CITY AUDITOR'S OFFICE

SUSD Compensation Practices

April 23, 2024 AUDIT NO. 2413

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April 23, 2024

Honorable Members of the SUSD Governing Board:

Enclosed is the audit report for *SUSD Compensation Practices*, pursuant to the Intergovernmental Agreement (Contract No. 2021-023-COS-A2) between the Scottsdale Unified School District No. 48 and the City of Scottsdale. This audit was conducted to review the School District's compensation and benefit practices, evaluating how compensation practices align with established District policies, including employee classifications, salary placement and administration, and benefits eligibility. Additionally, the audit reviewed the various agreements with employee groups, evaluating the terms against benchmark comparisons.

Our audit found that controls over salary placement need to be strengthened and data quality needs to be improved to prevent and identify potential errors. Employment policies need to address all employee classes to provide consistent guidance for employment contracts and practices. Additionally, several leave plans did not align with approved benefit policies and periodic review of job descriptions is needed to maintain accurate descriptions and ensure compliance with overtime pay requirements. The audit report summarizes the results of our analysis and file reviews. Specific details of the exceptions and examples noted within the report were provided to District Management.

If you need additional information or have any questions, please contact me at (480) 312-7851.

Sincerely,

Lai Cluff, CIA
Acting City Auditor

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AUDIT HIGHLIGHTS

SUSD Compensation Practices

April 23, 2024 Audit No. 2413

WHY WE DID THIS AUDIT

The Scottsdale City Auditor's office performed this audit on behalf of the Scottsdale Unified School District No. 48 through Intergovernmental Agreement (IGA) 2021-023- COS-A1 approved by City Council and the District Governing Board. The audit objective was to review the District's compensation and benefit practices, evaluating how compensation practices align with established District policies, including employee classifications, salary placement and administration, and benefits eligibility.

BACKGROUND

Employee classification and compensation are managed by the Human Resources department and related policies are adopted by the District Governing Board. Policy guidance is provided by Board-approved employment agreements, employee contracts, job descriptions, salary schedules, and Governing Board policies.

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WHAT WE FOUND

Controls over salary placement need to be strengthened and data quality needs to be improved to prevent and identify potential errors.

With some exceptions, most employees were paid according to compensation policies. Exceptions included:

- Inconsistencies in the years of experience applied and Return-to-Work status for a small portion of newly hired teachers.
- Fifteen classified employees were placed in the wrong pay grade for their position, and several supplemental pay amounts were not approved by the Board.
- System tables were not aligned with approved salary schedules.

District has not adopted employment policies for all employee classes to guide employment contract terms and practices.

- Some employee groups are not covered by an employment agreement or other policies, and positions within employee groups have not been defined, increasing the risk for inconsistent application of policies.
- Administrator employment contract forms could be simplified and include certain missing terms.

Several leave plans do not align with benefit policies approved by the Board.

- Two leave plans, applied to a few employees, did not align with policy.
- Five had inaccurate leave accrual rates.
- Additionally, leave plans for 45 employees did not align with their employment information.

A periodic review of job descriptions is needed to ensure compliance with overtime pay requirements.

- About 20 descriptions do not align to salary schedules, and 5 positions do not have job descriptions.
- Certain positions may not qualify for overtime exemption and should be further reviewed.

WHAT WE RECOMMEND

We recommend the Superintendent direct staff to:

- Implement stronger controls to ensure accurate salary placement and correct the identified errors.
- Develop classification and compensation policies for all employee classes, simplify administrator contracts.
- Align leave plans with policy and perform periodic reviews of job descriptions.

MANAGEMENT RESPONSE

The department agreed with the recommendations and provided an action plan for implementing them.

