

Payroll and Benefits Audit Near-Final Report

Prepared for:
Austin Independent School District

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Chapter 1: Executive Summary

This report presents the results of the Payroll and Benefits Departments Audit, as part of the Austin Independent School District's (Austin ISD's/AISD's/the district's) internal audit program to support continuous improvement. This audit began in November 2023 and was completed in June 2024. This introductory Chapter provides a summary of audit findings and recommendations, describes the audit scope and objectives, and presents a description of Gibson Consulting Group's (Gibson's/the audit team's) approach and methodology.

The audit team thanks the AISD leadership and staff for their assistance in conducting this audit, and the Board Audit Committee for overseeing this important work.

Executive Summary

Overall, the Payroll and Benefits Departments at AISD apply sound procedures to ensure accurate payroll processing. However, the recent transition to the new finance and human resources system has presented challenges for both departments. Some system functionality appears to have been lost, as there are now manual and duplicative processes that rely on the use of separate spreadsheet tools outside the system. This approach is less efficient and creates unnecessary data integrity and compliance risks. However, because of an extensive and successful payroll validation process applied by AISD, these risks have been mitigated during the system transition. With the transition complete, AISD would benefit from a process re-engineering effort with Frontline, to identify opportunities for improved process efficiency and clarify roles and responsibilities across the Payroll (under Finance) and Compensation and Benefits (under Talent Strategy) Departments.

This audit also noted examples of time sheets not being approved by the supervisor, resulting in some hourly employees not receiving compensation for their worked hours. Additionally, when employees have job changes, discrepancies in leave balances can occur, necessitating extensive manual correction efforts by the Benefits Department.

This audit identified one commendation and seven recommendations to improve the Payroll and Benefit functions in Austin ISD. Table 1 lists the recommendations, along with the audit team's assessment of priority.

Table 1. Summary of Audit Recommendations

No.	Priority	Recommendation
1	Medium	Create a formal professional development program for Payroll staff.
2	Low	Address span of control issues in the Payroll and Benefits organizational structures.
3	High	Conduct a Payroll and Benefits process re-engineering exercise with the software vendor to streamline processes and formalize the responsibilities within the payroll process.

No.	Priority	Recommendation
4	Low	Review the job descriptions for leadership within the Payroll and Benefits Departments and update the required experience to include prior supervisory experience.
5	High	Implement controls to ensure timely review and approval of time sheets.
6	High	Refine compensation data validation processes.
7	Medium	Train staff to assist in correcting leave balance errors.

Source. Gibson Consulting Group, 2024

Project Objectives and Scope

The objectives of this audit were to evaluate the compliance, efficiency, and effectiveness of the Austin ISD Payroll and Benefits Departments, and to identify opportunities for improvement.

The audit addressed the following questions:

- Have comprehensive policies, administrative regulations, and procedures been established for the Payroll Department's operations?
- Is the district in compliance with laws, policies, and administrative regulations related to payroll?
- Does the district's timekeeping and payroll processing software function appropriately?
- Are paychecks accurate? Have there been any overpayments or underpayments of compensation?
- Are stipends and other function pay added in a timely manner? How are function (supplemental) pay types reviewed for appropriateness and removed from an employee when necessary?
- Are all individuals who are paid by the district valid employees appropriately hired according to the standard procedures of the district's Human Capital Department?
- Are procedures for processing payroll for each employee group well defined?
- Are appropriate internal controls, including segregation of duties, in place for all payroll processes?
- Are information systems used to support efficiency, timekeeping, absence reporting, and payroll processes?
- Are internal controls overseeing overtime compensation effective?
- Is pay stopped in a timely manner after an employee's separation from AISD?
- Is adequate documentation retained to support the payment of each employee's compensation?
- Are payroll employees properly supervised?

- Are leave types accrued for employees in manners consistent with the legal and local policies?
- Are employee absences accurately impacting available leave balances?

The findings and recommendations included in this report were informed by the following data collection and analytical activities.

Interviews and Focus Groups

Gibson conducted 17 individual interviews with leadership and staff from the Payroll Department and Benefits Department, as well as leadership positions over these departments. Three focus groups were also conducted with newly hired teachers, hourly employees, and employees who receive stipends. The objectives of the interviews and focus groups were to gather information about AISD's Payroll and Benefits operations, and to assess stakeholder perceptions regarding areas of strength and opportunities for improvement.

A complete list of interviewees can be found in Appendix A: Interview List.

Testing Methodology

Gibson's testing methodology contained two main elements: (1) data analytics and (2) testing of individual transactions and process controls. Data analytics encompasses a review of an entire population of transactional data to detect any anomalies that would indicate non-compliance with policies and procedures, lack of controls, or process inefficiencies.

Testing of transactions focuses on a subset of the transactional data population. Gibson applied a judgmental approach to select payroll transactions for testing. The audit team considered transaction size and frequency in the selection of samples within each testing population. During testing, Gibson corroborated each aspect of the transaction selected through the review of all documentation retained for the transaction.

Table 2 provides a summary of the audit procedures performed for each test.

Table 2. Transaction Testing and Data Analytics Summary

Procedure	Procedure Name	Sample Size	Procedure Overview
Test 1	Hourly Employee Payments	25	To validate that hourly employees are being paid timely and accurately.
Test 2	Salary Employee Payments	25	To validate that salaried employees are being paid timely and accurately.
Test 3	Substitute Payments	25	To validate that substitutes employees are being paid timely and accurately.
Test 4	New Employee Payments	25	To validate that new employees are being paid timely and that their first paycheck is accurate based on their time/days worked.

Procedure	Procedure Name	Sample Size	Procedure Overview
Test 5	Exiting Employee Payments	25	To validate that exiting employees are being paid timely and that their last pay check is accurate based on their time/days worked.
Test 6	Stipend Payments	25	To validate that stipends are paid appropriately and timely.
Test 7	Function Payments	25	To validate that function payments, previously called supplemental payments, are paid appropriately and timely.
Test 8	Overtime Payments	25	To validate that overtime payments are made appropriately based on time worked.
Test 9	Benefit Deductions	25	To validate that benefit deductions on employee paychecks are accurate based on employee benefit elections.
Test 10	Leave Balances	20	To validate that corrections to employee leave balances are accurate based on current employee positions.

Source. Gibson Consulting Group, 2024

The remainder of this report is organized into the following chapters and appendices:

Chapter 2: Background

Chapter 3: Payroll

Chapter 4: Benefits

Appendix A: Interview List

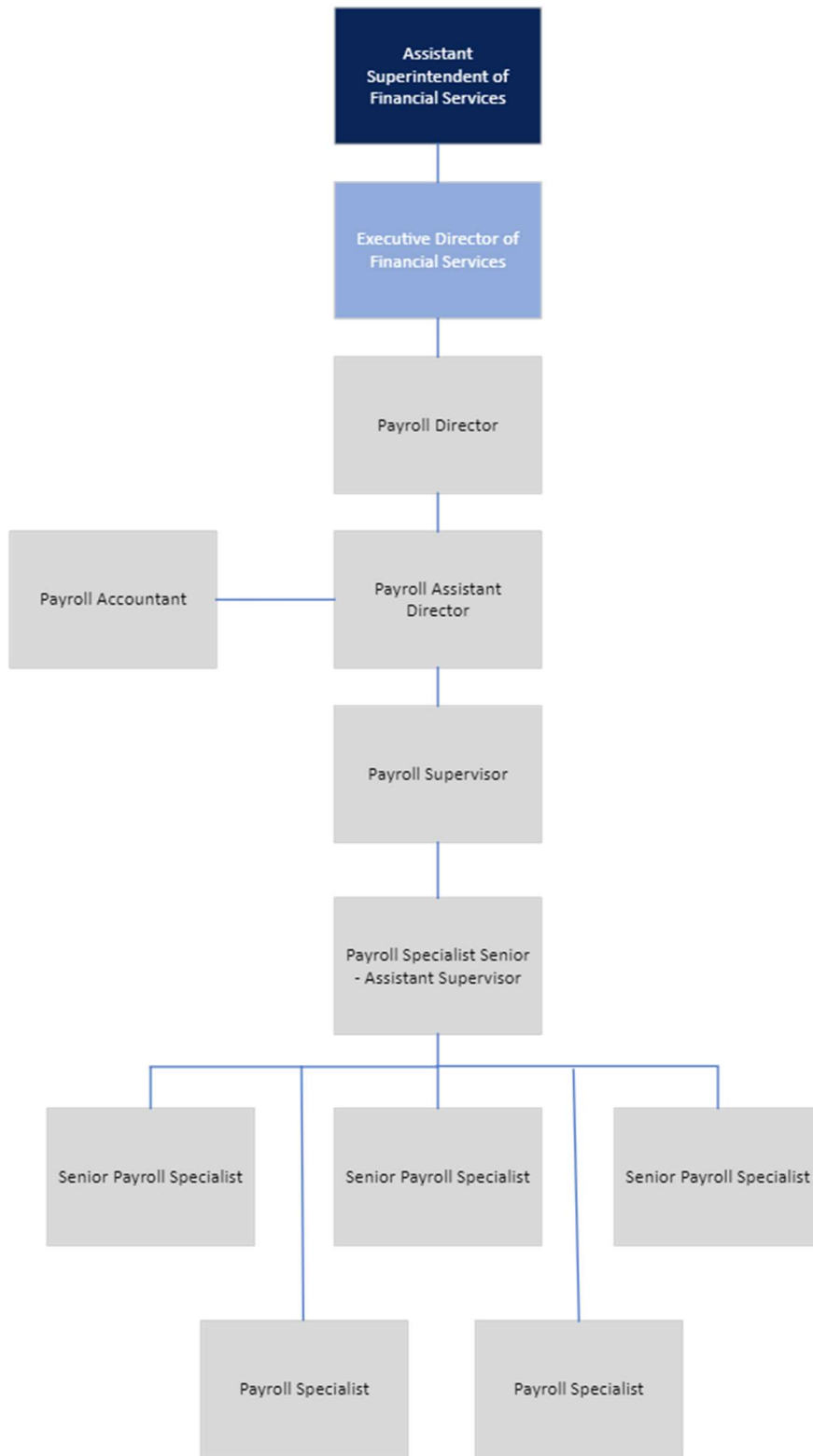
Chapter 2: Organization and Management

Payroll Organization and Management

The Payroll Department falls within the Financial Services Division at AISD. The payroll director directly reports to the executive director of Financial Services. The Payroll Department is responsible for the management of payroll processing, compliance and regulations, addressing employee inquiries, collaborating with other departments, staying informed about changes, and resolving issues. The Payroll Department's responsibilities relate exclusively to the accurate and timely distribution of compensation; the department has no responsibilities for the establishment or adjustment of compensation. This function falls under AISD's Talent Strategy Division. This alignment represents an effective segregation of duties, an important internal control mechanism that lowers the risk of fraud.

Error! Reference source not found. presents the organizational structure of the Payroll Department. There are 10 full-time equivalent (FTE) staff across five positions that fulfill all major transactional responsibilities related to payroll at AISD.

