

**Columbus City Schools  
Office of Internal Audit**



**COLUMBUS  
CITY SCHOOLS**

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**Payroll – KRONOS – Overtime / Compensatory Time  
Audit Report**

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**Report Date: September 26, 2019**

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**Executive Summary**

The Columbus City Schools (District) Office of Internal Audit (OIA) has recently completed a general audit of various sub-processes within the District’s Payroll – KRONOS – Overtime / Compensatory Time process. Our audit focused on evaluating predetermined objectives selected by OIA and following up on prior audit recommendations previously made in this area. This general audit consisted of the review and testing of these objectives relevant to the Payroll – KRONOS – Overtime / Compensatory Time process.

Based on the results of our work during this audit, we found areas where improvements could be made to strengthen the internal control environment and enhancements could be made to current processes to increase the efficiency of the Payroll – KRONOS – Overtime / Compensatory Time process.

During the course of our audit, we made management involved in the Payroll – KRONOS – Overtime / Compensatory Time process aware of our issues, comments and recommendations for improvement. Good discussion took place regarding the recommendations. OIA appreciates the cooperation extended to us and the assistance of all staff we came into contact with as we performed our audit.

The following are OIA issues noted during the review:

**Risk Ratings, defined:**

**1 – High/unacceptable risk requiring immediate corrective action;**

**2 – Moderate/undesirable risk requiring future corrective action; and**

**3 – Low/minor risk that management should assess for potential corrective action.**

Issues	Risk Rating		
	1	2	3
<b>Objective 1: To determine written business objectives/goals, metrics and risk analysis exist for the Payroll process including KRONOS – overtime and compensatory time.</b>			
<b>Issue No. 1 – Lack of business objectives, metrics, and risk analysis for the Payroll – KRONOS – Overtime / Compensatory Time processes. Repeat Issue</b>	X		

Issues	Risk Rating		
	1	2	3
<b>Objective 2: To determine that sufficient internal controls are in place and operating as management intends for the overtime processes including, but not limited to, policies and procedures, supervisory approval of time, how overtime/compensatory time is calculated, accuracy of compensatory time balances and monitoring and oversight of the overtime process.</b>			
<b>Issue No. 2</b> – Lack of BOE policies for overtime and compensatory time. <b>Repeat Issue</b>	X		
<b>Issue No. 3</b> – Lack of written procedures for the overtime and compensatory time processes. <b>Repeat Issue</b>	X		
<b>Issue No. 4</b> – Lack of guidance and oversight of the overtime / compensatory time preapproval process.		X	
<b>Issue No. 5</b> – Inconsistent compensation for hours worked on a Calamity Day.			X
<b>Issue No. 6</b> – Exceeding Compensatory Time maximum balances.	X		
<b>Issue No. 7</b> – Lack of systematic review of compensatory time earned by employee and by department.		X	

**Audit Objectives**

The objectives of the audit were to determine:

- Written business objectives/goals, metrics and risk analysis exist for the Payroll process, including KRONOS – Overtime (OT) and Compensatory Time (CT);
- Sufficient internal controls are in place and operating as management intends for the overtime and compensatory time processes including, but not limited to, policies and procedures, supervisory approval of time, how overtime/compensatory time is calculated, accuracy of compensatory time balances and monitoring and oversight of the overtime process.

Sub-processes reviewed during this audit were:

- Overtime pre-approval;
- Overtime documentation;

- Overtime supervisory approval;
- Management oversight of overtime;
- Compensatory Time documentation;
- Compensatory Time supervisor approval;
- Compensatory Time balances (maximum accruals & negative balances); and
- Management oversight of compensatory time.

### **Audit Scope**

OIA established the scope of the audit to include a review of basic operational aspects of the processes, verification of compliance requirements, and evaluation of internal control environments as they relate to the noted objectives. The period of time for the audit included all activity relating to the KRONOS – Overtime / Compensatory Time process from July 1, 2018, through March 8, 2019.

### **Methodologies**

To accomplish our stated objectives, OIA performed the following tasks as they related to those objectives:

- Reviewed various authoritative literature governing work reviewed (i.e. Relevant Ohio Revised Code & Ohio Administrative Code sections, etc...);
- Obtained and reviewed relevant Columbus City Schools' (CCS) Board of Education policies;
- Obtained and reviewed relevant District procedures;
- Review of prior audits;
- Interviewed CCS personnel that handle Payroll – KRONOS – OT and CT activities;
- Observation and documentation of key processes;
- Review of various files;
- Review of management reports, support documentation, and other relevant information; and
- Review of best practices used by other entities performing similar functions.

