> |
| <input type="checkbox"/> Desirable | <input type="checkbox"/> Contingent upon Funding |

Compensation and Related Benefits
SALARY GUIDES--ADJUSTMENTS

If an error is discovered in a person's salary adjudication, which is construed as an error chargeable to the employees of the Board, this error may be corrected back to the date of the error.

If an error is discovered in a person's salary adjudication which is due to the negligence of that person in presenting evidence of prior experience, etc., the error may be corrected back to July 1 of the fiscal year in which the error was attributable, but not to exceed five years.

Except as provided in collective bargaining agreements, salary adjudication overpayment collections shall be handled in the following manner:

All affected employees will be given written notice of said overpayment, as well as the amount, and shall be informed of the district's intent to regain such funds prior to any monies being withheld from the employee.

Salary adjudication overpayment collections shall be made in the dollar amount at the same rate as the overpayment was made. Any employee encountering a problem in effecting a repayment, due to any reasonable and legitimate cause, will be given full consideration for an adjustment in the rate and amount of repayment upon written proof of financial hardship.

The School Board of Miami-Dade County shall have the right to pursue the collection of unsatisfied overpayments at the time of an employee's termination.

Specific Authority: 230.22(2); 230.23(17) F.S.

Law Implemented, Interpreted, or Made Specific: 230.22(5); 230.23005(2) F.S.

History: THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

Repromulgated: 12-11-74

Amended: 10-21-98

The School Board of Miami-Dade County, Florida, adheres to a policy of nondiscrimination in employment and educational programs/activities and programs/activities receiving Federal financial assistance from the Department of Education, and strives affirmatively to provide equal opportunity for all as required by:

Title VI of the Civil Rights Act of 1964 - prohibits discrimination on the basis of race, color, religion, or national origin.

Title VII of the Civil Rights Act of 1964, as amended - prohibits discrimination in employment on the basis of race, color, religion, gender, or national origin.

Title IX of the Education Amendments of 1972 - prohibits discrimination on the basis of gender.

Age Discrimination in Employment Act of 1967 (ADEA), as amended - prohibits discrimination on the basis of age with respect to individuals who are at least 40.

The Equal Pay Act of 1963, as amended - prohibits sex discrimination in payment of wages to women and men performing substantially equal work in the same establishment.

Section 504 of the Rehabilitation Act of 1973 - prohibits discrimination against the disabled.

Americans with Disabilities Act of 1990 (ADA) - prohibits discrimination against individuals with disabilities in employment, public service, public accommodations and telecommunications.

The Family and Medical Leave Act of 1993 (FMLA) - requires covered employers to provide up to 12 weeks of unpaid, job-protected leave to "eligible" employees for certain family and medical reasons.

The Pregnancy Discrimination Act of 1978 - prohibits discrimination in employment on the basis of pregnancy, childbirth, or related medical conditions.

Florida Educational Equity Act (FEEA) - prohibits discrimination on the basis of race, gender, national origin, marital status, or handicap against a student or employee.

Florida Civil Rights Act of 1992 - secures for all individuals within the state freedom from discrimination because of race, color, religion, sex, national origin, age, handicap, or marital status.

School Board Rules 6Gx13- 4A-1.01, 6Gx13- 4A-1.32, and 6Gx13- 5D-1.10 - prohibit harassment and/or discrimination against a student or employee on the basis of gender, race, color, religion, ethnic or national origin, political beliefs, marital status, age, sexual orientation, social and family background, linguistic preference, pregnancy, or disability.

Veterans are provided re-employment rights in accordance with P.L. 93-508 (Federal Law) and Section 295.07 (Florida Statutes), which stipulate categorical preferences for employment.