Figure 1. Payroll Department Organizational Chart

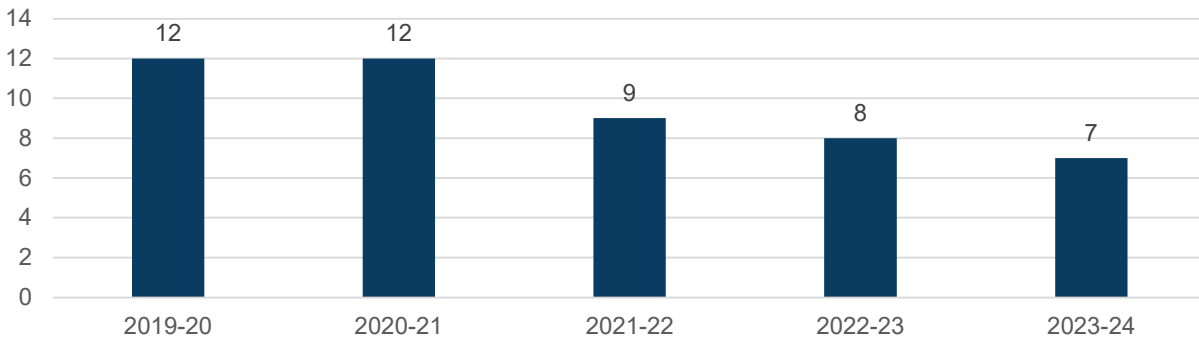


Source. AISD Payroll Department Organizational Chart, 2024

Payroll Departmental Staffing and Expenditures

The five-year trend of Payroll Department staffing is presented in **Error! Reference source not found.** below. The number of FTE staff in the department decreased by five FTEs, from 12 in fiscal year (FY) 2021 to seven in FY 2024. The number of FTE decreased due to people retiring and/or leaving the district and the department not re-filling those positions.

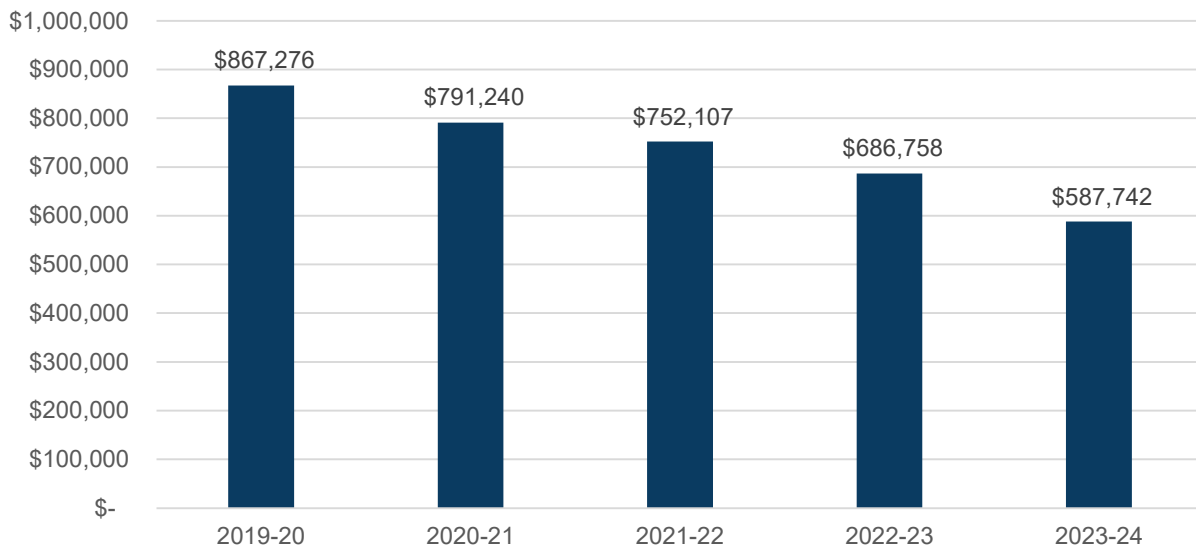
Figure 2. Five-Year Trend of FTEs



Source. Staffing data provided by AISD

The five-year trend of expenditures in the Payroll Department is presented in **Error! Reference source not found.** below. Gibson notes that the largest percentage decrease in expenditures occurred between 2019-20 and 2020-21, with a decrease of 8.8%. Per discussion with the executive director of finance, the expenditures decreased at a slower rate than the decrease in FTEs due to the fact that lower-level employees were promoted and given pay increases while the vacated positions were not re-filled.

Figure 3. Five-Year Trend of Payroll Department Expenditures



Source. Expenditure data provided by AISD

Payroll Systems Overview

The district uses three main systems to facilitate the payroll process:

- Frontline is an Enterprise Resource Planning (ERP) system that replaced the district's prior ERP system, BOLT, in July 2023. Frontline is used to capture all payroll transactions for the district and facilitates the entire payroll process.
- Laserfiche is an electronic document management system. The Payroll and Benefits Departments use Laserfiche to scan and store compensation information. The district began to phase out the use of Laserfiche in spring of 2024 and began the migration of data over to Frontline.
- Google Docs are used by the departments in order to create an adjustment log after each pro-forma, or trial, payroll run. Each error that is created in the pro-forma payroll runs is flagged by Frontline. After the system flags the transactions, the Payroll Department creates a list of these errors and disburses the list through Google Docs so that multiple people can edit the document to fix the errors.

Payroll Policies

Several Austin ISD board policies govern the payroll process. Below is an overview of these legal and local policies. Administrative regulations do not exist for any of the referenced policies. Legal policies are those required by state law; local policies are additional policies not required by law but adopted by the Austin ISD Board of Trustees.

- **Policy CFEA (Legal)** lists the permitted deductions to employees' wages. Some of these include income tax, Medicare tax, Teacher Retirement System (TRS) contributions, child support payments, social security, and cafeteria plans.
- **Policy DEA (Legal)** contains provisions regarding the salaries for educators; provides the definitions of a teacher, librarian, counselor, nurse, and full-time employee; and sets requirements for salary schedule placement, pay increases and decreases, salary advances, and TRS contributions.
- **Policy DEA (Local)** contains provisions regarding pay administration and classification of positions. Specifically, this policy addresses the process of determining annual pay increases and mid-year pay increases for contract and non-contract employees.
- **Policy DEAA (Legal)** outlines provisions regarding incentive grants and stipends that employees may receive.
- **Policy DEAA (Local)** contains provisions regarding the stipend pay schedule and incentive and innovations programs.
- **Policy DEAB (Legal)** contains provisions of the Fair Labor Standards Act (FLSA), including requirements for minimum wage, overtime, compensatory time, and exempt employees.
- **Policy DEAB (Local)** contains provisions regarding classification of positions as exempt or non-exempt, defines the work week, and discusses compensatory time off.

- **Policy DEC (Legal)** contains provisions for state personal leave, state sick leave, leave accrued at a prior Education Service Center (ESC), temporary disability, jury duty, religious observations, compliance with a subpoena, and the use of awarded leave.
- **Policy DEC (Local)** outlines definitions related to leave such as family emergency, immediate family, and catastrophic illness or injury; outlines requirements for earning and using leave; and outlines the definitions of non-discretionary and discretionary state personal leave, and the requirements for using this leave. The policy also defines the leave categories and how much each employee shall receive. Lastly, this policy explains the requirements for unpaid leave, mental health leave for peace officers, workers' compensation, and payment for accumulated leave.
- **Policy DECA (Legal)** summarizes the Family and Medical Leave Act (FMLA) and the corresponding regulations and provisions.
- **Policy DECB (Legal)** addresses leave for an employee's military service.
- **Policy DED (Local)** contains provisions regarding paid vacation days.

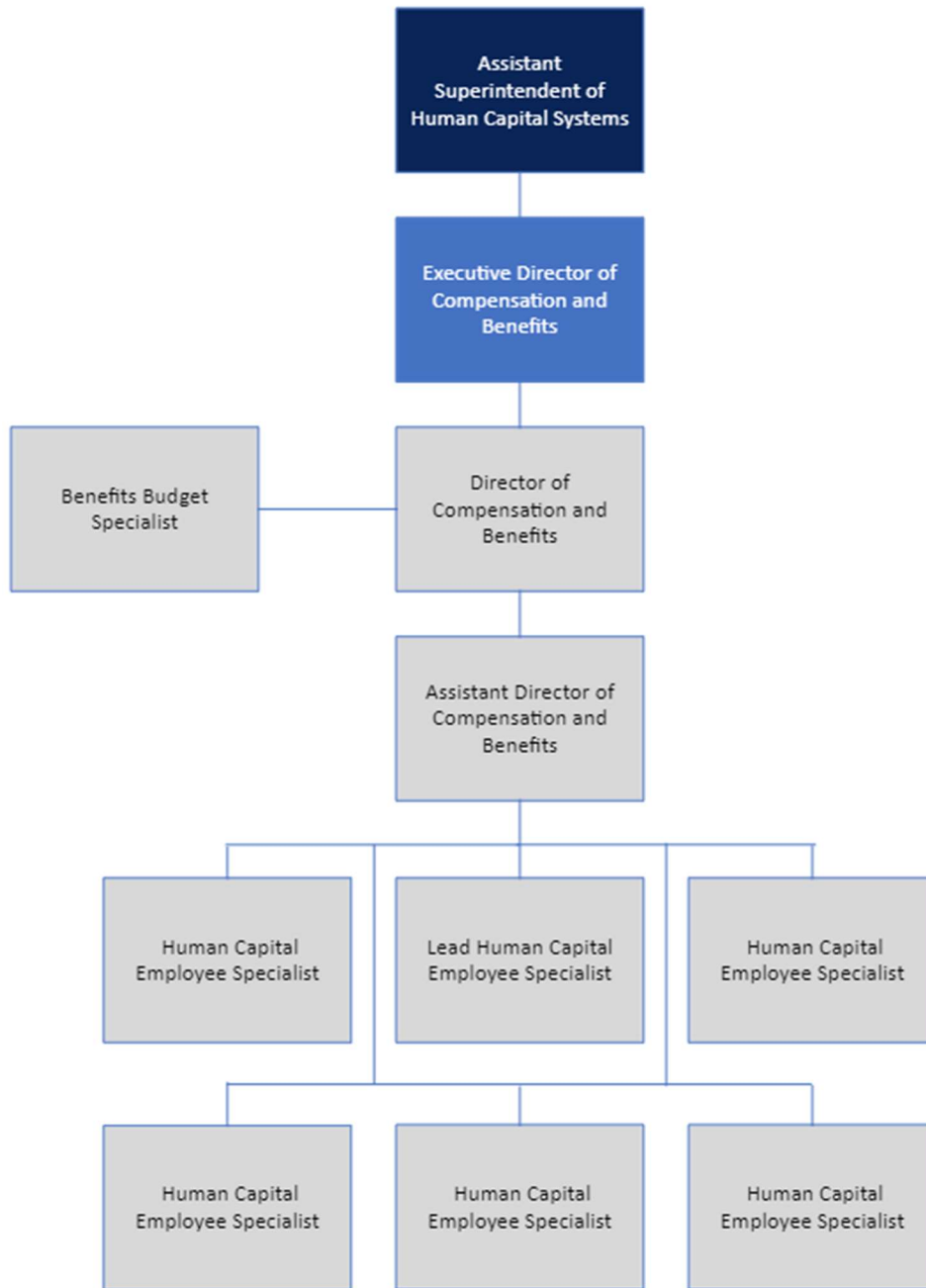
Benefits Department Organization and Management

Employee benefits in public school districts constitute a large, complex, and dynamic set of programs that are either mandated by federal or state law or are voluntarily provided by the district to help attract, retain, and motivate employees. Some employee benefits, such as retirement savings programs and disability income, are voluntary.

The AISD Benefits function is responsible for managing the district's health insurance plans, managing supplemental employee benefits, and interacting with insurance vendors and third-party administrators. The function also manages employee leave, workers' compensation claims and reporting, Affordable Care Act (ACA) rules and regulations, and compliance with the Internal Revenue Service (IRS) and Department of Labor (DoL) to protect the district against fines and penalties.