BACKGROUND

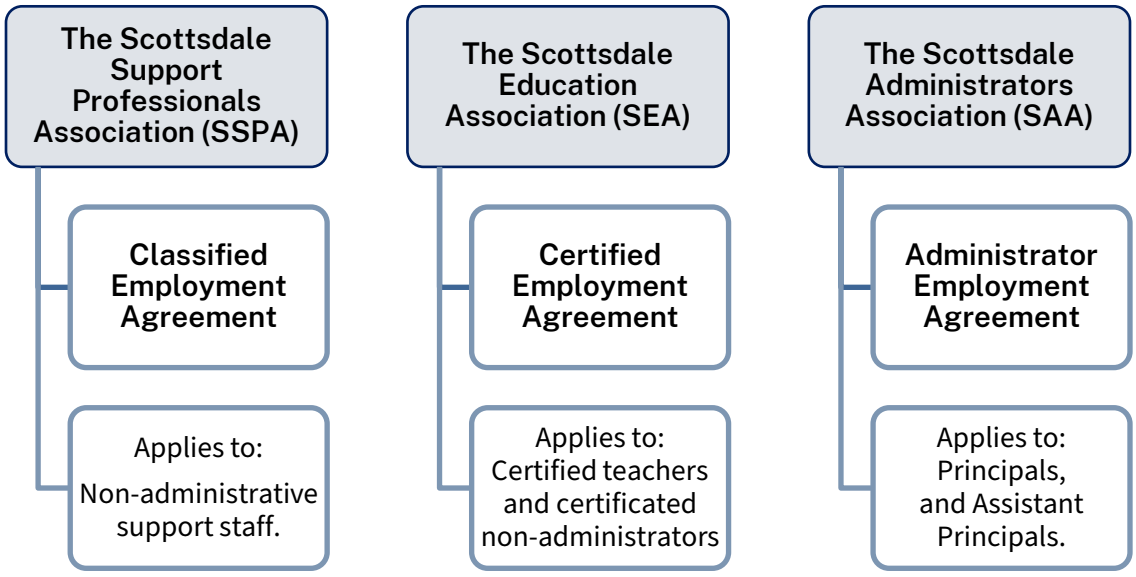
The Scottsdale City Auditor's office performed this audit on behalf of the Scottsdale Unified School District No. 48 (District) through Intergovernmental Agreement (IGA), Contract No. 2021-023-COS-A2, approved by City Council and District Governing Board. The audit's objective is to:

- Review the School District's compensation and benefit practices, evaluating how compensation practices align with established District policies, including employee classifications, salary placement and administration, and benefits eligibility.
- Review the various agreements with employee groups, as well as employment agreements, evaluating the terms against benchmark comparisons.

Classification and compensation policy guidance

Employee classification and compensation are managed by the Human Resources department and related policies are adopted by the District Governing Board. Policy guidance is provided by Board-approved employment agreements, employee contracts, job descriptions, salary schedules, and Governing Board policies. Employment agreements (EA's) are negotiated with the three employee associations (bargaining units) that represent employee groups, as shown in Figure 1 below.

Figure 1. Recognized employee associations.



SOURCE: Auditor analysis of Governing Board policies and employment agreements.

Key documents that govern compensation practices include:

- **Employment agreements** cover salary and benefits, salary schedules, employee rights, employee quality and professional development, working conditions and other personnel policies for all employees under that agreement. EAs are negotiated on an annual basis.
- **Employee contracts** detail the employee's specific position, employment status, compensation, benefits, contract term, number of contract days or shift hours. For FY 2023/24, there were eight Board-approved contract templates.

SUSD Employment Contract Types

1. Certified Administrator, 12 months
2. Certified Teacher Contract
3. Certified Terminating Contract
4. Classified Administrator, 11 months
5. Certified Administrator, 11 months
6. Certified Administrator, 12 months
7. Contract for Special Services Provider
8. Notice of Classified Appointment

SOURCE: SUSD Governing Board documents approved March 07, 2023.

- **Job descriptions** describe a position's qualifications, job responsibilities, and Fair Labor Standards Act (FLSA) exemption status. A job description is required to be maintained for each authorized position and approved by the Governing Board. During our review, there were 315 job descriptions.
- **Salary schedules** for each employee group are approved by the Governing Board annually. Salary schedules may take into account experience and/or education. In FY 2023/24, the Governing Board approved 21 salary schedules.

Annually, the Governing Board approves these documents for existing employees as outlined in Figure 2.

Figure 2. Key elements of the District's employee compensation cycle

Governing Board Approval 	Governing Board approves employee agreements, pay increases for existing employees, contracts, and salary schedules on an annual basis.
Update System Data 	Payroll updates system data tables for changes to employee compensation and benefit plans.
Placement of New Hires 	Human Resources Coordinators review employee information such as prior experience and education to determine new hire salary placement (based on row/column from salary schedule).
Changes to Existing Employees 	Payroll calculates salary increases separately for existing employees, which is then reviewed by Human Resources and uploaded into the system.