### **Background**

The federal overtime provisions are contained in the **Fair Labor Standards Act (FLSA)**. Unless exempt, employees covered by the Act must receive overtime pay for hours

worked over 40 in a workweek at a rate not less than time and one-half their regular rates of pay. Under certain prescribed conditions, employees of State or local government agencies may receive compensatory time off, at a rate of not less than one and one-half hours for each overtime hour worked, instead of cash overtime pay.

The Payroll Department operations are the responsibility of the District Treasurer. The District's Payroll Department is primarily responsible for ensuring complete, accurate, and timely payment of District employee payroll, as well as the proper recording and payment of custodial funds, and appropriate accounting of employee leave time and balances.

The payroll process is diverse and varies by job classification. Teachers and Administrators are paid using a negative time management system (this assumes these employees are present unless documentation is received to the contrary). Most classified personnel are paid using KRONOS, a web-based time and attendance system that helps ensure accurate recording of time worked. Yet others may attend a workshop, receive a stipend, or receive supplemental pay which would require timesheets, summary listings approved by their supervisor or approval from Human Resources respectively.

**Results of the Audit of the Payroll – KRONOS – Overtime / Compensatory Time – Issues and Recommendations:**

**Issue No. 1 – Lack of business objectives, metrics, and risk analysis for the overtime / compensatory time processes. (Repeat Issue)**

The District's Payroll KRONOS – overtime / compensatory time process does not have business objectives (i.e. accuracy, completeness, consistency, compliance and timeliness) guiding the tasks that involve Payroll KRONOS – overtime / compensatory time processes and activities. Furthermore, there are no metrics compiled for Payroll KRONOS – overtime / compensatory time process (i.e. overtime earned by employee and/or department; compensatory time earned by employee and/or department; percentage of overtime/compensatory time to gross payroll by employee and/or department, etc...) that are routinely obtained to identify successes or how efficient and effective the Payroll overtime/compensatory time process is operating. There is no risk analysis to identify areas where problems could occur.

A sound business practice is to establish business objectives, metrics, and risk analysis that correspond to the District goals for the Payroll overtime/compensatory time process.

Additionally, this same issue was noted in the OIA Payroll Audit issued on January 28, 2016 and is considered a repeat issue

## **Recommendations**

1. Written business objectives should be established for the District's payroll process, including overtime and compensatory time sub-processes, that corresponds to the District's goals<sup>1</sup>. These objectives should address: accuracy, completeness, consistency, cost-effectiveness, compliance and timeliness.
2. Metrics (i.e. overtime earned by employee and/or department; compensatory time earned by employee and/or department; percentage of overtime/compensatory time to gross payroll by employee and/or department; etc...) should be established to measure the work performed that relates to each business objective. These metrics should be compared to defined benchmarks on a periodic basis (i.e. monthly, quarterly, etc...). This comparison will enable management to identify those business objectives that are meeting the benchmarks and those that need additional training or guidance.
3. Risk analysis should be performed for the payroll process, including overtime and compensatory time sub-processes to identify areas where problems could occur. Once the risks are identified, steps should be taken to minimize the likelihood that this risk will become problematic.

These procedures will help to ensure management is aware of the successes of the Payroll – KRONOS – Overtime and Compensatory Time processes, as well as those areas where successes have yet to be achieved.

**Management Response:** This has been addressed with the results of the opportunity study. The payroll handbook provides Objectives, Benchmarks, as well as procedures for the various aspects of payroll processing.

**Process Owner:** Stan Bahorek

**Implementation Date:** March 31, 2020

## **Issue No. 2 – Lack of BOE policies for overtime and compensatory time. (Repeat Issue)**

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<sup>1</sup> Columbus City Schools Goals:

**Goal 1:** Each student reaches the student's full potential; to continue education, serve in the military, go to college, start a business, and enter the workforce as a life-long learner.

**Goal 2:** The District creates safe, student-centered, innovative learning environments and recruits, develops, and retains world-class talent.

**Goal 3:** The District is accountable to our communities and customers; confidence in the District is maintained through strategic, responsible and transparent leadership.