Figure 4 presents the organizational chart for the Benefits Department. The department consists of nine individuals whose reporting relationships are determined by job title and job description.

Figure 4. Benefits Department Organizational Chart



Source. Gibson Consulting Group, based on AISD Benefits Department job descriptions and documentation, 2024

Benefits Systems Overview

As discussed above, Frontline is an ERP system that replaced the district's prior system, BOLT, in July 2023. This system also supports benefits administration. Benefit Solver is the district's third-party administrator (TPA) system for benefit elections and is also used as the online enrollment and information website. This system helps employees evaluate, select, and manage their benefits.

Enterprise Resource Planning (ERP) Implementation

On July 1, 2023, the district implemented Frontline as the district's new ERP system. In order to properly implement the new system, the district and Frontline collaborated many months prior to going live with the new system to ensure that the implementation would occur as smoothly as possible. The planning with Frontline for the ERP transition began in June of 2021.

Payroll Implementation

For the Payroll Department specifically, Frontline implementation began in October 2021, with Frontline reviewing processes with both the Human Resources (HR) and Payroll Departments. Subject matter experts and functional leads were identified within the AISD Payroll Department and were involved in the planning process. Two areas – time approval and employees with split positions – were the initial focus of planning efforts, as these are areas where errors commonly occur.

After the planning period ended, Frontline trained the Payroll team beginning in January 2023. The Payroll Department completed many test payroll runs prior to implementation to identify errors, troubleshoot them, and reduce the risk of future errors.

Benefits Implementation

Benefits Department leadership had meetings with Frontline beginning in October 2021 in order to determine how to best transfer the data to Frontline from BOLT, AISD's previous ERP system. The Benefits team completed the transfer of data based on Frontline's recommendations beginning in December 2022. The Benefits Department also met with Frontline consultants, who demonstrated system functionalities. As there were various AISD processes that did not align with Frontline, Frontline made a list of modifications that would be made to the system in the future in order to align with AISD processes correctly.

Findings and Recommendations

Finding 1: The Payroll Department does not provide adequate professional development to Payroll staff.

In Gibson's initial data request, the Payroll Department was asked to provide evidence of training received by departmental staff. No evidence, such as course materials or attendance records, was provided. Subsequent interviews with Payroll Department staff revealed a gap in professional development opportunities. Despite inquiring about any training received during their tenure at AISD, all interviewees

reported a lack of professional development, especially in relation to the new payroll processes resulting from Frontline implementation. Staff members expressed a growing reliance on Microsoft Excel spreadsheets due to the transition to Frontline, highlighting a deficiency in their proficiency with Excel tools necessary for optimal job performance.

This deficiency in professional development not only hinders individual professional growth and job satisfaction but also poses challenges to departmental efficiency and processing. The reliance on Microsoft Excel for new processes further underscores the need for comprehensive training in this tool. Beyond individual skill gaps, the absence of ongoing professional development creates a barrier for the Payroll Department to stay abreast of policy changes and industry best practices, potentially impeding the department's ability to adapt to evolving payroll processing information. Addressing this lack of training is crucial for enhancing both individual and departmental proficiency and for fostering a more robust and adaptable workforce within the Payroll Department.

Recommendation 1: Create a formal professional development program for Payroll staff.

The district should leverage feedback from performance evaluations to pinpoint the professional development needs of departmental staff, tailoring professional development opportunities to align with both employee needs and knowledge gaps. By determining courses that address existing gaps in employee knowledge, the district can foster increased employee satisfaction, enhance overall efficiency, and ensure the department remains adept at navigating policy changes and industry best practices. This strategic approach to professional development would not only address current needs but also would contribute to a more informed and engaged workforce, yielding multifaceted benefits for both employees and the department as a whole.

Management Response: Management agrees with this recommendation. It is very important for staff to be familiar with new developments that affect payroll. It is good to teach and reinforce best practices as well as develop future department leaders. We also need to focus getting our staff involved in Frontline user group to learn from other districts.

Finding 2: The Payroll and Benefits Departments' organizational structures have excessive layers of supervisory positions.

The current organizational structures in the Payroll and Benefits Departments have too many supervisory layers between the leadership positions and the staff doing the work. This results in inadequate spans of control for various supervisory positions in both departments.

There are two main components of organizational theory: logical alignment of functions and adequate spans of control. Logical alignment of functions refers to the grouping of similar or related functions, such that a leadership position would have the technical capacity to direct and oversee all functions underneath it. Span of control refers to the number of direct reports to a supervisory position.

Organizational structures with low spans of control (e.g., with only one or two direct reports at multiple levels) result in "steep" or inefficient organizational structures similar to those depicted in Figures 1 and 4 above. "Flat" organizational structures, on the other hand, may have excessive spans of control, resulting in too few organizational levels relative to the size and complexity of a department. This can result in

leadership supervisory positions being stretched too thin (technically, or too many staff) to effectively manage. A balance should be achieved such that each supervisory position has multiple (but not an excessive number of) direct reports. Other variables, such as the similarity of responsibilities of the direct reports, can also influence the span of control.

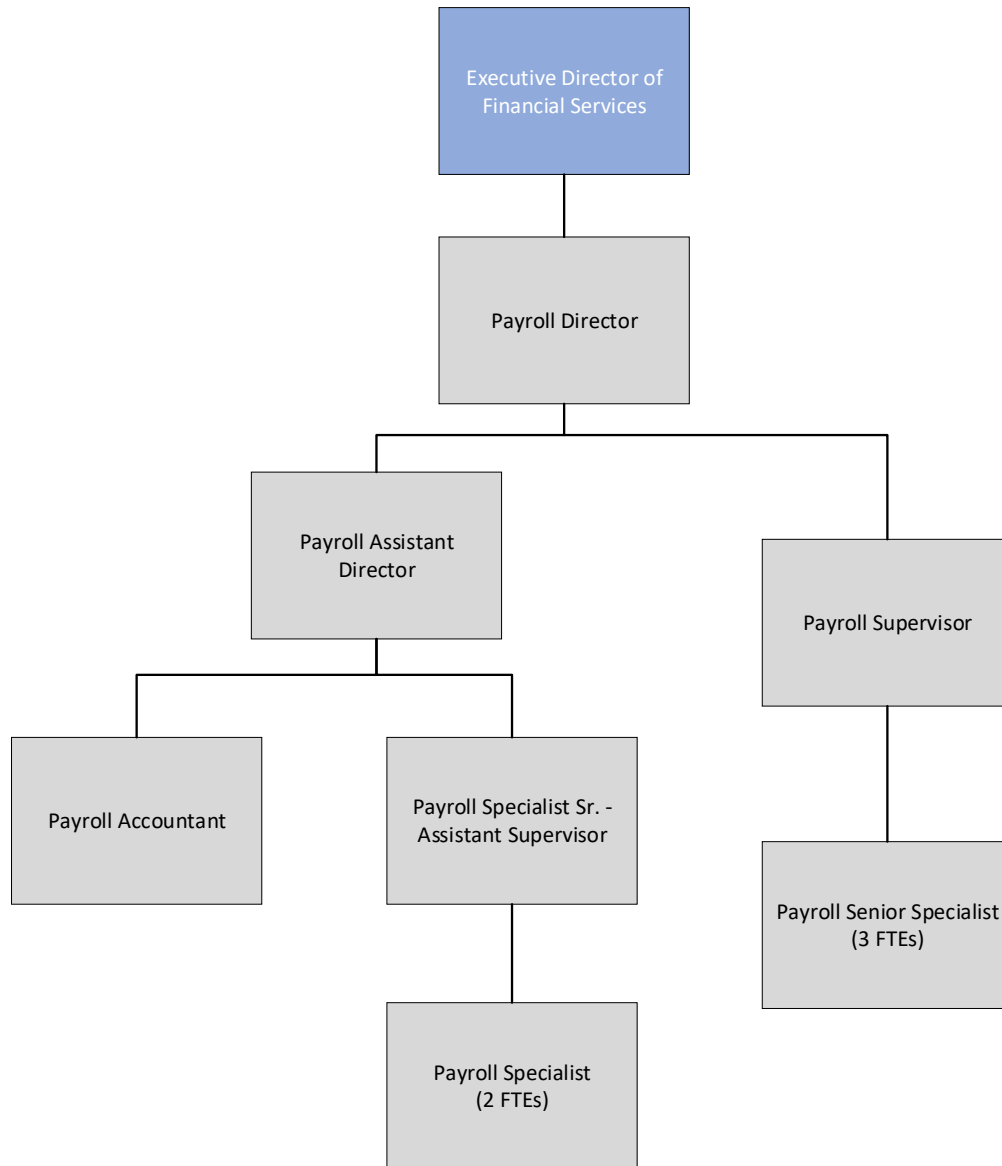
For the Payroll Department, and as seen in **Error! Reference source not found.** above (page 6), the payroll director and payroll supervisor each have one direct report, while the payroll assistant director has two direct reports and the payroll specialist senior – assistant supervisor has five direct reports. This results in a steep organizational structure where there are four supervisory levels for a department of 10 positions. For the Benefits Department, and as seen in **Error! Reference source not found.** above (page 10), the executive director of compensation and benefits has one direct report, the director of compensation and benefits has two direct reports, and the assistant director of compensation and benefits has six direct reports. While not as steep as the Payroll Department's organizational structure, the Benefits Department has three supervisory levels for a department with 10 positions. It also appears that staff reductions and promotions may have occurred without due consideration of what a target organizational structure should look like.

These additional supervisory layers provided significant benefits to AISD during the transition to the new ERP system by having more experienced staff available for system testing and conversion. However, neither of these organizational structures represent best practice for a long-term organizational approach. Sustaining these organizational structures could have negative implications, including:

- Communication bottlenecks, as information must pass through multiple levels, potentially leading to delays, misinterpretations, or loss of important details;
- Slower decision making, as more layers cause decisions to take longer to reach the appropriate level for actions;
- Inefficient use of managerial talent, as managers overseeing fewer people may not be utilizing their full potential or skill set; and
- Perceptions of inequity across the organization by individuals with similar position titles having more supervisory responsibilities (i.e., direct reports).

Recommendation 2: Address span of control issues in the Payroll and Benefits Departments' organizational structures.

For the Payroll and Benefits Departments, AISD should evaluate job descriptions and create new organizational charts with fewer supervisory levels and more reasonable spans of control. This recommendation should be implemented after a subsequent recommendation in this report to re-engineer Payroll and Benefits processes, as this could result in different position titles and responsibilities. The audit team has proposed a suggested organizational structure that addresses span of control for the Payroll Department. The suggested Payroll Department organizational structure is presented in Figure 5 below.

Figure 5. Proposed Payroll Department Organizational Chart

Source. Gibson Consulting Group, 2024

Management Response: Management partially agrees with this recommendation. The Payroll Supervisor position has been eliminated. The Payroll Director leads the payroll process with the Assistant Director acting as backup. The Assistant director supervises the Payroll accountant and they work together on TRS, IRS and Benefits projects.

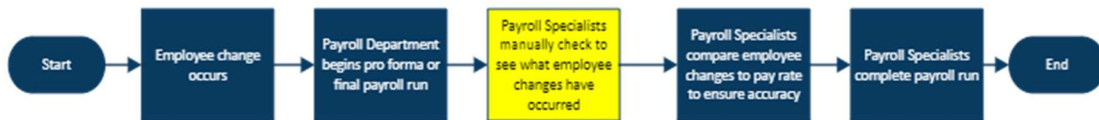
Finding 3: Several Payroll and Benefits processes are less efficient and pose greater risks under the new ERP information system.