SOURCE: Auditor analysis of District forms and information provided by the HR and Payroll departments.

Employee leave plans are outlined in the employment agreements and employee contracts. Table 1 below, gives a breakout of the leave plans and associated requirements.

Table 1. Approved Leave Plans and Requirements

Leave Plans Classification/Months	Annual General/Sick Leave (In Days)	Annual Vacation Leave (In Days)	Special Requirement / Conditions
Administrative 12 Month	16.0	20.0	Senior-level Administrators, including Superintendent, are limited to max of 45 vacation days rolled over annually.
Administrative 11 Month	13.3	5.0	
Administrative 9.5 Month	13.3	-	
Classified 12 Month	16.0	10.0 – 20.0	Work 20+ hrs/wk. Vacation dependent on months worked with SUSD.
Classified 10 Month	13.5	-	Work 20+ hrs/wk
Classified 9 Month	12.5	-	Work 20+ hrs/wk
Certified (Teachers)	12-13	-	13 days if hired before 7/1/2006; 12 days if after.

SOURCE: Auditor analysis of FY 2023-24 Governing Board approved employment agreements and contracts.

OBJECTIVES, SCOPE, AND METHODOLOGY

This audit of *SUSD Compensation Practices* was completed pursuant to the City Council and Scottsdale Unified School District Governing Board-approved Intergovernmental Agreement, 2021-023-COS-A2. The audit objective was to review the District's compensation and benefit practices, evaluating how compensation practices align with established District policies, including employee classifications, salary placement and administration, and benefits eligibility. Additionally, the audit reviewed the various agreements with employee groups and evaluating the terms against benchmark comparisons. The audit scope did not include an evaluation of staffing levels or a compensation study.

To gain an understanding of the District's compensation processes and relevant controls, auditors interviewed the Assistant Superintendent of Human Resources, Human Resources Director, Director of Payroll & Benefits, Human Resources Coordinator, and ERP System Analyst. We also reviewed:

- Applicable laws and regulations including the Code of Federal Regulations Title 29 Part 541 – *Defining and Delimiting the Exemptions for Executive, Administrative, Professional, Computer and Outside Sales Employees*; the *Handy Reference Guide to the Fair Labor Standards Act* published by the United States Department of Labor; and Arizona Revised Statutes relating to return-to-work employees.
- Governing Board policies and regulations relating to Personnel.
- Fiscal Year (FY) 2022/23 and 2023/24 employment agreements for administrative, classified, and certified staff. FY 2023/24 employee contract forms and salary schedules for all District staff including professional staff. The documents provide details on compensation practices.

To perform our work, we relied on employment, salary, contract, and leave plan data from the District's enterprise resources planning system, *School ERP* (previously named *Infinite Visions*), for all employees. System access controls were evaluated in our recent audit, *SUSD Human Resources,* and the District has worked to address those recommendations. Data integrity for certain fields continued to be an issue, as noted in the Findings, and we performed file reviews to verify information. Our review included active employees as of December 2023, but did not include substitutes, student workers, or phased employees.

To assess relevant controls and the alignment of compensation practices with District policies, we:

- Compared Governing Board-approved salary schedules to the schedules loaded into the ERP system.
- Obtained all job descriptions and compared the position pay grades, position title, and FLSA status to those of current employees and approved salary schedules. Additionally, evaluated FLSA status of active employees based on their contract type, position title, and description, comparing them against FLSA requirements.
- Evaluated compliance with the recently approved New Hire Placement policy for Teachers. This review included analysis of approximately 190 teachers hired between July 1, 2023 and December 06, 2023 and review of personnel files for 15 of these employees. Salary placement for existing certified teachers was reviewed as part of the *SUSD Human Resources* audit issued March 2023.

- Reviewed salary placement and contract types for classified, administrative, and other professional employees against the Governing Board approved salary schedules. This included approximately 1,300 employees with active status and recent paychecks as of December 2023. From these, we also reviewed personnel files for about 45 employees to validate system information and verify contract terms.
- Reviewed benefit leave plan templates established in the ERP system for alignment to benefits authorized in District employment agreements and contracts, and verified benefit plans were appropriately assigned to employees in accordance with the employee agreements and contracts.
- Analyzed supplemental pay to identify significant irregularities in supplemental amounts.
- Reviewed and compared applicable Governing Board policies and employment agreements to selected Maricopa County school districts.