We found that several District policies did not contain specific information regarding the payroll process. Specifically, policies don't exist to address work week definitions, how to properly calculate overtime and compensatory time, compensatory time earning, usage and accumulation limits.

**Recommendation**

4. District management should make recommendations to the Policy Review Committee of the Board of Education regarding possible revisions to current District policies that will address ambiguities not clear in current policy and add language where important matters are non-existent. This will help to ensure all tasks performed by District staff are properly aligned with the wishes of the Board of Education. Additionally, these policies will help to inform employees and emphasize consistent treatment of all employees.

**Management Response:** Overtime and compensatory time rules are dictated by the collective bargaining agreement and state/federal law. Management will review proposed policies available through Neola and recommend accordingly to the Board of Education.

**Process Owner:** Stan Bahorek

**Implementation Date:** March 31, 2020 (for procedures)

**Issue No. 3 – Lack of written procedures for the overtime and compensatory time processes. (Repeat Issue)**

The District's overtime and compensatory time processes do not have written procedures documenting when employees are eligible for overtime and/or compensatory time and how it is to be documented and calculated.

A sound business practice is to establish written procedures for District overtime and compensatory time processes.

**Recommendation**

5. Written procedures should be established for the District's overtime and compensatory time processes. These policies and procedures should address: accuracy, completeness, and appropriateness among others. This will help to inform all employees who handle a piece of the overtime or compensatory time of their job duties and can be used as a training tool in the event an employee is off the job for a significant amount of time.

**Management Response:** The procedural manual provided by the opportunity study addresses the procedures issue.

**Process Owner:** Stan Bahorek

**Implementation Date:** March 31, 2020 (for procedures)

**Issue No. 4 – Lack of guidance and oversight of the overtime / compensatory time pre-approval process.**

Although all requests for overtime for non-emergency work are to be submitted to the Chief of Staff for approval prior to the work being completed, there are no guidelines established to identify what is considered non-emergency or daily operations. The determination was left to the individual departments within the District. Additionally, no oversight was established to ensure all overtime and compensatory time that was not deemed non-emergency or daily operations had preapproval and the requirement was consistently applied to each department District-wide. Finally, there is insufficient documentation within the Columbus City Schools Distributed Applications Services (CCSDAS) system and KRONOS to determine which allocation requests apply to the overtime / compensatory time worked.

We reviewed a sample of employees with overtime and/or compensatory time accrued for a single pay period to determine if there was evidence of preapproval for the overtime or compensatory time worked and noted the following during our review:

- 100% (15 of 15) of the employees reviewed who earned overtime did not have evidence how the event was essential or an emergency and did not have approval documented in the CCSDAS system; and
- 40% (4 of 10) of the employees reviewed had compensatory time that required pre-approval and no documentation was provided to evidence a pre-approval; and 50% (5 of 10) of the employees reviewed who earned compensatory time did not have documentation showing how the event was essential or an emergency and no approval was documented in the CCSDAS system.

Without sufficient guidance and oversight of the overtime preapproval directive, there could be inconsistent application of the requirement resulting in overtime and/or compensatory time worked in excess of the preapproved overtime or compensatory time approved.

Standard operating procedures and oversight provide a way to communicate and apply consistent standards and practices. Formalized procedures reinforce management's expectations for the District and consistency between the execution of the process between various departments.

**Recommendations**

6. Employees should formally request supervisor approval for all non-emergency overtime or compensatory time instances. The request should include what the

situation is, total number of hours needed to complete the additional work, and why the work cannot be performed during regular working hours.

7. Guidance and oversight of the overtime / compensatory time pre-approval process should be established and communicated District-wide in order to ensure consistency in the District pre-approval process.
8. The Payroll staff should ensure compliance with established requirements and for adherence to the established guidelines. Finally, the KRONOS system should notate the overtime pre-approval reference for all pre-approval overtime worked. This will help to ensure that all time worked outside the employee's normal schedule is appropriate and authorized.

**Management Response:** From the payroll perspective, hours that are entered and approved in Kronos are ready for processing. Additionally, since some overtime is mandated by the collective bargaining agreement (i.e., span overtime), pre-approval is unnecessary as management is not in a position to approve or deny such time. Without further detail into what percentage of the overtime is truly discretionary, it is difficult to determine the level of risk relative to the approval process. Furthermore, any response regarding the approval process needs to be multi-departmental, as the approval process is outside the payroll department's oversight.