There are multiple processes that have become manual in Frontline that were not previously manual in Lawson or when Laserfiche was used. These processes include employee changes, differential pay, time

card edits and corrections, supervisor approvals, and stipends. Current process maps for these five processes are explained below:

- Employee Changes.** When an employee change was made in Laserfiche, the changes would automatically flow from Laserfiche into Lawson, and the Payroll Department would be notified of this change. Now, when employee changes are made, the Payroll Department has to manually check for any employee changes to ensure pay is correct, as they are not being notified. See **Error! Reference source not found.** below, which outlines this process. The manual nature of the process is highlighted in yellow.

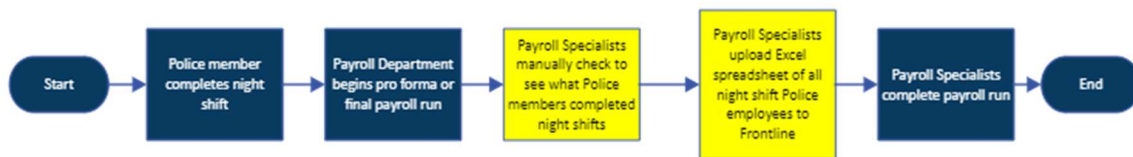
Figure 6. Employee Change Process Map



Source. Gibson Consulting Group, 2024

- Differential Pay.** According to the AISD Compensation Manual, custodians and police officers are eligible for night shift differential pay. The night shift differential rate is an additional \$1.10 per hour. Custodians have this differential automatically added to their assignment based on their coding in Frontline. Police officers have the differential applied if they work between the hours of 6 p.m. and 6 a.m. In Lawson, the police shift differential was applied automatically in the system if the employee worked night shift hours. Since the transition to Frontline, the Payroll Department has had to complete a manual upload in order for the Police Department to receive the appropriate shift differentials. Figure 7 below depicts this process and highlights the manual procedures in yellow.

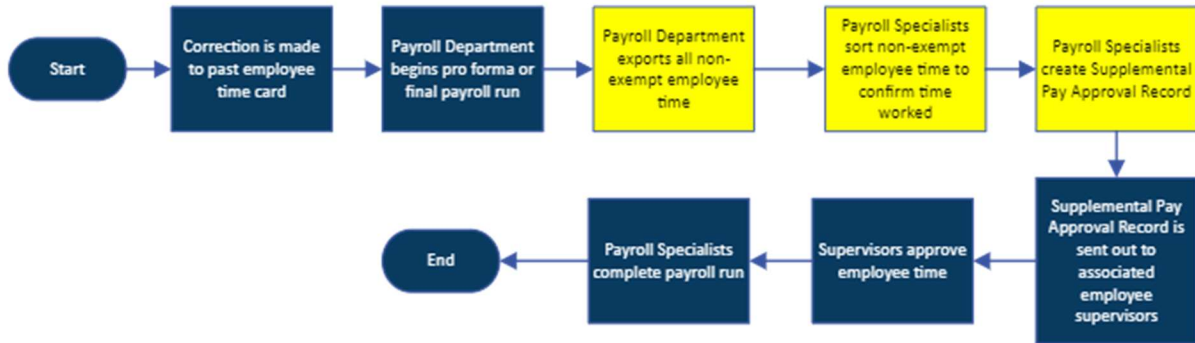
Figure 7. Police Night Shift Differential Process Map



Source. Gibson Consulting Group, 2024

- Employee Time Card Edits and Corrections.** Figure 8 presents a process map for editing/correcting previously submitted employee time cards. When an employee realizes they made a mistake on a time card, the employee must edit a previously submitted time card. The process when using Lawson, the previous system, was different. This system managed edits and/or corrections made to non-exempt employees' previously submitted time cards without the need for an approval from the employee's supervisor. It then used this information to create a corrections batch. With Frontline, the Payroll Department has to export all non-exempt employee time and sort the different weeks in order to see how much time each employee worked. Next, the Payroll Department has to create a "Function Pay Approval" record, which then has to be approved by the supervisors of the associated employees. This added approval within Frontline is an important control that AISD implemented into the process. Figure 8 outlines this process. The manual steps are highlighted in yellow.

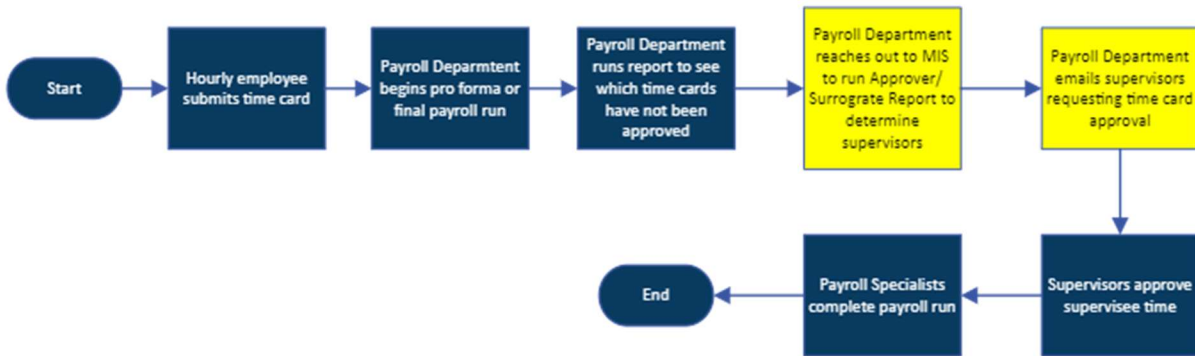
Figure 8. Employee Edits and Corrections to Past Time Cards Process Map



Source. Gibson Consulting Group, 2024

- Supervisor Approvals.** When a supervisor does not approve a supervisee’s pay, the Payroll Department has to reach out to the supervisor to encourage them to approve their supervisee’s pay in order for the supervisee to be paid appropriately. Frontline does not list each employee’s supervisors. In order for the Payroll Department to determine the correct supervisor, they have to reach out to the IT Department to run an approver/surrogate report. Figure 9 depicts this process and highlights the manual steps in yellow.

Figure 9. Ensuring Supervisors Approve Supervisee Time Cards Process Map

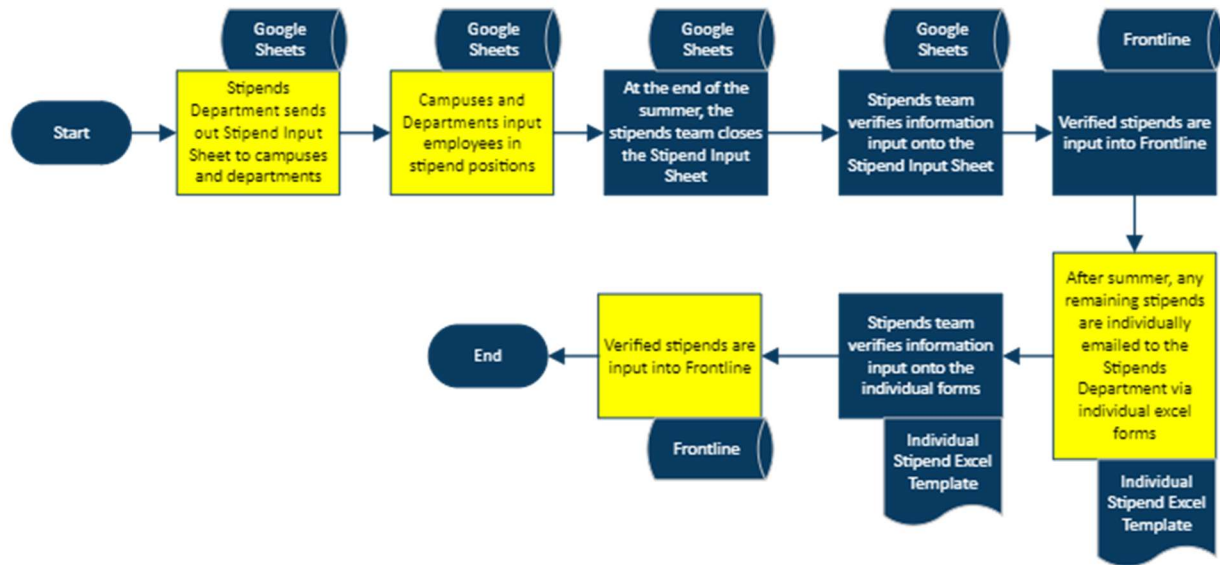


Note. MIS stands for management information systems.

Source. Gibson Consulting Group, 2024

- Stipends.** The process to input stipends into Frontline is also highly manual, as depicted in Figure 10. The Stipends Department, which is part of the Talent Strategy Department, has a Google Sheet that is sent out each summer to the campuses and departments, allowing campuses to view how many stipends they have been allotted and what the dates of the assignments will be. The Stipends team requires the campuses/departments to enter the employees who will be in those stipend positions on the Google Sheet. Once the summer is complete, this sheet is reviewed and verified by the Stipends Department and uploaded into Frontline. Any stipends that need to be added are submitted after the summer is over and are emailed via individual Excel forms to the Stipends Department. The department then verifies the information submitted and manually inputs each individual stipend that is sent to their email. The manual steps of this process are highlighted in yellow below.

Figure 10. Stipends Input Process Map



Source. Gibson Consulting Group, 2024

Following an inquiry with Benefits Department staff, Gibson uncovered a systemic issue where personal, sick, and non-duty leave balances are inaccurately updated in Frontline when an employee undergoes a position change. As of January 2024, 11,063 employees experienced position changes either throughout the 2023-24 school year or due to being added to the Frontline system, resulting in incorrect leave balances. The impact of these errors, detailed in Table 3 below, has necessitated manual adjustments by the Benefits Department for each affected employee. Some employees had leave balances affected in multiple categories. An extensive effort by the Benefits Department was necessary to address these errors. Addressing this systemic flaw is imperative to alleviate the burden on both employees and the Benefits Department while ensuring accurate leave balances and efficient leave management in Frontline.

Table 3. Employees and Hours Affected by Leave Balance Errors

Type	Number of Employees Affected	Number of Hours
Non-Duty Days	798	42,602
Personal Days	11,063	439,567
Sick Days	10,755	370,215
Total	22,616	852,384

Source. Adjustment data provided by the Benefits Department

Due to the manual nature of corrections, there is an inherent risk of input errors. In transaction test 10, Gibson identified that two out of the 20 adjustments made were inaccurate due to input errors. Refer to Table 16 in Chapter 4 (page 47) for an overview of the leave balance testing results, providing specific impacts of these input errors.

Gibson also discovered that the upload from Benefit Solver to Frontline for benefits deductions has resulted in errors. Per discussion with the Benefits Department, there are two documents that include benefit

deductions information that are downloaded from Benefit Solver and merged together. Once these documents are merged together, they are uploaded into Frontline. Since the transition to Frontline, the Benefits Department has compared the information in Benefit Solver to the information in Frontline to ensure accuracy. During this process, the department discovered many errors, which included input errors and duplicates. Gibson attempted to obtain data to understand the magnitude of the errors the upload has been causing, but was unable to obtain evidence during the audit.

Each of these manual processes and system errors have increased the time it takes to appropriately process payroll and employee leave, causing additional strain on the Payroll and Benefits Departments. These inefficiencies also increase the likelihood of error. There are other complicating factors as well. Employees in each department remain unclear about the specific responsibilities of their counterparts. This misalignment results in a scenario where tasks are assumed to be completed by the other department, resulting in a lack of ownership for possible solutions. Consequently, when district employees reach out to the Payroll Department regarding errors, they often face uncertainty about who to contact for resolution.

