

# Board Special Meeting

John Stanford Center – Board Office Conference Room

2445 3<sup>rd</sup> Avenue South, Seattle, WA 98124



**Audit & Finance Committee Meeting**  
**Quarterly Audit Meeting**  
**Tuesday, December 13, 2016**  
**4:30 – 6:30 pm**

**Call to Order**

5 mins

1. Board members and staff present
2. Approval of Agenda
3. Approval of September 13, 2016 meeting minutes

**Internal Audit Updates**

1. Internal Audit Update (Medina) 20 mins
  - Change to Internal Audit Annual Plan
  - Rainier Beach High School Audit Report
  - Human Resources Follow-up Audit Report

**Audit Response Updates**

1. Audit Response Management (Boulmetis/Berge) 10 mins
2. Curriculum and Instruction (Tolley/ Clancy/ Stone) 10 mins
3. Business & Finance (Berge/ Murphy/ Navarro/ Fleming) 10 mins
4. Human Resources (Codd) 10 mins
5. Capital Projects (Herndon/ Best) 10 mins

**Upcoming Meetings**

- March 14, 2017 Quarterly Audit Meeting
- June 13, 2017 Quarterly Audit Meeting

\*Please note that A&F is a working committee of the Board. Documents may change before the meeting and/or prior to their introduction before the Board. The Board Office maintains the archive for documents that were presented at the meeting.

# Board Special Meeting

John Stanford Center – Board Office Conference Room

2445 3<sup>rd</sup> Avenue South, Seattle, WA 98124



## **Audit & Finance Committee Meeting Quarterly Audit Minutes Tuesday, September 13, 2016 4:30 – 6:30 pm**

### **Call to Order**

Director Peters called the meeting to order at 4:30 pm.

School Board members present were Directors Peters, Harris and Blanford.

Staff member present was Assistant Superintendent of Business & Finance JoLynn Berge.

### **Approval of Agenda**

Director Peters moved to approve the agenda Director Blanford seconded. The agenda was unanimously approved.

Director Blanford moved to approve the June 21, 2016 meeting minutes. Director Peters seconded. The minutes were unanimously approved.

### **Items Requiring Board Action**

#### **1. Amending Board Policy 5251, Ethics (Medina)**

Director of Internal Audit & Ethics Officer Andrew Medina spoke about Policy 5251 Ethics and the proposed policy changes to formalize the requirement for the Ethics Officer to provide an annual ethics report to the Board. He noted that no changes were made from the version that was presented to the Committee in August, and that no additional feedback had been provided by management or the Board. The Committee unanimously recommended that the item be moved forward to the full Board with a recommendation for approval.

### **Internal Audit**

#### **1. Central Administration Cash Handling and Deposits Audit (Medina/Nystul)**

Director of Internal Audit & Ethics Officer Andrew Medina introduced Gary Nystul. Mr. Medina explained this audit was completed by Mr. Nystul, who is an independent contractor. Mr. Medina contracted with Mr. Nystul to complete this audit after an internal auditor resigned last spring and he didn't want to fall too far behind in the annual plan. Mr. Medina provided a quick background on why this audit was part of the annual audit plan, and that the primary objective was to determine if the District had adequate procedures for transporting deposits from the schools to the bank. Mr. Nystul gave a brief summary of his experience and auditing background. Mr. Nystul spoke about how he began this audit and the steps he took to insure a fair audit process. He spoke about meeting with office staff and performing observation of the depositing process. Mr. Nystul concluded that the current procedures for transporting funds from schools to the bank are adequate, and he did not make any recommendations regarding this process. Mr. Nystul indicated that even though the procedures for transporting funds were adequate, there were other actions the District could implement to minimize the risks associated with collecting and depositing funds. He stated that the other recommendations were summarized in the report. The Committee inquired about the status of point of sale system that is to be implemented in the District. Assistant Superintendent of Business & Finance JoLynn

Berge indicated that a project manager had been hired but then resigned. She indicated that the process to hire a new project manager had begun and they are still hopeful that the point of sale system can be implemented in time for the 2017-2018 school year. The Committee thanked Mr. Nystul for his work.

