The School District of Osceola County Timekeeping – Transportation Department Follow-Up Report

August 25, 2020

TRANSMITTAL LETTER

August 25, 2020

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Pursuant to the School Board of Osceola County, Florida ("School Board") approved audit plan for fiscal year ("FY") 2019-20, we hereby present the Timekeeping – Transportation Department follow-up report as of August 25, 2020. Our original internal audit report was dated September 5, 2018. Objectives of the overall follow up procedures are to determine if open issues from previous audit reports have been properly remediated. Follow up is meant to validate, on a sample basis, the effectiveness of the remediated controls of the previously reported open issues.

As a result of our follow up testing, of the seven (7) original observations, two (2) observations were closed and five (5) remain open. A summary of the original audit observations and their status as of this follow up report is below:

Summary of Observations as of August 2020	
1. Segregation of Duties	Closed
2. Timesheet Accuracy, Verification, and Authorization	Open
3. Timekeeping Process	Open
4. Pre-approval of Overtime	Open
5. Timekeeping Systems Lockdown and Notifications	Open
6. Standardized Policies and Procedures	Open
7. Department Staffing Monitoring	Closed

We would like to thank all those involved in assisting the Internal Auditors in connection with the follow-up process.

Respectfully Submitted,

RSM US LLP

INTERNAL AUDITORS

School Board of Osceola County

Timekeeping – Transportation Department   **Report Date: September 2018**

Risk	Issue	Management Comments as of August 2020	Auditor Comments as of August 2020	Status
High	**1. Segregation of Duties:** Proper segregation of duties in the timekeeping process should not allow any one person from having the ability to authorize and record their own time in the payroll software system. Of the forty (40) timesheets reviewed, we noted (1) is a Transportation Timekeeper whose timesheet was missing a supervisor's review. This Transportation Timekeeper has access and responsibility over entering time into TERMS. In addition, the Transportation Director was included in our original sample selection. We were informed that the Transportation Director, as well as all non-exempt positions in the District, are not required to complete a timesheet. As such, the Transportation Director's timesheets are not available for testing of proper completion and segregation of duties. Without the proper segregation of duties surrounding timesheets, time entry and payroll processing, the opportunity of the following could occur without being detected in a timely manner, if at all: 1) Human error, 2) Misappropriation of payroll funds, 3) Fraudulent time reporting, or 4) Other types of irregularities.	The following approval hierarchy was put into place: • Area Supervisors or Area Managers review and approve the timesheets of Bus Operators and Attendants. All support personnel are reviewed and approved by their supervisor. • Coordinators review and approve Supervisors and any direct reports • Director reviews and approves Coordinators and direct reports. No employee has the ability to input their own hours worked for pay purposes without review and approval from their superior.	RSM tested a sample of timesheets from the period of October 2019 through June 2020 for proper supervisor review and approval. We noted through our testing that the Transportation Timekeepers' timesheets are appropriately reviewed and approved by their supervisors, thus these duties are properly segregated. This audit observation is considered closed.	Closed
	Auditor Recommendation	**ECD**	**Testing Date**	
	We recommend that all employees complete timesheets and that regardless of level, be approved by the level above the employee. This would entail: • Supervisors (or equivalents) approve bus drivers and attendants. • All support personnel should be approved by their supervisor. • Coordinators approve supervisors and any assistant who directly reports to coordinators. • Director approves coordinator and any assistant who directly reports to director. • Policies and procedures on the review and approval of Department Directors' timesheets and exception pay.	Closed	Closed	

■ = Missed ECD (2nd time or over 3 months for revised ECD)

■ = Missed ECD (1st time), planned to complete in next 3 month review

■ = On schedule to complete ECDs

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Timekeeping – Transportation Department   **Report Date: September 2018**