To address some of these issues, both the Payroll and Benefits Departments initiated interdepartmental meetings in December 2023. These collaborative sessions aim to bridge the understanding gap, foster teamwork, and lay the foundation for effective problem solving. However, they have been limited in re-engineering actual work processes to become more efficient, reduce the risk of errors, and ensure compliance without the need of extensive post-process validation work.

Recommendation 3: Conduct a Payroll and Benefits process re-engineering exercise with the software vendor to streamline processes and formalize the responsibilities within the payroll process.

AISD should engage in a process re-engineering effort to address manual processing, data transfer errors, and the excessive use of spreadsheets. AISD should first determine appropriate individuals from both the Payroll and Benefits Departments who best understand the current work processes. A Frontline consultant should be involved to help ensure that payroll system functionality is being maximized during the work processes. Independent expertise in process re-engineering should also be included to facilitate the mapping and analysis of processes. This group should conduct a joint process re-engineering exercise (likely over multiple half-day sessions) to do the following:

- Develop as-is process maps for all major processes in Payroll and Benefits. These process maps should contain “swim lanes” that clearly distinguish which processes belong to each department. This will allow both departments to clearly see the work being performed by the other department as well as their own responsibilities.
- Analyze as-is processes. Process inefficiencies or weaknesses should be referenced on the as-is process maps and separately described. This exercise will help support the identification of possible solutions.
- Develop to-be processes. Based on the process analysis and resulting observations and possible solutions, re-engineered “to-be” processes should be developed. These will form the basis for task definition and the assignment of roles and responsibilities, both of which will likely require the modification of job descriptions.

Another tool that may help clarify roles and responsibilities for specific positions is the RACI framework. The letters in the acronym RACI refer to Responsible, Accountable, Consulted, and Informed roles that can be defined for specific processes and crystalize responsibilities for each position. The steps to use the RACI framework are included below.

1. Using the re-engineered process maps, list in rows all tasks and activities involved in the payroll process.
2. List in columns all the positions who will be involved in or oversee the payroll process.
3. Assign roles (one of the four letters below) for each element of the grid (or leave blank where appropriate).
 - a. Responsible (R): Those who do the work to complete the task.
 - b. Accountable (A): The single person ultimately responsible for the task and its outcome. There should be only one A per task.
 - c. Consulted (C): Those whose input and expertise are required before a task can be completed.
 - d. Informed (I): Those who need to be kept up-to-date on the task's progress but are not directly involved in its execution.
4. Review and validate the completed RACI chart with stakeholders.
5. Implement the chart.
 - a. Update responsibilities in job descriptions.
 - b. Provide training to ensure that everyone understands their roles and key roles of others in the process.
 - c. Monitor processes to determine if they align with the documented chart.
6. Periodically review the chart for accuracy and relevancy.

This process re-engineering exercise will serve as an important learning experience for the Payroll and Benefits Departments. The outcome should result in more efficient work processes, improved data integrity and compliance, and clarification of roles and responsibilities.

Management Response: Management partially agrees with this recommendation. The payroll function has run smoothly and had continuous improvement since moving to Frontline. There is no need to completely re-engineer what's working. We can work with the vendor to find ways to streamline processes that aren't working up to our standards. With Frontline becoming used in more and more school districts, we also expect the product to improve continuously. Documenting and understanding processes is very important.

Finding 4: The Payroll and Benefits Departmental job descriptions do not require sufficient supervisory experience for leadership roles.

Table 4 lists each position with major transactional responsibilities related to payroll at AISD, the position requirements, the position's supervisor, and primary responsibilities. As seen in the table, there are three positions that have supervisory responsibilities. These positions are the director of finance payroll, the assistant director of payroll, and the payroll processing supervisor. While these positions have supervisory responsibilities, the job descriptions do not require supervisory experience. The director of finance payroll position has three years of supervisory experience preferred, but this is not a requirement.

Table 4. Payroll Department Positions and Responsibilities

Position	Degree Requirement/ (Preference)	Certification Requirement/ (Preference)	Experience Requirement/ (Preference)	Supervisor	Supervisory Responsibilities	Primary Job Responsibilities
Director, Finance Payroll	A bachelor's degree in accounting, finance, or management (Master's degree)	(Certified Professional Accountant [CPA] or comparable certificate)	Five years of related experience (Three years of supervisory experience)	Executive Director of Finance	Oversees all activities related to the district's payroll process, including developing and implementing payroll procedures and facilitating the payment of all benefits and payroll deductions	Supervises all activities related to the district's payroll processing and reconciles all benefits and payroll deductions
Assistant Director, Payroll	A bachelor's degree in accounting, finance, or management	(CPA)	Five years of related experience	Director of Finance Payroll	Select and train payroll staff, including the payroll supervisor, payroll accountant, and all payroll specialists	Assists in the planning, organizing, and directing of programs to control the financing of the district, and implements internal controls

Position	Degree Requirement/ (Preference)	Certification Requirement/ (Preference)	Experience Requirement/ (Preference)	Supervisor	Supervisory Responsibilities	Primary Job Responsibilities
Payroll Processing Supervisor	High school diploma (A bachelor's degree in finance, accounting, business, or related field)	N/A	Eight years of payroll, finance, or related experience	Assistant Director of Payroll	This position will help supervise all payroll staff and provide training and guidance to team members	Performs payroll and accounting functions including coordinating and monitoring the payroll workflow and developing and updating payroll procedures for the Payroll Department.
Senior Payroll Specialist	High school diploma	N/A	Four years of related experience	Payroll Specialist Senior – Assistant Supervisor	N/A	Performs payroll processing activities, assists the payroll processing supervisor in coordinating and monitoring the payroll workflow, recommends updates to payroll policies and procedures, and provides training and guidance to team members
Payroll Specialist	High school diploma	N/A	(Four years of related experience)	Payroll Specialist Senior – Assistant Supervisor	N/A	Performs a wide variety of complex payroll duties for AISD payroll operations such as verifying and reviewing payroll files submitted by campuses and departments, answering questions, and performing training as needed

Source. AISD Payroll Department job descriptions, 2024

Table 5 lists the titles and the primary responsibilities of positions that fulfill all major transactional responsibilities related to benefits at AISD. As seen in the table, there are four positions that include supervisory responsibilities. These positions include the executive director of compensation and benefits, the director of compensation and benefits, the assistant director of compensation and benefits, and the lead human capital employee specialist. While these positions require or prefer related experience, there is no requirement for prior supervisory experience.

Table 5. Benefits Department Positions and Responsibilities

Position	Degree Requirement/ (Preference)	Certification Requirement/ (Preference)	Experience Requirement/ (Preference)	Supervisor	Supervisory Responsibilities	Primary Job Responsibilities
Executive Director of Compensation and Benefits	Bachelor's degree (Master's degree)	N/A	Prior experience in human resources, specifically in the areas of compensation and benefits (Minimum of five years of related experience)	Assistant Superintendent of Human Capital Systems	Supervises immediate staff as well as staff within the Benefits, Leave and Wellness, Employee Records, and Compensation Offices. Within the department, incumbent is responsible for direction, supervision, and review of performance; coordination of activities; and reporting of results to the assistant superintendent of human capital systems, the chief human capital officer, the superintendent, and other district officials for instruction and approval on issues	Oversees all systems and daily functions within and between the Compensation and Benefits offices. Manages the departments and supervises immediate staff as well as staff within the Benefits, Leave and Wellness Office, Employee Records, and Compensation.
Assistant Director of Compensation and Benefits	(Bachelor's degree)	N/A	(Minimum of three years of compensation- and/or benefits-related experience)	Executive Director of Compensation and Benefits	This position requires leadership in all areas of benefits	Assists the director of compensation and benefits in evaluating, implementing, communicating, and administering district benefits, leave, workers' compensation, and human capital record functions.
Director of Compensation and Benefits	(Bachelor's degree)	N/A	(Minimum of three years of compensation- and/or benefits-related experience)	Executive Director of Compensation and Benefits	Oversees communication campaigns to inform employees as deemed necessary. Oversees benefits orientation meetings, including presentations of benefit plans, consultations with employees, and enrollment of	Facilitates functions within the human capital program area. Responsible for supporting schools and central office staff through the provision of specialized human capital services.

Position	Degree Requirement/ (Preference)	Certification Requirement/ (Preference)	Experience Requirement/ (Preference)	Supervisor	Supervisory Responsibilities	Primary Job Responsibilities
					new employees. Oversees audits of benefit claims when information suggests that benefits were not administered appropriately	Responsible for managing and analyzing compensation data, overseeing activities, planning, and reporting.
Lead Human Capital Employee Specialist	High school diploma (Bachelor's degree)	N/A	Five years of related experience (Bilingual)	Director of Human Capital	Oversees the distribution of employee information	Serves as lead support in the Human Capital Systems Department and performs a variety of duties in the creation and maintenance of files and records. Oversees the distribution of employee information
Human Capital Employee Specialist	High school diploma (Bachelor's degree)	N/A	Three years of related experience	Director of Human Capital	N/A	Serves as clerical support in the Office of Human Capital and performs a variety of duties in the onboarding, creation, and maintenance of files and records; computation of salaries, benefits, and leave; and in other aspects of personnel records
Benefits Budget Analyst	Bachelor's degree (Additional experience in human resources, finance,	N/A	Proficient with Microsoft Office Suite or related software (Three years of related experience in	Executive Director of Compensation and Benefits	N/A	Responsible for facilitating functions within a specific human capital benefit program area. Responsible for supporting schools and the central office staff through the provision of specialized human capital

Position	Degree Requirement/ (Preference)	Certification Requirement/ (Preference)	Experience Requirement/ (Preference)	Supervisor	Supervisory Responsibilities	Primary Job Responsibilities
	accounting, and/or compensation may be substituted for the bachelor's degree requirement on a year-for-year basis)		budget/benefit administration)			services. Responsible for managing and analyzing benefit data, overseeing activities, planning, and reporting.

Source. AISD Benefits Department job descriptions, 2024

When job descriptions for positions with supervisory responsibilities do not require prior supervisory experience, it can lead to management challenges. It may also cause a longer adaptation period as the new supervisor learns how to effectively manage their team. This longer adaptation period can impact team productivity overall.

Recommendation 4: Review the job descriptions for leadership within the Payroll and Benefits Departments and update the required experience to include prior supervisory experience.

The Payroll and Benefits Departments should update the job descriptions for departmental leadership to require prior supervisory experience. Requiring prior supervisory experience for supervisory roles can offer benefits for AISD. The candidates for the roles with prior supervisory experience can have a more immediate impact within the district because they would be able to readily demonstrate their ability to lead teams effectively and there would be a faster onboarding process.

Management Response: Management partially agrees with this recommendation. The Payroll functions is very important to the district, and having payroll and accounting experience is very important for a supervisor. Accurate reporting to TRS, the IRS, TWC and other entities is imperative. That said, some employees may have initiative or natural leadership abilities that develop as they grow in their current roles. They may learn quickly and be able to help develop those skills in co-workers. We would prefer to give them opportunities to lead here in the district rather than being forced to leave to have the opportunity to grow their careers.