## 2. Approval of Internal Audit Annual Plan (Medina)

Director Internal Audit & Ethics Officer Andrew Medina spoke about requesting the Committee's approval of the Annual Risk Assessment and Audit Plan. He shared a draft of the plan at the August meeting, and the version presented today is largely the same. Mr. Medina did add an audit related to professional development to the audit universe based on feedback he received from one board director. He also added some narrative to the plan to identify the procedures that went into completing the plan, as well as some narrative discussing why each primary audit priority was included in the plan. Mr. Medina explained at the August meeting there was a question about the amount of resources involved with each audit, so he also prepared a Gantt chart to illustrate how long each audit is expected to take. This chart also helps to illustrate when the Committee can expect to see a final report for each audit. Mr. Medina reminded the committee to please keep in mind that this is the plan as it stands today, and he will provide updates of any changes.

Director Harris asked if there was a thought to go to mini audits due to lack of staff. Mr. Medina spoke about the guidance provided from prior audit committees to conduct a thorough review of each audit area visited. Director Harris spoke about Dr. Nyland's mini audits conducted during travel to the Philippines and asked Mr. Medina to look at those notes and possibly gain knowledge from that. Mr. Medina indicated that he would reach out to Dr. Nyland. Director Harris would like more information on a mix of large and small audits.

Director Peters asked why the apportionment audits were rated as a high priority. Mr. Medina explained that they were determined to be a high priority based on their materiality to the District.

Director Peters asked how much time and effort do the follow-up audits take. Mr. Medina explained it depends on what is found during the initial audit. Mr. Medina highlighted some audits that should probably receive a full follow-up audit, but indicated that not every audit should require a follow-up audit. Mr. Medina explained that follow-up audits are currently required by board procedure and that is why they are included in the audit plan. Mr. Medina proposed a change to the Board Procedure requiring a following-up audit for all audits in order to free up internal audit resources for other audits. The Committee appreciated the proposal, and Mr. Medina indicated that he would initiate the process for amending the procedure and bring it back to the Committee for evaluation.

Director Peters inquired about how schools are selected for an audit. Mr. Medina explained that their deposit data is analyzed to identify schools in need of an audit.

Director Blanford confirmed the document Mr. Medina gave highlights what risks have been found. Mr. Medina confirmed that to be correct. Director Blanford has a high level of confidence that we are doing the best that we can, given the current resources.

Assistant Superintendent of Business & Finance JoLynn Berge inquired about changes to the audit plan. Mr. Medina explained that proposed changes can be brought to him for consideration then to the Chair of A&F and finally to the Committee. Director Harris asked Ms. Berge if there is a hesitance to go to the auditor or if it's just a question of the process. Ms. Berge explained the process was just not known.

The Committee approved the Annual Risk Assessment & Audit Plan.

## **Audit Response Updates**

### 1. Audit Response Management (Boulmetis/Berge)

Audit Response Manager Annette Boulmetis explained she uses the audit response plan to guide departments through the audit resolution process.

Three new corrective action plans are from the reports issued in May and June. Progress is monitored until the item is closed.

## 2. Curriculum & Instruction (Tolley/Clancy/VanDerPloeg)

Associate Superintendent for Teaching & Learning Michael Tolley spoke about their 13 open items. Mr. Tolley went through each of his items listed on the tracking sheet. The Department of Technology (DoTs) was unable to complete work on capturing clock hours. The current system is a manual, labor intensive system. For instance, at the start of school week, over 5,000 clock hours required manual input. Additional project management is needed to re-evaluate the current process and determine the cost/ benefit of an automated system.

Director Blanford would like a timeline of this. Mr. Tolley will be meeting with Director of School Operations Misa Garmoe and a meeting is set up for next week with a timeline.