Risk	Issue	Management Comments as of August 2020	Auditor Comments as of August 2020	Status
High	**2. Timesheet Accuracy, Verification, and Authorization:** a) Timesheet Accuracy: Employees should be paid for actual time worked. Through examination of documentation, we noted that support personnel employees (non-exempt) did not clock out for their lunch break, or clock back in upon their return. We noted for ten (10) of fifteen (15) support personnel timesheets tested, the employee did not clock out for their lunch break, or clock back in upon their return. We were unable to determine if this was appropriate as the policies and procedures are not clear on how breaks are to be treated. b) Employee Sign Off on Timesheet: In order to certify that hours worked and reported on their respective timesheets each pay period is accurate, all employees are required to sign off on their timesheet. Of the forty (40) individual timesheets reviewed, one (1) was not signed off by the employee. Additionally, three (3) timesheets lacked the employee signing the date on the timesheet. Employee review of timesheets is a mitigating factor that serves to identify errors prior to payroll processing. c) Timesheet Approval Based on discussions with staff, we were informed that all timesheets require supervisor signature. Of the forty (40) individual timesheets reviewed, we noted that eleven (11) of the timesheets did not have the approval of the supervisor. These eleven (11) were isolated to the support personnel and were non-exempt employees This total represents 73% of all the support personnel timesheets we reviewed. d) Pre-Payroll Review and Reconciliation It is our understanding that time from the manual timesheets and Kronos is combined into a spreadsheet by the Transportation Timekeepers, which is then manually entered into TERMS. Currently the Transportation Timekeepers perform a pre-payroll verification of time entered into TERMS, there is no independent review. e) Post Payroll Review and Reconciliation We noted that currently no monitoring is performed of the payroll expense after it has been incurred and no comparison to budget. We noted that the Director currently reviews a pre-payroll report; however, this report does not show actual expenditures. Because of the manually intensive timekeeping process, the review of pre-payroll exception input review of the timesheets to supporting documentation, which is currently being performed, and post-payroll review are key steps in detecting erroneous time reporting and over/under payments caused by human error.	In September 2018, the Director of Transportation distributed written directives to clarify expectations for how employees lunch and break period are to be captured for timekeeping purposes. In order to eliminate the need for "paper signatures," management will investigate the practicality and possibility of electronic review and "sign-off" of employee timesheets utilizing Kronos (or any other suitable automated system) for each payroll period. Management collaborated with District Payroll and Information Technology to formulate a process by which the Director can perform a periodic post payroll review, comparing total payroll labor hours against terms at the end of each pay period.	a) RSM confirmed that Transportation Management communicated the expectations and requirements for logging time. RSM tested a sample of timesheets from the period of October 2019 through June 2020 for compliance with lunch break timekeeping policies and noted no exceptions. Thus this audit item is considered closed. b) RSM tested a sample of timesheets from the period of October 2019 through June 2020 for proper employee sign off and noted no exceptions. Thus this audit item is considered closed. c) RSM tested a sample of timesheets from the period of October 2019 through June 2020 for proper supervisor sign off and noted no exceptions. Thus this audit item is considered closed. d) Currently, no independent pre-payroll review and reconciliation process occurs. This audit item will remain open until a pre-payroll review and reconciliation process is put in place. e) We understand that there is not currently a process in place for District Payroll to provide Transportation with a post payroll report. Thus, a monitoring process is not in place to ensure actualized payroll costs are in line with budgeted expectations. This item will remain open until a documented review of payroll costs are performed by Transportation.	**Open**