Chapter 3: Payroll

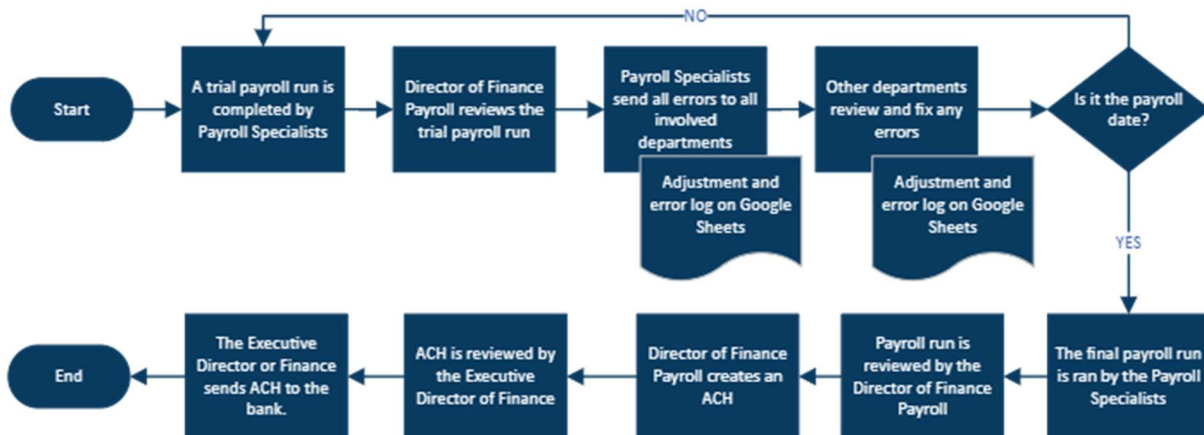
Payroll Process Overview

Regular Payroll Runs

All district employees are paid in accordance with administrative guidelines and board-approved pay structures. Exempt employees are paid over 12 months; salaried employees are paid in equal, semi-monthly payments; and hourly employees are paid semi-monthly only for hours worked. The Payroll Department publishes a payroll calendar outlining the 24 pay dates for the fiscal year and the corresponding pay period for each payment. Employees are classified as exempt or non-exempt (as per the FLSA) for purposes of overtime. Supervisors for non-exempt employees are responsible for monitoring the volume of hours worked.

As shown in Figure 11 below, prior to each payroll run, the Payroll Department completes multiple trial payroll runs, which begin 10 days prior to each payroll date. Once the trial run is completed, it is reviewed by the director of finance payroll. Each payroll specialist is assigned their own roles in the trial payroll runs to ensure accuracy and to fix any errors that may emerge. When the specialists discover errors, they create an adjustment log on Google Sheets, which is sent to all departments involved in the payroll process. Once the errors are fixed, another trial payroll run is completed. This process occurs up until the payroll date, when the final payroll run is completed. Once the payroll specialists run the final payroll report, it is sent to the director of finance payroll who reviews gross pays, reviews net pays, and analyzes the information. Once they are satisfied with the payroll run, they create an automated clearing house (ACH) payment. This ACH payment is then reviewed and approved by the executive director of finance, who sends the information to the bank.

Figure 11. Regular Payroll Process



Source. Gibson Consulting Group, 2024

Adjustment Payroll Runs

Adjustment payroll runs are processed payments that are made outside of the regular payroll runs described above. Adjustment runs are needed for a number of reasons, such as missed function payments (previously called supplemental earnings), employees' overuse of leave, or a correction to a previously issued payment. Any changes or discrepancies discovered after a regular payroll run will trigger the need for an adjustment run. These discrepancies are corrected, and an adjustment run is processed and completed in the same manner as a regular payroll run. There can be multiple adjustment runs a month, and each adjustment run can include multiple employee payments. At AISD, there were 86 adjustment runs between July 1, 2023, and February 29, 2024. As the system had recently transitioned to Frontline and increased the number of payroll groups from two to nine, Gibson did not deem the number of adjustment runs to indicate an issue.

Employee/Payment Categories

Exempt Employees

As stated in the AISD Compensation Manual, exempt employee is a status that indicates that an employee is exempt from the provisions of the FLSA regarding payment of overtime wages. Exempt employees are paid on a salaried basis.

Non-Exempt Employees

As stated in the AISD Compensation Manual 2023-2024, a non-exempt employee is an employee who must receive overtime compensation at a rate of 1.5 times the regular rate of pay for all hours worked over 40 in a work week. New non-exempt employees are hired at the minimum rate of pay for their respective pay grade at the time of hire but may be eligible for a higher salary placement based on properly documented prior work experience provided to the district.

Administrative/Professional Temp/Hourly Employees

As stated in the AISD Compensation Manual, a temporary employment status indicates that employees are compensated with an hourly wage versus a monthly salary. Hourly employees are only paid for hours worked. Temporary (hourly) employees can work a maximum of 19.5 hours per week, or 20-30 hours per week for a maximum of 90 days. If this maximum is exceeded for longer than 90 days, they must receive permission from the Office of Talent Strategy.

Substitutes

As stated in the AISD Substitute Handbook, the Office of Human Capital – Substitute Services Office is responsible for the onboarding and day-to-day operations of substitutes. A substitute is available to work in place of a regular employee when the employee is absent, the employee is on some form of leave (e.g., maternity leave, administrative leave, personal leave, sick leave, etc.), or while a vacancy is in the process of being filled. A total of 1,514 substitutes were paid during the audit period, including substitutes for non-teacher positions.

Overtime

FLSA requires all positions in an organization to be designated as either “exempt” or “non-exempt” according to their definitions. The employer is not required to pay overtime to employees in exempt positions but must pay overtime to employees in non-exempt positions. A non-exempt employee must have the approval of their supervisor before working beyond their normal work schedule. An employee who works beyond their normal work schedule without prior approval must be compensated in accordance with federal wage and hour laws but is subject to the district discipline process. Overtime is defined as any time physically worked beyond 40 hours in a work week.

Stipends

As stated in the AISD Compensation Manual 2023-2024, Austin ISD defines stipends as a non-discretionary amount of earnings paid to an employee on a regular basis or recurring basis over the course of their duty period. Stipends are designed to compensate employees for specific duties or occurrences that are considered beyond the scope of their occupation, department, or contract. Stipends are in addition to an employee’s salary. Payouts for stipends may be semi-monthly, twice a year, or annually dependent upon how the stipend disbursement is set up in the system. The stipend amounts are listed in the AISD Compensation Manual.

During the payroll testing conducted by Gibson, an anomaly involving stipend repayments on multiple employee checks was observed, which was due to the processing error described above. In order to further investigate, Gibson obtained a detailed listing of the incorrectly paid stipends, revealing a cumulative overpayment of \$1,582,000. Gibson reviewed the listing provided, noting that it appeared that every overpayment was caught by AISD. The consequence of this error allowed affected individuals the option to repay the stipends in a lump sum or distribute the repayment across multiple paychecks. Per discussion with the Payroll Department, the stipends from this error have been recovered.

Function Pay

Function pay, or supplemental pay, is for duties outside of an employee’s normal work hours or calendar days. The duties are considered voluntary, infrequent, and distinctly different from the employee’s job description. Examples of function pay include preparing staff development, presenting staff development, and attending staff development. Substitutes and temporary hourly employees are not eligible to receive function pay earnings. Function payments are paid at the rate commensurate with the employee’s employment category or work rate performance at the time of payout.

Audit Testing

Transaction testing focuses on a subset of the transactional data population. Gibson applied a judgmental approach to select payroll transactions for testing. During testing, Gibson corroborated each aspect of the transaction selected through the review of all documentation retained for the transaction. The selection of samples for testing was based on experienced auditor judgment and driven by information gained during interviews and data analytics.

Test 1: Hourly Employee Payments

The audit team designed a test to determine if hourly employees were appropriately paid.

Test Approach

- Gibson obtained a listing of payments made to hourly employees between July 2023 and September 2023;
- Judgmentally selected 25 samples for testing;
- Obtained updated compensation amounts;
- Obtained access to Frontline;
 - Ensured the selected employee was paid the correct hourly amount (**Test 1**);
 - Determined the hours worked in the pay period; and
 - Ensured the employee was fully paid for hours worked (**Test 2**);

Test Results

- Please refer to Table 6 below. “P” indicates that the sample passed the test; “F” indicates that the sample failed the test; and “N/A” indicates that the test was not applicable for the sample or could not be performed.

Table 6. Hourly Employee Testing Results

Sample	Test 1	Test 2
1	P	P
2	P	P
3	P	P
4	P	P
5	P	P
6	F	F
7	P	P
8	P	P
9	P	P
10	P	P
11	P	P
12	P	P
13	P	P
14	P	P
15	P	P

Sample	Test 1	Test 2
16	P	P
17	P	P
18	P	P
19	P	P
20	P	P
21	P	P
22	P	P
23	P	P
24	P	P
25	P	P

Source. Gibson Consulting Group, 2024

- **Test 1 – Was the employee paid the correct hourly amount?**
 - 24 out of 25 samples were paid the correct hourly amount.
 - One out of 25 samples was not paid the correct hourly amount due to lack of approval on their timecard. The employee’s timecard had been unapproved since the August 15, 2023 pay run at the time of the audit. After reviewing the employee’s paystubs, Gibson determined that this was not a recurring problem with this affected employee.
- **Test 2 – Was the employee paid for all hours worked?**
 - 24 out of 25 samples were paid for all hours worked.
 - One out of 25 samples was not paid for all hours worked.

Test 2: Salary Employee Payments

The audit team designed a test to determine if salaried employees were appropriately paid.

Test Approach

- Gibson obtained a listing of payments made to hourly employees between July 2023 and September 2023;
- Judgmentally selected 25 samples for testing;
- Obtained updated compensation amounts;
- Obtained access to Frontline; and
 - Ensured the selected employee was paid the correct amount based on salary (**Test 1**).

Test Results

- Please refer to Table 7 below. “P” indicates that the sample passed the test; “F” indicates that the sample failed the test; and “N/A” indicates that the test was not applicable for the sample or could not be performed.

Table 7. Salary Employee Testing Results

Sample	Test 1
1	P
2	P
3	P
4	P
5	P
6	P
7	P
8	P
9	P
10	P
11	P
12	P
13	P
14	P
15	P
16	P
17	P
18	P
19	P
20	P
21	P
22	P
23	P
24	P
25	P

Source. Gibson Consulting Group, 2024

- **Test 1 – Was the employee paid the correct amount?**
 - 25 out of 25 samples were paid the correct amount.

Test 3: Substitute Payments

The audit team designed a test to determine if substitutes were appropriately paid.

Test Approach

- Gibson obtained a listing of payments made to substitutes between July 2023 and September 2023;
- Judgmentally selected 25 samples for testing;
- Determined compensation amounts based on the Compensation Manual;
- Obtained access to Frontline;
 - Ensured the selected employee was paid the correct amount based on the Compensation Manual (**Test 1**);
 - Determined the days worked in the pay period; and
 - Ensured the employee was fully paid for days worked (**Test 2**).

Test Results

- Please refer to Table 8 below. “P” indicates that the sample passed the test; “F” indicates that the sample failed the test; and “N/A” indicates that the test was not applicable for the sample or could not be performed.

Table 8. Substitute Employee Testing Results

Sample	Test 1	Test 2
1	P	P
2	P	P
3	P	P
4	P	P
5	P	P
6	P	P
7	P	P
8	P	P
9	P	P
10	P	P
11	P	P
12	P	P
13	P	P
14	P	P
15	P	P

Sample	Test 1	Test 2
16	P	P
17	P	P
18	P	P
19	P	P
20	P	P
21	P	P
22	P	P
23	P	P
24	F	P
25	P	P

Source. Gibson Consulting Group, 2024

- **Test 1 – Was the substitute paid the correct daily amount?**
 - 24 out of 25 samples were paid the correct daily amount.
 - 1 out of 25 samples was not paid the correct daily amount. The substitute worked at a Title I campus, which entitled the individual to receive a higher daily rate, but it was not properly set up in Frontline. Because of this, the employee was not paid the proper amount for one day worked in the tested pay period. Gibson noted that this employee was the only Title I substitute in our sample population who was affected by this error. AISD verified that it was not a recurring problem for this substitute.
- **Test 2 – Was the substitute paid for all days worked?**
 - 25 out of 25 samples were paid for all days worked.