Director Blanford asked what happens next. Mr. Tolley explained he will need to request an extension.

Mr. Medina summarized the original purpose of the finding and reminded everyone that the issue was related to budget managers not having visibility of the purchases being made in their departments.

Director Harris asked what do other districts do. Mr. Medina is unsure what other districts do.

Director Blanford asked what the timeline is for this and wants staff to have a plan on how to get this done. Mr. Tolley explained he will be going back to the original finding to wrap this up.

Ms.

Boulmetis explained that the recent state audit of staff mix reporting did not have a financial impact; but, a process should be in place to ensure staff mix reporting is based on accurate and real time account balances of clock hours earned.

Director of Special Education Michaela Clancy explained the exception for the Individualized Education Program (IEP) physical signature page and going to electronic archival records. The district is working with the vendor to disallow edits to archival records.

Director Blanford asked who pays us that money for savings. Ms. Clancy explained it comes from the vendor. Ms. Clancy explained how we are a part of a regional collaborative and does see the potential.

Ms. Clancy spoke about IEP online program; the school did choose to go with PowerSchool 10 this August. The implementation timeline is in November for a completion date. Ms. Clancy spoke about a new finding regarding stipends for class size overage payments.

Grants Director Michael Stone spoke about controls around federal personal service contracts. Specifically, for allowable expenditures at the school level. This has been corrected by now adding language and the items are now reviewed by Mr. Stone.

Director Harris inquired about any overlap with internal audit procedures. Mr. Medina spoke about a current school audit, but indicated that it was limited to standard school audit procedures with some additional emphasis on untimely payments being made to vendors. Mr. Stone explained they are providing training to the schools so they can understand what can go into a contract.

Director Harris asked if the collective bargaining partners are complaining. Mr. Stone explained no they are not; this is being done proactively.

Mr. Stone spoke about discrepancies in grants from two years ago. the State Auditor Office (SAO) recommended implementation for Title I.

Director Harris asked if this is the best use of Mr. Stone time because of his paygrade. Mr. Stone explained no it is not, but he is the one currently with the most knowledge but with the new Title I supervisor hire this will change.

### 3. Capital Projects (Herndon/Best)

Director of Capital Projects & Planning Richard Best reviewed the audit items concerning the design phase for Genesee Hill Elementary School. He noted that he concurred with the audit assessment and that Capital Projects was implementing changes in procedures to strengthen their processes. Mr. Best summarized the current processes for Queen Anne and Magnolia schools. Mr. Best is requesting the items be closed as of September.

Director Harris asked if capital is also spending time communicating with building principals and having candid conversations about project budgets. Mr. Best explained one change was to work closely with a representative from the Office of Teaching and Learning. He explained Manager School Operations Sherri Kokx is now acting as a liaison between the two departments. This allows for better collaboration between capital and learning.

Director Harris asked when will this be completed. Mr. Best said it should be completed by December.

Director Peters asked at what point do we decide to put fences around a building. Magnolia is having a high number of reported graffiti incidents. Mr. Best hasn't received any complaints about Magnolia but will look into the reports of graffiti.

### 4. Business & Finance (Berge)

Director Peters has asked for Data Privacy procedures be brought to the committee for review and requested this item remain open.

Ms. Berge spoke how all of the Business & Finance items are in currently in progress.

Director Harris asked if other government organizations that already have this developed that we can steal this from. Ms. Berge explained yes to some degree. Our specific policies would require us to tailor it to us specially.

Director Harris if we are making it clear in the Chief Information Officer (CIO) interviews about approved the Point of Sale (PoS) system. Director Harris would like a question in the interviews for the CIO about a PoS Ms. Berge offered suggestions of what could be asked, but she has not currently seen questions for the Thursday interview.

Director Peters asked about item 6, update for Superintendent Procedure (SP) related to aggregate purchases that require Board approval when payments to a single vendor exceed a specific threshold. Ms. Berge indicated the revised SP is being drafted by the Purchasing Manager Craig Murphy. Estimated completion date is March 2017.