School Board of Osceola County

Timekeeping – Transportation Department   Report Date: September 2018

Auditor Recommendation	ECD	Testing Date	
2. **Timesheet Accuracy, Verification, and Authorization (Continued):** a) Timesheet Accuracy: The District should determine how lunches and breaks are to be captured for all employee types and document these policies and procedures formally in writing. For example, the District could automatically deduct 1 hour/day for lunch breaks for hourly employees in accordance with FLSA standards, or could require employees to clock in/out for lunch breaks each day. This should be part of the formal policies and procedures process as described in Observation #6. b) Employee Sign Off on Timesheet: As a best practice, employees should review their timesheets for each payroll period and approve to certify they agree with the timesheet information. This should be documented and dated by the individual employee. c) Timesheet Approval: All timesheets, regardless of level, be approved by the level above the employee. This would entail: • Supervisors (or equivalents) approve bus drivers and attendants. • All support personnel should be approved by their supervisor. • Coordinators approve supervisors and any assistant who directly reports to coordinators. • Director approves coordinator and any assistant reporting directly to the Director. • Policies and procedures on the review and approval of Department Directors' timesheets and exception pay. d) Pre-Payroll Review and Reconciliation: Transportation Timekeepers should perform a reconciliation between the timekeeping system of record (we recommend Transportation fully utilize Kronos throughout the department, see Observation #3) and TERMS, which should be independently reviewed and verified. This will ensure that uploaded data from Kronos is properly captured and calculated in TERMS before District Payroll performs their payroll processing. e) Post Payroll Review and Reconciliation: The Transportation Director should perform a formal post payroll review by, at least, comparing aggregate totals on post payroll reports to the applicable department's internal timekeeping records to verify accurate and complete processing. Any discrepancies identified from this review should be reported back to the District's Payroll Department in a timely manner. The post payroll review should be documented, so that there is a trail of the review and accountability. The documented review could include an electronic sign off, with the review date and saved to the shared drive. This will aid in the identification of payroll time entry errors, if any. On a quarterly basis, the payroll expense for the department should be aggregated into appropriate subcategories to properly monitor against the department budget and expectations of performance. In addition, Transportation should consider developing key performance indicators (KPIs) to help bolster their review over payroll and workforce management. This is further addressed in Observation #7.	O: June 2019 R: June 2021	December 2021	

School Board of Osceola County

Timekeeping – Transportation Department   Report Date: September 2018

Risk	Issue	Management Comments as of August 2020	Auditor Comments as of August 2020	Status
High	**3. Timekeeping Process:** a) Time Tracking Currently, the Transportation Department utilizes two methods to capture time-paper timesheets and the electronic system Kronos. Through interview of key Department employees and review of detailed documentation, we noted that many times employees will utilize both methods to track time for the same pay period. When the recorded time on paper and the time in Kronos do not agree, the Transportation Timekeepers will decide how to proceed on a case-by-case basis. They may or may not hold discussions with the employee and/or supervisor to determine which entries are correct. Thus, there is not a defined set of master timekeeping data for the Transportation Department, as sometimes the paper timesheets will be the source document for an employee's time and sometimes the Kronos records will be the source of information. b) Adoption of Timekeeping Software Transportation's timekeeping process is largely manual. Manual procedures in a timekeeping process increase the risk of human error in data entry, fraudulent time reporting, and processing of unauthorized employee time, which can result in under/over payment of time worked. In addition, manual procedures can decrease workflow efficiency – manual steps; time spent interpreting unreadable timesheets; follow up on missing timesheets; recalculation of totals; tracking down supervisor approval; corrections; and dealing with other errors or irregularities in the source documents provided. Per discussions with District Payroll, there are departments who fully utilize Kronos for timekeeping. Transportation uses Kronos in an unofficial capacity for some employees but has not fully adopted Kronos as its automated timekeeping system department-wide. Bus drivers/attendants currently have no access to the system. Support personnel have access to the system, but we were not able to see a consistent pattern of use by all employees. c) Timekeeping System Training Through our discussions with process owners and observations of system use, we noted a lack of general timekeeper knowledge of the system. General knowledge and comfortability of system use was inconsistent throughout the department. For example, employees were not able to provide Kronos timekeeping reports for an audit trail. In addition, employees were not aware that time could be approved in Kronos or that Kronos could track PTO requests, sick time, jury duty, etc. Without adequate training and regular guidance, users have developed their own understanding of Kronos and timekeeping methodologies, leading to inconsistencies and gaps in the timekeeping process in Transportation. This can lead to improper time entry or utilization of the system.	In February 2020, management created a new Senior Payroll Clerk who is responsible for the Department's compliance with all applicable federal and state wage and hour laws, as well as, implementing District and Industry Best Practices. All Transportation Department team members are now integrated into the KRONOS timekeeping system. However, due to the nature of Drivers/Attendants type of timekeeping, the need for manual forms is required until KRONOS is configured to add adjustments/SK/PS/VC, straight overtime and overtime into the current payroll app TERMS. At this time KRONOS does not calculate STOT/OT or register the time into TERMS correctly and without having driver adjustments or relying on drivers to clock in and out. The Transportation Department 12 month employees STOT and OT is manually entered, as an automated system is not available. Therefore, drivers/attendants are still required to use paper time sheets and adjustments till KRONOS fixes those issues. District Payroll is still in the process of compiling formal training procedures. Training will take place once compiled. In the meantime, Transportation has completed rudimentary training for Leaders on the Fair Labor Standards Act. The Transportation Department arranged for multiple site visits to Orange District Schools for an overview of how KRONOS timekeeping is used to process Bus Operator and Attendant Payroll. Currently, the SDOC is working toward districtwide use of Kronos Timekeeping as part of Goal 3A of the District's Strategic Plan.	a) RSM noted that a manual timekeeping process will remain in place for Drivers/Attendants. Kronos is utilized for 12-month employees. Although the two groups of employees are utilizing different processes, there are clear and defined data sets. This audit item is considered closed. b) RSM noted that the use of manual forms is still required by Drivers/Attendants. This item will remain open until all team members are migrated into an automated timekeeping system. c) As the District has only recently completed the integration of all Transportation employees, no formal training has been provided to all Kronos users. This audit item will remain open until formal timekeeping system training is provided to all users.	**Open**