Test 4: New Employee Payments

The audit team designed a test to determine if new employees were appropriately paid.

Test Approach

- Gibson obtained a listing of payments made to new employees between July 2023 and September 2023;
- Judgmentally selected 25 samples for testing;
- Obtained compensation amounts;
- Obtained access to Frontline;
 - Ensured the selected employee was paid the correct amount (**Test 1**);
 - Determined the hours worked in the pay period, if applicable; and

- Ensured the employee was fully paid for hours/days worked during the initial pay period in the district (**Test 2**).

Test Results

- Please refer to Table 9 below. “P” indicates that the sample passed the test; “F” indicates that the sample failed the test; and “N/A” indicates that the test was not applicable for the sample or could not be performed.

Table 9. New Employee Payment Testing Results

Sample	Test 1	Test 2
1	P	P
2	P	P
3	P	P
4	P	P
5	P	P
6	P	P
7	P	P
8	P	P
9	P	P
10	P	P
11	P	P
12	P	P
13	P	P
14	P	P
15	P	P
16	P	P
17	P	P
18	P	P
19	P	P
20	P	P
21	P	P
22	P	P
23	P	P
24	P	P
25	P	P

Source. Gibson Consulting Group, 2024

- **Test 1 – Was the new employee paid the correct amount?**
 - 25 out of 25 samples were paid the correct amount.
- **Test 2 – Was the new employee paid for all hours/days worked?**
 - 25 out of 25 samples were paid for all hours/days worked.

Test 5: Exiting Employee Payments

The audit team designed a test to determine if exiting employees were appropriately paid.

Test Approach

- Gibson obtained a listing of payments made to exiting employees between July 2023 and September 2023;
- Judgmentally selected 25 samples for testing;
- Obtained updated compensation amounts;
- Obtained access to Frontline;
 - Ensured the selected employee was paid the correct hourly/salary amount (**Test 1**);
 - Determined the hours/days worked in the pay period; and
 - Ensured the employee was fully paid for hours/days worked (**Test 2**).

Test Results

- Please refer to Table 10 below. “P” indicates that the sample passed the test; “F” indicates that the sample failed the test; and “N/A” indicates that the test was not applicable for the sample or could not be performed.

Table 10. Exiting Employee Payment Testing Results

Sample	Test 1	Test 2
1	P	P
2	P	P
3	P	P
4	P	P
5	P	P
6	P	P
7	P	P
8	P	P
9	P	P

Sample	Test 1	Test 2
10	P	P
11	P	P
12	P	P
13	P	P
14	P	P
15	P	P
16	P	P
17	P	P
18	P	P
19	P	P
20	P	P
21	P	P
22	P	P
23	P	P
24	P	P
25	P	P

Source. Gibson Consulting Group, 2024

- **Test 1 – Was the exiting employee paid the correct amount?**
 - 25 out of 25 samples were paid the correct amount.
- **Test 2 – Was the exiting employee paid for all hours/days worked?**
 - 25 out of 25 samples were paid for all hours/days worked.

Test 6: Stipend Payments

The audit team designed a test to determine if stipends were appropriately paid.

Test Approach

- Gibson obtained a listing of stipend payments made to employees between July 2023 and September 2023;
- Judgmentally selected 25 samples for testing;
- Obtained stipend amounts based on the 2023-24 AISD Compensation Manual;
- Obtained access to Frontline;
 - Ensured the selected employee was paid the correct stipend amount (**Test 1**); and

- Ensured the employee was paid in a timely manner for the stipend (**Test 2**).

Test Results

- Please refer to Table 11 below. “P” indicates that the sample passed the test; “F” indicates that the sample failed the test; and “N/A” indicates that the test was not applicable for the sample or could not be performed.

Table 11. Stipend Payments Testing Results

Sample	Test 1	Test 2
1	P	P
2	P	P
3	P	P
4	P	P
5	P	P
6	P	P
7	F	P
8	P	P
9	P	P
10	P	P
11	P	P
12	P	P
13	P	P
14	P	P
15	P	P
16	P	P
17	P	P
18	P	P
19	P	P
20	P	P
21	P	P
22	P	P
23	P	P
24	P	P
25	P	P

Source. Gibson Consulting Group, 2024

- **Test 1 – Was the employee paid the correct stipend amount?**
 - 24 out of 25 samples were paid the correct stipend amount.
 - 1 out of 25 samples was paid the incorrect stipend amount. This was due to the stipend being incorrectly entered at 50% FTE rather than 100% FTE.
- **Test 2 – Was the employee paid in a timely manner for the stipend?**
 - 25 out of 25 samples were paid their stipends in a timely manner.

Test 7: Function Payments

The audit team designed a test to determine if function payments were appropriately paid.

Test Approach

- Gibson obtained a listing of function payments made to employees between July 2023 and September 2023;
- Judgmentally selected 25 samples for testing;
- Obtained updated function payment amounts;
- Obtained access to Frontline;
 - Ensured the selected employee was paid the correct function payment amount (**Test 1**); and
 - Ensured the employee was paid the function payment in a timely manner (**Test 2**).

Test Results

- Please refer to Table 12 below. “P” indicates that the sample passed the test; “F” indicates that the sample failed the test; and “N/A” indicates that the test was not applicable for the sample or could not be performed.

Table 12. Function Payments Testing Results

Sample	Test 1	Test 2
1	P	P
2	P	P
3	P	P
4	P	P
5	P	P
6	P	P
7	P	P
8	P	P
9	P	P
10	P	P

Sample	Test 1	Test 2
11	P	P
12	P	P
13	P	P
14	P	P
15	P	P
16	P	P
17	P	P
18	P	P
19	P	P
20	P	P
21	P	P
22	P	P
23	P	P
24	P	P
25	P	P

Source. Gibson Consulting Group, 2024

- **Test 1 – Was the employee paid the correct function pay amount?**
 - 25 out of 25 samples were paid the correct function pay amount.
- **Test 2 – Was the employee paid the function pay in a timely manner?**
 - 25 out of 25 samples were paid the function payment in a timely manner.

Test 8: Overtime Payments

The audit team designed a test to determine if overtime hours were appropriately paid to employees.

Test Approach

- Gibson obtained a listing of overtime payments made to employees between July 2023 and September 2023;
- Judgmentally selected 25 samples for testing;
- Obtained updated compensation amounts;
- Obtained access to Frontline;
 - Ensured the selected employee was paid the correct overtime amount (**Test 1**);
 - Determined the amount of overtime hours worked in the pay period; and

- Ensured the employee was fully paid for overtime hours worked (**Test 2**).

Test Results

- Please refer to Table 13 below. “P” indicates that the sample passed the test; “F” indicates that the sample failed the test; and “N/A” indicates that the test was not applicable for the sample or could not be performed.

Table 13. Overtime Payment Testing Results

Sample	Test 1	Test 2
1	P	P
2	P	P
3	P	P
4	P	P
5	P	P
6	P	P
7	P	P
8	P	P
9	P	P
10	P	P
11	P	P
12	P	P
13	P	P
14	P	P
15	P	P
16	P	P
17	P	P
18	P	P
19	P	P
20	P	P
21	P	P
22	P	P
23	P	P
24	P	P
25	P	P

Source. Gibson Consulting Group, 2024

- **Test 1 – Was the employee paid the correct hourly amount for overtime hours worked?**
 - 25 out of 25 samples were paid the correct hourly amount for overtime hours worked.
- **Test 2 – Was the employee paid for all hours worked?**
 - 25 out of 25 samples were paid for all hours worked.

Findings and Recommendations

Commendation 1: The Payroll Department’s payroll testing process is a best practice.

The Payroll Department conducts multiple trial payroll runs, commencing 10 days prior to the payroll date, with each run reviewed by the director of finance payroll before the final payroll processing. In the lead-up to the ultimate payroll run, each specialist is assigned daily tasks in the pro-forma payroll run to identify and rectify errors, such as those related to budget accounts or negative pay issues. Upon detection of errors by the system, the Payroll Department generates an adjustment log on Google Docs, which is then disseminated to relevant departments for error correction. After rectification, subsequent trial payroll runs are executed, ensuring a systematic approach to error prevention and fostering an accurate and streamlined final payroll process.

This testing process has resulted in accurate pay runs, as noted in the audit team’s test results described above.

Finding 5: AISD supervisors do not always approve time sheets, resulting in unpaid time for hourly employees.

During testing, Gibson discovered an unapproved and unpaid timesheet from July 2023, raising concerns about the potential existence of additional unapproved time sheets. To assess the scope of the issue, Gibson obtained a comprehensive report encompassing all open time sheets since July 2023. The report revealed approximately 600 unapproved time entries, affecting 187 different employees who have yet to receive payment for time worked due to the lack of approval.

The district's previous ERP system, BOLT, had an automated feature that approved all submitted time sheets before each payroll run. This setup was designed to ensure timely payments for all recorded and reported hours. However, the auto-approval functionality posed a significant risk of time theft, allowing employees to input fictitious hours and receive payment without validating actual work hours. The transition to the new ERP system, Frontline, eliminated the option for automatic approval before payroll processing, mitigating the risk of fraudulent time entries. However, it introduced a new challenge, as employees now rely on their supervisors for approval, and failure to secure approval may result in non-payment for legitimate work hours.

Starting in July, when the ERP transitioned to Frontline, supervisors were mandated for the first time to actively approve their supervisees’ time. This change disrupted established routines, and supervisors may not be consistently approving time worked. This lack of habitual approval creates a potential delay in payment for employees, resulting in unacceptable compliance and perhaps litigation risks.

Gibson engaged with the Payroll Department to address the issue. The department acknowledged running an open time report before each payroll period to remind supervisors of pending approvals. However, the existing process falls short, as there are no subsequent reminders or repercussions for unapproved time sheets post-payroll processing. Consequently, unapproved time sheets linger for months, adversely impacting employee compensation.

Recommendation 5: Implement controls to ensure timely review and approval of time sheets.

The Payroll Department should send reminders for outstanding unapproved time beyond the most recent period, prompting supervisors to review and approve time entries from prior pay periods. The Payroll Department should also work with Talent Strategy to help reinforce to supervisors the importance of approving time sheets. The Payroll Department should also provide a list of supervisors not approving time sheets by the due date to the assistant superintendent of financial services and the chief of talent strategy for inclusion in the supervisor's personnel file.

Management Response: Management agrees with this recommendation. These need to be further developed, mostly to improve communication with supervisors who do the actual approvals. Currently, email reminders are sent at the beginning of the week for managers who need to approve timesheets.

Finding 6: Updated employee compensation documentation is not consistently stored.

As part of the payroll testing, Gibson undertook the task of verifying the most current compensation data to ensure accurate payment for the selected samples. This involved accessing Laserfiche and examining each employee's electronic file for compensation documentation. However, during this process, Gibson noted that updated compensation documents were not consistently stored in Laserfiche for all employees, with the majority lacking information beyond the 2021-22 school year.

Recognizing the gap in compensation data, Gibson reached out to the Compensation Department to obtain the necessary updated information. The department responded by providing two separate Excel documents – one capturing raises granted in July 2023 and the other accounting for raises granted in August 2023. The Compensation Department stated that there might have been subsequent compensation adjustments after these documented raises, and the amounts presented in the Excel files might not be current as of the audit testing date. Multiple sources of the same compensation data create inherent data integrity risks. The existing procedure requires cross-referencing multiple sources, and even then, there is no guarantee of accessing the most recent compensation data.