Director Peters asked how much leeway do we have with the SAO recommendations. Ms. Berge, indicated some, we work with them and come up with a solution if we do not agree.

**The meeting was adjourned at 6:25pm.**

**Amendment to the Internal Audit Annual Plan  
December 13, 2016**

Employee Leave Time Audit

The Annual Internal Audit Plan is amended to add an audit of employee leave time. This amendment was requested by District management after they identified a concern that employee absences may not be recorded properly. Based on a preliminary analysis, the Office of Internal Audit concurs that this audit will be a valuable use of Internal Audit resources. This audit will be a primary audit priority, and will evaluate whether District employees are properly recording their leave in the District's system.

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**Seattle Public Schools  
The Office of Internal Audit**

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**Internal Audit Report  
Rainier Beach High School**

**September 1, 2015 through June 30, 2016**

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Issue Date: December 13, 2016



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**Internal Audit Report  
Rainier Beach High School  
September 1, 2015 – June 30, 2016**

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**Executive Summary**

**Background**

We completed an audit of Rainier Beach High School for the period September 1, 2015 through June 30, 2016. Rainier Beach High School is located in the Southeast Region of Seattle Public Schools. It has over 569 students and 67 staff, and operates on an annual budget of \$6.49 million. The School runs an International Baccalaureate diploma program that offers its students college preparatory curriculum.

Although Rainier Beach High School was the focus of this audit, our primary goal was to evaluate the overall system of controls put in place by the District. The decentralized nature of a school district results in a situation where many key internal control and compliance functions are performed at the individual schools. The audits conducted at the individual schools will help ensure that these key functions are being performed and are having their intended effect. This audit will also help to highlight those areas where the schools may not have clear guidance on the procedures they are expected to perform, and it will identify those situations where they have not been provided adequate resources to perform these key functions properly. In addition to the findings and recommendations noted in this report, the Office of Internal Audit is also using the knowledge gained from the school audits to develop an annual risk assessment that will be used to identify future audit areas.

**Roles and Responsibilities**

This audit was completed as part of the *Annual Risk Assessment and Audit Plan* approved by the Audit and Finance Committee on October 6, 2015. Rainier Beach High School was selected for an audit because the District received multiple concerns regarding untimely payments to vendors. District Management has the primary responsibility to establish, implement, and monitor internal controls. Internal Audit's function is to assess and test those controls in order to provide reasonable assurance that the controls are adequate and operating effectively. We conducted the audit using due professional care, and we believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

**Audit Objectives**

To ensure compliance and strong financial internal controls in the following areas:

- Associated Student Body (ASB)
- Cash Handling and Receipting
- Disbursements
- Payroll
- Volunteers
- Risk Management
- Loss Reporting





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**Internal Audit Report  
Rainier Beach High School  
September 1, 2015 – June 30, 2016**

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## **Scope of the Audit**

September 1, 2015 through June 30, 2016

## **Audit Approach and Methodology**

To achieve the audit objectives, we performed the following procedures:

- Planned the audit in cooperation with central administration staff from Accounting, Payroll, Human Resources, and Risk Management to ensure that we had a strong understanding of the District's compliance requirements.
- Conducted a surprise cash count in order to observe operations in their normal environment.
- Interviewed school staff knowledgeable of each objective area.
- Analyzed available data to corroborate the information obtained.
- Examined accounting records and tested supporting documentation.

## **Conclusion**

Based on the procedures performed, the School appears to have adequate controls in each of the objective areas, except for the items noted in this report. This report includes recommendations that are intended to improve the overall accountability and transparency of the objective areas.

We extend our appreciation to the staff at Rainier Beach High School for their assistance and cooperation during the course of the audit.