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Timekeeping – Transportation Department   **Report Date: September 2018**

Auditor Recommendation	ECD	Testing Date
3. Timekeeping Process (Continued): We recommend that the Kronos timekeeping system be consistently adopted for the entire Department. Utilizing an electronic system will reduce the time and effort needed to manually track and approve timesheets. The risk of error will decrease, as the system can be configured to calculate hours and track exception time. In addition, employees should be properly trained in the use of software and other technology used in the performance of their jobs. The training should be monitored and managed by the District.	O: June 2019 R: June 2021	December 2021

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Timekeeping – Transportation Department   **Report Date: September 2018**

Risk	Issue	Management Comments as of August 2020	Auditor Comments as of August 2020	Status
High	**4. Pre-approval of Overtime:** Overtime may be necessary for employees for many reasons, including emergencies or unscheduled call-outs. While there is a business need for overtime, a process should exist to approve overtime prior to it being incurred. This could result in better budget and expenditure management for Transportation. Approving overtime after the fact does allow for some accountability and oversight, however it does not allow for real-time monitoring. The Transportation Department appears to have an overtime approval process that was informal and inconsistently applied. During our testing of employee overtime, we noted that ten (10) timesheets out of thirty-four (34) with overtime, did not have not have documented approval for overtime. Of these, eight (8) were in the support personnel, which represents 53% of the items tested. In addition, we noted one (1) overtime calculation was incorrect by ½ hour due to a footing error. All of the employees tested were non-exempt employees under the Fair Labor Standards Act (FLSA) and thus entitled to overtime pay. Without proper controls in place to approve overtime, the District could inadvertently pay employees for unnecessary overtime. There is risk that if employees are able to consistently work a significant number of hours of overtime, employees may establish their lifestyle based not on their base pay, but total earnings, consequently creating an expectation and/or perceived entitlement to those hours. In addition, with the District being a public sector entity, they are subject to required salary disclosures that may create negative public opinion due to perception of unrealistic or above market pay and how that relates to the taxes collected by the District.	Management created and implemented a defined process for establishing when and if overtime is justifiable and necessary. The process includes a requirement that any overtime is approved in advance by the respective employee's supervisor. The pre-approval of overtime is obtained via email from the Supervisor of the respective employee/department. Additionally, an Extra Time Form is utilized by employees to track and approve overtime. Any deviations from expected hours are identified by the Senior Payroll Clerk during performance of the Post Payroll Reconciliation. Each discrepancy is sent to the respective manager for corrective action and documented in Kronos. Standardized procedures for Transportation Services Overtime and Flex Time were communicated to employees, outlining the expectations for the approval and reporting of overtime.	RSM tested a sample of timesheets from the period of October 2019 through June 2020. During testing, RSM noted exceptions related to approval of overtime. Through discussions with management, it was noted that there are situations where overtime is pre-approved through the operational process, for example, it is approved for a group of employees to accomplish a specific task within certain parameters. We recommend that management update and clarify the overtime preapproval procedures to provide clear instruction on what type of preapproval will be given, and when, and how it is to be documented for audit purposes. This item will remain open as management clarifies their process.	Open
	Auditor Recommendation	**ECD**	**Testing Date**	
	We recommend that overtime be pre-approved, including date of approval, by the Supervisor responsible for approving the employee's timecard. All evidence of approval should be documented retained in accordance with the District's retention policy. Pre-approval of overtime should be provided to Transportation Timekeepers in support of the overtime incurred each pay period, and if not received, the District should consider an appropriate disciplinary response to implement. This process should be documented in the policies and procedures as described in Observation #6.	O: January 2019 R: June 2021	December 2021	