**Process Owner:** Mira Wright and Stan Bahorek

**Implementation Date:** December 31, 2020

#### **Issue No. 5 – Inconsistent compensation for hours worked on a Calamity Day.**

Although the OAPSE AFSCME collective bargaining agreement indicates employees required to work on a calamity day should be compensated with compensatory time at 1.0 for hours worked up to their normal daily schedule, there is evidence this is not being consistently applied throughout the District resulting in additional costs (overtime pay and/or compensatory time accrual) to the District.

Based on the OAPSE AFSCME collective bargaining agreement section 9.18 – Emergency School Closing / Calamity Days – Part A

Nothing herein shall be construed as requiring payment in excess of the employee's regular wage rate or salary for any time worked while the school in which he/she is employed is officially closed for the reasons set forth herein. Members of the bargaining unit who are, by reason of their assignment, required to work when schools are closed for such reasons shall be given equal compensatory time off. The compensatory time shall be taken at a time that is mutually agreeable to the employee and the employee's supervisor and shall be taken, where practical, within a two-week period following the day when the compensatory time was earned.

During our testing, we found 60% (9 of 15) of the employees who worked a calamity day had time incorrectly calculated. The six employees were paid overtime rather than earning compensatory time.

**Recommendation**

9. Management should ensure all work performed on a calamity day is necessary and complies with the appropriate compensation as noted in the various collective bargaining agreements. This will help to ensure the employee is correctly compensated for the hours worked.

**Management Response:** There are a couple of issues at hand. First, there is conflicting language within the collective bargaining agreement as it relates to comp time, overtime and calamity pay. Depending on the various circumstances, comp time may not be the only option to be provided when a calamity day is involved. Therefore, to state that time was calculated incorrectly is not entirely accurate.

However, there are two proposed solutions that will greatly reduce the potential for error moving forward:

First, the update to Kronos will provide an automatic calculation as it relates to calamity days. Currently, this is the responsibility of the time keeper, which is where many of the mistakes are made.

Second, an online Public School Works training will be created and shared with all timekeepers within Kronos.

**Process Owner:** Stan Bahorek

**Implementation Date:** December 31, 2020

**Issue No. 6 – Exceeding compensatory time maximum balances.**

Employees, depending on their collective bargaining agreement, can earn up to the maximum amount as stated in their collective bargaining agreement. These amounts are 40 hours for OAPSE and 240 for CSCSA employees. Once an employee reaches the maximum hours noted above, any hours that exceed this maximum are dropping off time and that time should have been paid at straight time. Employees that are having this systematic deduction are not being notified when the deductions occur and are not being compensated for the hours deducted. Additionally, the District is not notifying employees as they approach or reach the maximum number of compensatory time hours.

A review of the six CSCSA employees with a 240-hour compensatory time balance as of March 8, 2019, showed between 20 and 528 hours were systematically deducted from their compensatory balances during our audit period.

**Recommendation**

**10.** Management should develop a process to enable employees a way to check their compensatory time balances prior to earning additional compensatory time and do not work over the limit documented in their collective bargaining agreements, without being properly compensated. This will help to ensure employees are compensated appropriately for overtime hours worked.

**Management Response:** This is currently being addressed manually within the Treasurer's Office. The pending update to Kronos will provide an automatic solution to the maximum balances.

**Process Owner:** Stan Bahorek

**Implementation Date:** February 29, 2020

**Issue No. 7 – Lack of systematic review of compensatory time earned by employee and by department.**

The earning of compensatory time by staff creates a liability for the District. Our review found there is no systematic review of compensatory time that is earned by staff above the Department supervisor level. Additionally, there is no reporting of compensatory time accrued to Department Management, Senior Management, and/or committees with responsibility for fiscal oversight for the District. As of March 8 2019, 1,561 District employees had accumulated 29,482.25 hours of compensatory time.

Monitoring and oversight of compensatory time provides a way to validate the completeness, accuracy, and appropriateness of the compensatory time indicated as earned by the employee. The monitoring and oversight should take place at various levels such as the employee's supervisor to determine if the compensatory time was added to the employees' compensatory accrual time balance. At the divisional level and/or the Payroll office level, monitoring and oversight could include review of compensatory time earned as a percentage of the hours worked for a pay period, for a quarter, and for a year. Besides reviewing the employees who had the most compensatory time for the review period, the monitoring and oversight should include reviewing the departments with the most compensatory time accrued in order to determine if the overtime worked is managed appropriately.