*Andrew Medina*

Andrew Medina, CPA, CFE  
Director, Office of Internal Audit



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**Internal Audit Report  
Rainier Beach High School  
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## **Findings and Recommendations**

### **1) Cash Handling and Receipting**

During the course of our audit we identified the following concerns related to cash handling and receipting. The following issues represent basic cash handling and receipting problems that apply to both the General Fund and the Associated Student Body Fund:

- Funds collected by staff members and students are not always turned in to the fiscal office on the same day they are collected. This is partly attributed to the School not having an adequate system in place to collect funds from staff and students when the Fiscal Specialist is unavailable. In addition, it does not have a backup fiscal specialist and has not established an adequate process for staff and students to deposit funds when the Fiscal Specialist is unavailable. The School has a second safe in the main office designed to assist in these situations, but it is used infrequently and its availability has not been adequately communicated to its staff or students.
- Funds are not always deposited into a District bank account once every 24 consecutive hours, as required by the ASB Procedures Manual and state law.
- Deposits are not always made intact. On occasion, the School will disburse funds directly from fundraiser and concession proceeds in order to purchase supplies and inventory. District procedures requires all funds to be deposited intact, and for all merchandise to be ordered using appropriate ASB purchasing procedures and guidelines.
- ASB deposits are carried to the commercial bank rather than using the District's secure courier service. Using the District's secure courier service is required by the District's ASB Procedures Manual and decreases the risk of loss or theft.

The current procedures are not adequate to safeguard District resources which increases the risk of theft, loss, and abuse. We do not suspect that an actual loss of funds has occurred; however, the current procedures prevent us from providing positive assurance that all funds received were properly deposited into a District bank account.

### **Recommendation**

In order to ensure accountability for District resources; reduce the risk of theft, loss, or abuse; and protect itself and its staff from unnecessary scrutiny, we recommend that the School:

- Instruct all staff members to promptly deposit any funds collected during the day with the fiscal office prior to the end of the day.
- Ensure that the fiscal office is open and staffed by someone who can collect funds and write receipts during normal school hours. For those instances when the fiscal office must



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**Internal Audit Report  
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September 1, 2015 – June 30, 2016**

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be closed, it should create and communicate an alternate system to allow students and staff to deposit funds on the same day they are collected.

- Deposit all funds collected into the District's bank account within 24 hours of receipt.
- Deposit all funds intact and purchase all supplies and inventory in accordance with established District procedures.
- Use the District's secure courier service to transport all deposits to the commercial bank.

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**Internal Audit Report**  
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**September 1, 2015 – June 30, 2016**

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## **2) Untimely Vendor Payments and Unauthorized Purchases**

Although school audits were included in the annual internal audit plan, this audit was initiated in response to complaints regarding untimely payments to vendors. During our review of disbursements, we confirmed that many vendors were indeed paid late. We also noted that in many cases the purchases were initiated without a pre-approved purchase order or personal services contract. The lack of a pre-approved purchase order or personal services contract directly contributed to the untimely payments. When an invoice is submitted by a vendor that does not have a pre-approved purchase order or personal services contract, the District's Accounting Department must conduct follow-up procedures to ensure that the transaction is valid and then create a purchase order or personal services contract after the fact. These additional procedures result in a delay in the payment process.

The School does not have clear ownership over the process for creating purchase orders and personal services contracts or the process for initiating these documents after the fact. Each person we interviewed believed that this was the responsibility of someone else. The staff members initiating the purchases with the vendors believed that the purchase orders and personal services contracts were being completed by the administrative staff, and the administrative staff believed they were being completed by the staff person requesting the goods or services. This lack of ownership resulted in purchases being made without proper approvals which prolonged the payment process. District procedures do not specify whether purchase orders and personal services contracts should be initiated by the staff person initiating the purchase or by administrative staff. This is a building level decision; however, the School never assigned clear responsibility for this function. A lack of communication and procedural understanding amongst the staff involved also contributed to the delayed payments.