School Board of Osceola County

Timekeeping – Transportation Department   **Report Date: September 2018**

Risk	Issue	Management Comments as of August 2020	Auditor Comments as of August 2020	Status
High	**5. Timekeeping System Lockdown and Notifications:** Through our analysis of timekeeping records, we noted the following: a) Timekeeping Notifications Timekeeping records should be notified to the proper departments within a timely and efficient manner. District payroll is currently notified via email from Transportation when timesheets are ready for processing. If an email is not received, Payroll must manually contact the department to confirm the timesheets are complete, creating a timing issue for payroll processing. By relying on manual communication from the department to assert timekeeping activities are complete, the District risks utilizing timesheet data that is not complete and / or delaying the payroll process. b) Timekeeping System Lockdown Once employee time has been finalized by the Transportation Timekeepers and submitted to District Payroll for processing, it should not be edited. Currently, employee timesheets are editable in Kronos after Payroll has begun their process. Additionally, the opportunity exists for managers or timekeepers to edit employee timesheets after payroll is processed, leading to variances between Kronos and paper timesheets and misstatement of employee time, obscuring the audit trail.	Management is collaborating with District Payroll and Information Technology to explore the practicality and possibility of establishing an automated queue for the upload of timekeeping data. The process will include a lockdown period in which no further modifications can be made.	a) RSM noted that the District is in the process of identifying automated capabilities to communicate when timesheets are ready for processing. This audit item will remain open until the District creates an automated process to reduce timing issues created by manual notifications. b) RSM noted that the District is in the process of identifying automated capabilities to ensure employee timesheets cannot be edited after Payroll has begun their process. This audit item will remain open until the District creates an automated process to prevent any changes to the underlying KRONOS systems after payroll has been processed.	**Open**

Auditor Recommendation	ECD	Testing Date
We recommend the following: a) Timekeeping Notifications Transportation, with assistance from the District, develop an automatic queue within Kronos to notify Payroll when the timekeeping is complete for the pay period. This will help create a smooth process flow and reduce the timing issues created by manual notifications b) Timekeeping System Lockdown Once Kronos is fully adopted, a final lockdown of the departments' time entry files in Kronos should be implemented to prevent any changes to the underlying Kronos systems after payroll has been processed. This will protect the audit trail of employee pay.	O: June 2019 R: June 2021	December 2021

School Board of Osceola County

Timekeeping – Transportation Department   **Report Date: September 2018**

Risk	Issue	Management Comments as of August 2020	Auditor Comments as of August 2020	Status
Moderate	**6. Standardized Policies and Procedures** Currently, there are no centralized formal District-wide Timekeeping Policies and Procedures in place, nor are there formal written department-level procedures for Transportation. Centralized, standardized, and documented procedures provide vital information to employees in the event of absence and employee turnover, and assist with succession/back up planning or other occurrences. Documented policies and procedures provide detailed instruction to assist in accurate and consistent process functioning, monitoring and reporting. This practice also provides management with a benchmark to monitor against to ensure that staff performs processes that are consistent, accurate, on schedule, and that are properly reviewed, where applicable. Consistent standardized policies and procedures reduce errors, number of corrections needed, opportunities for misuse or fraud, and strengthens the ability to provide proper management over timekeeping and payroll processing.	In May 2019, Transportation Management created Departmental Process Manual that standardizes the Department's timekeeping and payroll procedures. In June 2019, management established an annual cycle for the review of timekeeping and payroll processes and procedures.	RSM reviewed the updated policies and procedures and confirmed that department-level Standards for Time and Attendance Payroll Processing and Procedures were documented. Role and responsibilities by job function, work schedules, overtime and compensatory time, records retention, and other topics are included. Department-level policies and procedures are considered closed. We understand that the District is working towards creating District-wide Timekeeping Policies and Procedures as part of their strategic plan. District-wide policies and procedures will remain open until these are formalized, adopted and implemented.	**Open**