### **Recommendation**

11. Management should compile a listing of all compensatory time earned by Department and overtime paid during each quarter and provide to senior management. This will help to ensure senior management can monitor total payroll costs by Department, compare to prior periods, and make any necessary adjustments.

**Management Response:** This recommendation requires a multi-departmental review in order to adequately address the issue. Also, due to the restrictions imposed by the collective bargaining agreement, the amount of discretionary comp time and overtime is not easily determined. Without this information, providing totals including those areas where management is not at liberty to deny comp time or overtime will not provide beneficial budgetary information.

**Process Owner:** Multiple Departments

**Implementation Date:** June 30, 2021

### **Supplemental Information - Descriptions**

KRONOS is the timekeeping system used to record time worked (including overtime and compensatory time) as well as approval of the time worked by the employee's supervisor for hourly CCS employees. The information captured in this system is transferred to the MUNIS system and is used to pay CCS employees and to maintain compensatory time balances. KRONOS' functionally is handled by the Payroll Department in the Treasurer's Office.

MUNIS is the District's ERP used to record and process payroll for CCS employees as well as to maintain leave balances except compensatory time balances which is maintained in KRONOS. The MUNIS payroll module (including but not limited to employee paycheck calculation and payment, payroll totals by department, leave balances, etc.) is utilized by the Payroll Department in the Treasurer's Office.

**Supplemental Information - Charts**

**Payroll by Fiscal Year**

The spreadsheet below is a breakdown of payroll by fiscal year. The FY19 data is as of March 22, 2019.

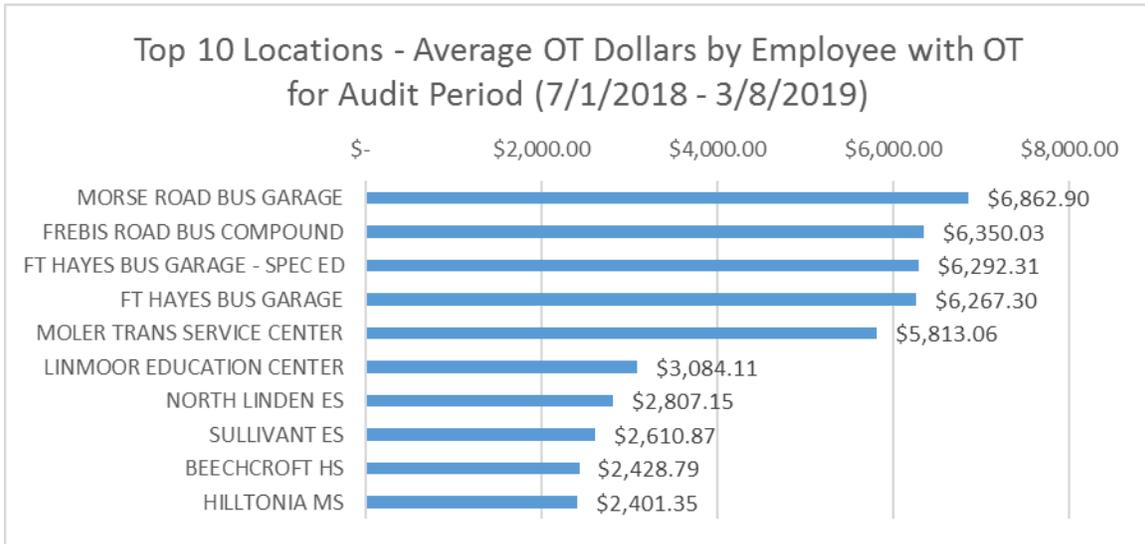
Actual Row Labels	Column Labels			
	2016	2017	2018	2019*
111 - REGULAR CERTIFICATED SALARIES	\$280,520,365.64	\$302,629,704.91	\$304,594,450.52	\$224,429,469.96
112 - TEMPORARY CERTIFICATED SALARY	\$5,433,240.64	\$5,384,841.90	\$4,976,320.45	\$3,075,059.82
113 - SUPPLEMENTAL CERTIFICATED SALA	\$11,011,505.99	\$11,436,129.35	\$11,282,774.45	\$7,303,651.45
119 - OTHER CERTIFICATED SALARIES	\$10,158,291.81	\$10,659,365.63	\$9,722,438.60	\$7,316,105.80
132 - TERMINATION CERTIFICATED	\$4,989,684.72	\$773,534.97	\$1,584,689.84	\$1,149,219.65
139 - OTHER CERTIFICATED COMPENSATIO		\$1,789.45	\$0.00	\$0.00
141 - NON-CERTIFICATED REGULAR SALAR	\$102,891,704.53	\$110,017,496.38	\$106,903,955.31	\$81,159,668.30
142 - NON-CERTIFICATED TEMPORARY SAL	\$3,651,447.60	\$3,055,198.52	\$3,108,086.52	\$2,617,376.96
143 - NON-CERTIFICATED SUPPLEMENT SA	\$636,478.96	\$603,448.25	\$535,141.20	\$428,763.25
144 - NON-CERTIFICATED OVERTIME	\$8,991,975.72	\$11,250,260.49	\$9,848,759.26	\$7,603,426.08
149 - OTHER NON-CERTIFICATED SALARIE	\$271,149.99	\$388,804.92	\$665,704.58	\$466,708.02
162 - NON-CERTIFICATED TERMINATION	\$978,782.22	\$823,380.88	\$1,154,734.77	\$266,608.13
169 - NON-CERTIFICATED OTHER COMPENS		\$930.22	\$0.00	\$0.00
171 - BOARD MEMBERS COMPENSATION	\$25,875.01	\$36,250.00	\$26,500.01	\$21,625.00
172 - STUDENT WORKERS SALARIES	\$0.00	\$0.00	\$0.00	\$0.00
179 - OTHER EMPLOYEES SALARIES	\$9,006.48	\$205.00	\$0.00	\$0.00
190 - OTHER PERSONAL SERVICES			\$0.00	\$0.00
<b>Grand Total</b>	<b>\$429,569,509.31</b>	<b>\$457,061,340.87</b>	<b>\$454,403,555.51</b>	<b>\$335,837,682.42</b>
<b>Total Employees</b>	<b>9737</b>	<b>9731</b>	<b>9796</b>	<b>9562</b>