### **Recommendation**

We recommend that the School:

- Train staff members to ensure that all employees understand that purchases for goods or services cannot be initiated without a properly pre-approved purchase order or personal services contract.
- Assign responsibility for creating purchase orders and personal services contracts to ensure staff have a clear understanding of what role they play in initiating purchases with vendors.
- Establish clear communication expectations for staff members to ensure that all emails and voicemails are addressed in a timely manner.



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**Internal Audit Report  
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### **3) Payroll Process**

During our review and testing of the School's payroll process, we noted instances in which overtime was not supported by properly completed time sheets. We also noted that the School has an inefficient process of routing time sheets for approval. At most schools, time sheets are usually routed to the administrative secretary first and then to the principal for approval. At Rainier Beach High School, time sheets are given the fiscal secretary for coding purposes and then to the administrative secretary for processing before the Principal reviews for approval. This extra step can create a delay in the approval process.

#### **Recommendation**

We recommend that the School:

- Ensure all overtime is documented on a properly completed time sheet.
- Route completed time sheets to the administrative secretary first and then to the principal for approval. A copy of the approved time sheet can then be routed to the Fiscal Specialist if needed.



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**Internal Audit Report  
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#### **4) Volunteer Screening Process**

The School did not assign clear ownership and responsibility for ensuring compliance with District procedures related to the use of volunteers. As a result, it did not maintain all required volunteer documentation, and we cannot verify that all of the volunteers were properly screened.

#### **Recommendation**

We recommend that the School appoint a volunteer coordinator to ensure compliance with the District's procedures related to the use of volunteers. The volunteer coordinator should ensure:

- Staff members receive adequate training regarding the use of volunteers.
- The School has established adequate controls to ensure that all required documentation related to volunteers and chaperones is properly completed and retained.

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**Internal Audit Report**  
**Rainier Beach High School**  
**September 1, 2015 – June 30, 2016**

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## **5) Risk Management (Field Trips)**

The School did not follow District policies and procedures related to field trips. Per Administrative Procedure 2320-A, Field Trips & Excursions, overnight field trips must be pre-approved by the appropriate Executive Director of Schools. We noted one overnight field trip in which the School was unable to provide documentation to demonstrate it received proper approvals prior to the trip taking place. In addition, proper forms were not used to document the field trip. The District has updated forms that have been designed to ensure that all aspects of field trips meet District expectations; including approvals, cost, activity, and number of chaperones. We also noted that the trip's airfare expenses were purchased directly by the students' families, rather than by a District-approved travel agency as required for any District-sponsored trip.

### **Recommendation**

We recommend that the School establish and maintain adequate controls to ensure that all field trips follow District policies and procedures. Specifically, it should ensure:

- All overnight field trips are pre-approved by the Executive Director of Schools on appropriate forms.
- Documentation is maintained demonstrating that all chaperones have been properly screened and trained.
- A Mandatory Trip Supervision Plan has been properly developed and communicated to appropriate personnel for all overnight field trips.
- All field trip expenditures and fundraisers are processed through a District account.



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**Internal Audit Report  
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## **6) Use of School Facilities**

The School did not follow District policies and procedures related to building rentals. It allowed outside groups to use its gymnasium without complying with the District's facility rental requirements. Specifically, the outside groups did not provide proof of liability insurance and did not pay the required rental fees.

The outside events were incorrectly categorized as internal girls' basketball team events on the District's official facility usage calendar. As a result, the event was considered to be rent-free when in fact rent should have been charged to the outside groups. District procedures allow some outside groups to use District facilities without paying rent when they support youth education but the events in question would not qualify for free rent as the events were used to host adult basketball leagues. Additional analysis is necessary to determine the amount of lost rental fees incurred by the District.

In lieu of paying the established rental fees to the District's Building Rentals Department, the outside groups made donations to the School's girls' basketball team. We noted instances in which the donations were deposited in to the team's ASB account, however additional analysis is necessary to determine if it contains all donations that were received by the School.