Auditor Recommendation	ECD	Testing Date
We recommend the following: • The District should create a formalized Timekeeping Policy and Procedure manual that is to apply to all Departments. The Timekeeping Policy and Procedure manual should detail the timekeeping process and payroll timeline. The procedures should also include definitions of the various roles as it relates to timekeeping: Employee, Timekeeper, Supervisor, Department Director, Payroll, etc. There should also be a provision for how long records are to be maintained. • If needed, the Transportation Department in turn should create their own manual that standardizes the requirements for compliance, including, but not limited to the items noted in Observations #1 through #4. There are considerations applicable to Transportation such as compliance with bargaining agreements, etc. which are department-specific and should be documented and formalized. Any deviations from the District-wide policies and procedures must be approved by the District. • Conduct a mandatory Transportation-wide training when the policies and procedures are finalized and issued. Attendance should be mandatory for all Transportation employees. Periodic training for updates should be performed and attended by new persons involved in the process and as a refresher to existing persons. Training attendance should be maintained for each employee that attends to ensure all personnel with timekeeping responsibilities complete the necessary training. • Review policies and procedures at least annually, and update the procedures as needed (include the revised date within the document). Updated policies and procedures should be distributed to all departments within a week of implementation.	O: June 2019 R: June 2021	December 2021

School Board of Osceola County

Timekeeping – Transportation Department   **Report Date: September 2018**

Risk	Issue	Management Comments as of August 2020	Auditor Comments as of August 2020	Status
High	**7. Department Staffing Monitoring:** Through our audit procedures and as documented in detail in Observation #4, we noted that there is a substantial population of employees who receive a high percentage of their pay through overtime. The use of overtime may have the unintended consequence of masking the need to add new employees or allowing for the development of employees to obtain this critical knowledge and skillset. To determine if the overtime is excessive or in line with expectations, Transportation should monitor against a detailed and real-time staffing plan. Transportation currently does not have a formalized staffing plan. A staffing plan should be created so as to monitor the progress and effectiveness of department operations. Key data to include in the plan includes current routes, known field trips or other "additional" bus driver tasks, estimated number of driver call outs, current permanent and substitute staffing levels, etc. Key Performance Indicators ("KPIs") should be defined by Transportation and included in the plan, and should be monitored on a regular basis. Management could consider KPIs such as, but not limited to: • Overtime amounts per employee • Overtime costs in relation to hiring of full-time employee (FTE), including employee benefit costs Strategic KPIs monitor the implementation and effectiveness of an organization's strategies, determine the gap between actual and targeted performance and determine organizational effectiveness and operational efficiency. Lack of monitoring of KPIs or the use of poorly functioning KPI's impedes management's ability to make the best decisions for the organization due to the lack of objective and strategically aligned performance feedback.	In April 2019, management established a list of key performance indicators (KPI's) that are aligned with the Districts overall strategic plan. Selected KPI's are compared against national pupil transportation benchmarks for analysis and continuous improvements. Monthly, the performance of all KPI's are reviewed by the Director of Transportation.	RSM verified that management established KPI's to monitor the implementation and effectiveness of the organization's strategies. This item is considered closed.	Closed

	Auditor Recommendation	ECD	Testing Date	
	We recommend that Transportation create a staffing plan in relation to the District's overall strategic goals, and during this process, should identify the relevant KPI's. The staffing plan should also determine how often the KPIs should be monitored, by whom, and include a communication plan to appropriate levels for any KPIs that are not hitting their target. This plan should be formally documented in the processes and procedures manual (Observation #6) and reviewed for relevance on an annual basis, or whenever there is a major change in the industry or the environment.	Closed	Closed	

RSM