Recommendation 6: Refine compensation data validation processes.

To streamline this process and enhance efficiency, it is important that compensation information be singularly and centrally stored and continually updated. The district should store this compensation documentation within Frontline, especially given the phasing out of Laserfiche. The Compensation Department should lead a migration plan out of Laserfiche into Frontline to transfer the most up-to-date compensation data efficiently. This systematic approach will reduce the risk of data inconsistencies and ensure a seamless transition.

Improvements to the district's compensation data validation processes are required.

Subsequent to the successful migration, AISD should implement a set of audit steps, including periodic sample testing, to continually verify the accuracy and currency of compensation information. Oversight of these steps falls under the purview of the Compensation Department, ensuring accountability and precision in managing compensation data. By implementing these measures, the district and external auditors will have streamlined access to accurate and updated compensation data. This guarantees the correctness of compensation amounts within Frontline, leading to prompt and precise payments for employees, and concurrently reducing the time spent searching for accurate pay rates. This new process not only addresses current challenges but also positions the district for a more streamlined and effective compensation management system in the long run.

Management Response: Management agrees with this recommendation. While the process is working fairly smoothly at this time, it is important to frequently review the data to find anomalies or errors.

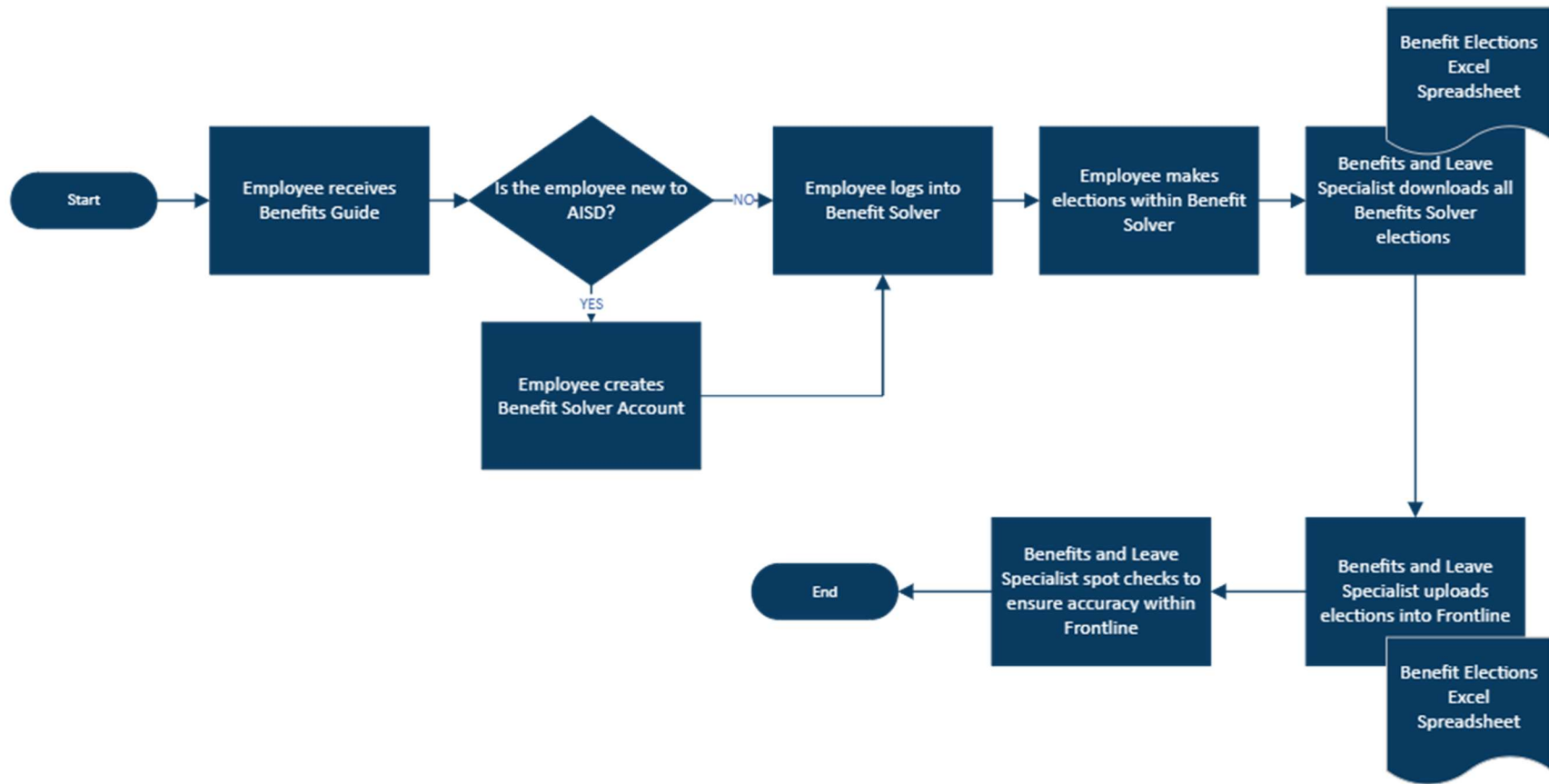
Chapter 4: Benefits

Benefits Processing

Benefit Elections

At the beginning of each school year, the Benefits Department distributes the Benefits Guide for the next calendar year. Once the employees understand their options, they create an account or log in to Benefit Solver in order to make their elections. Once all employees have made their elections, a benefits and leave specialist downloads all Benefit Solver employee elections and uploads the information into Frontline. The benefits and leave specialist then spot checks the imported information for accuracy. **Error! Reference source not found.** depicts this process.

Figure 12. AISD Benefit Elections Process



Source. Gibson Consulting Group, based on interviews with AISD staff

Leave Types

There are multiple types of leave at AISD including personal leave, sick leave, non-duty days, family medical leave, temporary disability leave, military leave, etc. The State of Texas provides five days of personal leave each school year. Non-duty days are days which are provided to administrative and professional employees. Administrative and professional employees generally do not earn paid vacation days. Instead, they have unpaid non-contract days remaining at the end of their contract year, which can be considered as vacation days. AISD provides sick leave according to Table 14 below.

Table 14. Sick Leave Days Granted

Work Calendar	Sick Leave Days Granted
10-Month Employee	4
11-Month Employee	5
12-Month Employee	6

Source. Austin ISD Benefits Guide 2024

Audit Testing

Test 9: Benefit Deductions

The audit team designed a test to determine if benefit deductions were correctly made based on benefit elections made by AISD employees.

Test Approach

- Gibson obtained a listing of benefit deductions on employee paychecks between July 2023 and September 2023;
- Judgmentally selected 25 samples for testing;
- Obtained the benefits package received by employees for 2023, which outlined deduction amounts for each benefit election;
- Obtained access to Benefit Solver;
 - Determined the benefit elections made by sample selections for 2023;
- Obtained access to Frontline;
 - Ensured the selected employee deductions matched the deductions elected in the benefits system (**Test 1**); and
 - Ensured the deductions made on the paycheck matched the amount in the benefits package (**Test 2**).

Test Results

- Please refer to Table 15 below. “P” indicates that the sample passed the test; “F” indicates that the sample failed the test; and “N/A” indicates that the test was not applicable for the sample or could not be performed.

Table 15. Benefit Deductions Testing Results

Sample	Test 1	Test 2
1	P	P
2	P	P
3	P	P
4	P	P
5	P	P
6	P	P
7	P	P
8	P	P
9	P	P
10	F	P
11	P	P
12	P	P
13	P	P
14	P	P
15	P	P
16	P	P
17	P	P
18	P	P
19	P	P
20	P	P
21	P	P
22	P	P
23	P	P
24	P	P
25	P	P

Source. Gibson Consulting Group, 2024

- **Test 1 – Did benefit deductions match elections made by the employee?**
 - 25 out of 25 samples had benefit deductions that matched the employee elections.

- **Test 2 – Did benefit deduction amounts match the benefits package?**
 - 25 out of 25 samples had benefit deduction amounts that matched the benefits package.

Test 10: Leave Balances

The audit team designed a test to determine if the corrections made over systematic leave balance errors were accurately completed by AISD employees.

Test Approach

- Gibson obtained a listing of leave balance corrections made by the Benefits Department for employees who had a position change between July 2023 and January 2024;
- Judgmentally selected 20 samples for testing;
- Obtained the benefits package which outlined the leave amounts received by employees for the 2023-24 school year based on their pay grades;
- Obtained employee pay grades;
 - Determined the amount of leave each sample selection should have received based on the new pay grade;
- Obtained access to Frontline; and
 - Ensured the selected employees' leave amounts were appropriately corrected based on the leave amounts they were supposed to have (**Test 1**).

Test Results

- Please refer to Table 16 below. “P” indicates that the sample passed the test; “F” indicates that the sample failed the test; and “N/A” indicates that the test was not applicable for the sample or could not be performed.

Table 16. Leave Balance Testing Results

Sample	Test 1
1	P
2	P
3	P
4	P
5	P
6	P
7	P
8	P
9	F
10	P

Sample	Test 1
11	P
12	P
13	P
14	P
15	P
16	P
17	F
18	P
19	P
20	P

Source. Gibson Consulting Group, 2024

- **Test 1 – Were corrections made to leave amounts accurate?**
 - 18 out of 20 samples had accurate corrections made to their leave amounts.
 - Two out of 20 samples had erroneous adjustments made to their leave amounts. For one employee, the person making the correction did not remove 32 hours of sick leave that was incorrectly granted to the employee. For the other incorrect error, the employee was a 100% FTE but was granted leave amounts for a 50% FTE.

Findings and Recommendations

Finding 7: The Benefits Department is overly reliant on one person to correct leave errors.

Gibson conducted initial interviews with the Benefits Department and learned that the department has not been properly trained to correct system errors that have been occurring to leave balances when a job change is entered for an employee in Frontline. Also, during leave balance testing, Gibson noted that all adjustments were made either by Frontline employees during the data conversion from BOLT or by a single AISD employee, and this individual is expected to correct all leave balance errors made by the system. As there have been tens of thousands of employees who have had a position change since the transition to Frontline, this is a very large amount of work for one person to complete on top of the main responsibilities that their position holds. This can quickly lead to inaccurate data input.

Recommendation 7: Train staff to assist in correcting leave balance errors.

In order to mitigate the risks discussed in Finding 7 above, the district should estimate the additional workload that is caused by the leave balance errors. Once the estimated workload is determined, the department will be able to determine an appropriate staffing plan so that it is no longer the responsibility of a single employee. After this is completed, the district will no longer be at risk if the employee leaves, as there will be others who will be able to take their workload and fix the errors.

Management Response: Management agrees with this recommendation. Leave events affect the payroll calculation and staff should be willing and able to help in fixing any errors.

Appendix A: Interview List

- Brandi Hosack, Chief Talent Strategy Officer
- Brittni Arriaga, Senior Payroll Specialist
- Carol Parton, Benefit Budget Program Analyst
- Christina Shepard, Director of Benefits
- Christine Trevino, Payroll Accountant
- Christopher Sanchez, Payroll Director
- Ed Ramos, Chief Financial Officer
- Eunice Olacarria, Payroll Specialist
- Hilda James, Payroll Specialist
- Katrina Montgomery, Assistant Superintendent of Financial Services
- Lillian Fortescue, Substitute Staffing Partner
- Matias Segura, Superintendent
- Scott Moore, Executive Director of Finance
- Tzitzqui Naranjo Rosas, Senior Payroll Specialist
- Veronica Mendoza, Senior Payroll Specialist
- Vicki Meredith, Payroll Specialist
- Wendy Cochran, Assistant Comptroller - Payroll

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