\* = **the amounts recorded in this column are for a partial year.**

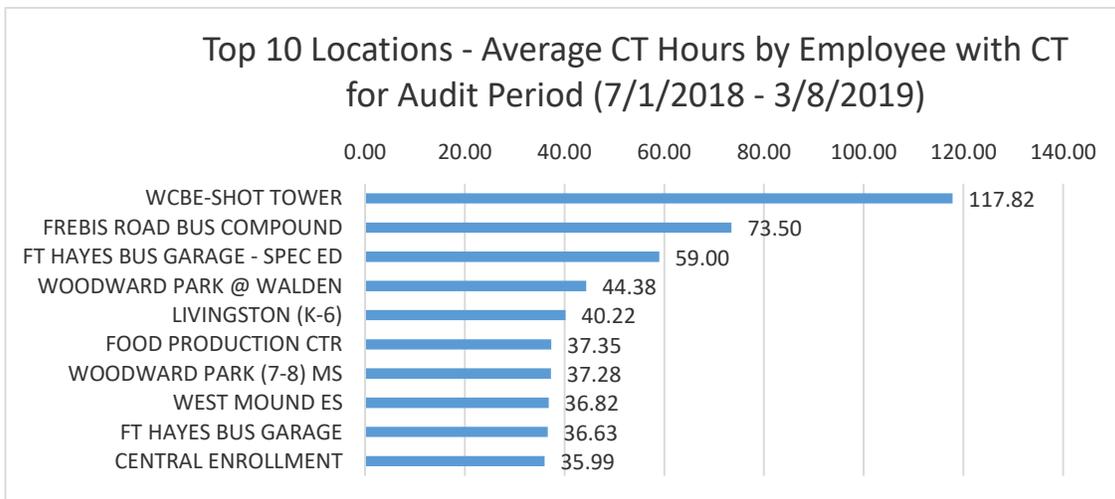
Source: *MUNIS*

**Top 10 Overtime and Compensatory Time by Location**

OIA reviewed the Period Earned History table in MUNIS to determine the average overtime (dollars) and average compensatory time (hours) per employee by location for the audit period (July 1, 2018 to March 8, 2019). Below is a list of the top 10 locations for overtime and compensatory time for the audit period.



Source: *MUNIS Period Earned History Table*



Source: *MUNIS Period Earned History Table*