We will conduct additional audit procedures to determine the extent of lost rental fees to the District, and to determine if all donations have been properly deposited into a District account. The results of these procedures will be summarized in a separate audit report upon completion.

### **Recommendation**

We recommend that the School establish and maintain adequate controls to ensure compliance with District building rental policies and procedures. Specifically, it should ensure:

- The District's facility usage calendar accurately categorizes events as either internal or external.
- Outside groups using its facilities have complied with all of the District's insurance requirements and rental fees before allowing them access to the building.

We also recommend that the School train all staff members on proper receipting procedures to ensure that all funds collected are properly deposited with the School's fiscal office.





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**Internal Audit Report  
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**Management Response from Rainier Beach High School**

*We appreciate the feedback provided to our school regarding some of our processes and procedures as they relate to the audited areas. I am confident that each of the areas highlighted in the findings can and will be addressed in a timely manner.*

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**Seattle Public Schools  
The Office of Internal Audit**

**Internal Audit Follow-up Report  
Human Resources**

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Issue Date: December 13, 2016



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## Internal Audit Follow-up Report Human Resources

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### Background

On September 11, 2012, the Office of Internal Audit issued an audit report for the Human Resources Department as part of its evaluation of the District's overall system of internal controls. Department audits assist in determining whether key financial internal controls and compliance functions are being performed and whether departments have clear guidance and adequate resources to perform their functions.

In accordance with the 2016-2017 *Annual Risk Assessment and Audit Plan*, we completed a follow-up audit of Human Resources. The purpose of a follow-up audit is to assess the status of corrective actions taken in response to prior audit findings. This report focuses on findings from the September 11, 2012 audit report, which contained 11 recommendations for the District to implement.

### Roles and Responsibilities

District management is responsible for follow-up and corrective action to address audit findings. To fulfill this responsibility, the District has a process in place to track the status of audit recommendations and ensure that audit issues are resolved.

### Approach and Methodology

To complete this follow-up audit we performed the following procedures:

- Reviewed the prior audit and audit report to gain an understanding of the issues.
- Interviewed department staff to gain an understanding of the corrective actions taken and identify when the corrective actions were implemented.
- Analyzed available data to corroborate information obtained during staff interviews.
- Tested available documentation to determine if corrective actions have been fully implemented, are operating as intended, and address all issues raised by Internal Audit.

### Results

Our initial report dated September 12, 2012, can be found on the District's website. We consider an issue resolved if management implemented our recommendations or took other appropriate action to resolve the issues. We found that Human Resources implemented corrective actions sufficient to address all but one of our recommendations, which is detailed on the following page of this report.

*Andrew Medina*

Andrew Medina, CPA, CFE  
Director, Office of Internal Audit



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## Internal Audit Follow-up Report Human Resources

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### Findings and Recommendations

#### 1) Employee Data and Payroll Administration

During our initial audit we noted that every member in the Human Resources and Payroll Departments had access to the Personnel Administrator Role in the SAP HR Module. This role not only grants authority to change employees' private information, but it also includes access to change employee pay. During our current review, we noted that although the department has taken corrective action to restrict access to the Personnel Administrator Role, there are still areas of concern. Access to sensitive employee data, including the data that can impact an employee's salary, is still provided to more employees than is necessary, including members of the Payroll Department. Since the Payroll Department is responsible for processing payments to employees, they should not have access to change employee pay.

#### Recommendation

We recommend that the District:

- Segregate the payroll and human resources transactions in the SAP system so that employees only have access to the transactions applicable to their job duties and responsibilities.
- Limit access to the change employee pay data in the SAP system to the specific employees who are authorized to make salary changes.



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## Internal Audit Follow-up Report Human Resources

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### Management Response

*The Human Resources Department is currently engaged in a business process redesign effort and we concur with the recommendations to segregate the payroll and human resources transactions in the SAP system. We are working with the Department of Technology Services team to scope out various solutions.*

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