The audit found that controls over salary placement need to be strengthened and data quality needs to be improved to prevent and identify potential errors. Additionally, employment policies for all employee classes are needed to guide employment contracts and practices, several leave plans do not align with approved benefit policies, and periodic review of job descriptions is needed.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Audit work took place from October 2023 to March 2024.

FINDINGS AND ANALYSIS

1. Controls over salary placement need to be strengthened and data quality needs to be improved to prevent and identify potential errors.

With some exceptions, most salaried employees were paid according to Board-approved salary schedules and salary ranges. Hourly employees were paid within the approved ranges for their pay grade, but some exceptions were noted in the pay grade assignment. Stronger internal controls are needed to improve accuracy of salary placement and identify potential errors.

A. Most salaried employees were within the salary schedules and ranges approved by the Governing Board.

Some exceptions were noted as follows:

- Newly hired certified teachers – For about 190 teachers hired after July 1, 2023, we noted data inconsistencies in about 14% of these. Specifically, the number of years of experience entered into the system did not align with their salary placement based on the initial placement policies. We reviewed files for 7 of these and found 3 had data entry errors for the years of experience, and 3 had been incorrectly calculated resulting in improper salary schedule placement. Review of 5 additional randomly selected teacher files showed 1 with a data entry error that did not impact salary placement.
- Return-to-Work (RTW) employees – The review of newly hired teachers also showed 9 of them had inconsistencies in the employee retirement status and salary schedule placement. We reviewed personnel files for 3 of these and found that one had retired and returned to work but was incorrectly assigned to the regular teacher salary schedule, resulting in 10% higher pay. Another was correctly assigned to the "Return-to-Work" schedule but not classified as "Retired".[1] The third was correctly classified and paid as not-retired, but an invalid/outdated RTW salary schedule had been applied.
- Administrative and other employees – Three administrative positions were not listed on the approved salary schedules: Athletic Coordinator, Administrator on Assignment, and Prevention Coach. Two special services providers were assigned to an incorrect annual salary.

B. Inadequate controls over hourly employee pay assignment may have resulted in incorrect pay rates.

While hourly employee pay rates were within the approved ranges for their pay grade, 15 employees were placed in the incorrect pay grade for their position. This could potentially impact their pay rates by 3% to 10% (depending on their years of experience), and one had been assigned to an unapproved pay grade. Another 50

[1] Return-to-Work refers to employees that have retired from the Arizona State Retirement System, completed the "phased retirement" period, and returned to District employment. This category of employees are paid on a reduced salary schedule at 90% of the regular employee salary schedule.

employees were potentially incorrectly placed; however, position data contained inconsistencies and further review is needed to make that determination. For example,

- "Nutrition Services Manager" has a pay grade of "J" and "K" in the salary schedules.
- "Facilities Coordinator" has multiple pay grades and depends on placement in elementary or middle school.
- One employee with the job description "Health Assistant" had a Primary Position Title and pay grade for a "Fiscal Support Technician". According to HR staff, they rely on the job description.
- Two position descriptions were not listed on the approved salary schedules: Limited Appt Instructional Resource Assistant and Instructional Technology Trainer.

Additionally, we observed similar issues with potential error in the years of experience applied and the Return-to-Work classification as noted in Finding 1A above. For example, about 10% of the classified/ hourly employees hired in 2022 and 2023 appeared to be placed below what we estimated based on the years of experience entered in the system.

A file review of three employees that appeared to have been place below guidelines showed that 2 had applied inaccurate years of experience, and 1 was just below the appropriate range due routine calculations of the Board-approved 2% increases. The 2% pay increases were applied to existing pay rates that were not aligned with updated salary schedule. These calculation differences were very minor.

C. System salary schedules need to align with the schedules approved by the Governing Board; accurate schedules can help ensure proper salary placement.

Accurate system salary schedules are one element of an effective internal control structure that would help prevent errors by either automating salary placement or help with the identification of errors. However, system controls have not yet been effectively designed, relying on manual entry and verification for much of the process.

Salary schedule changes are first approved by the Governing Board, and system tables are then approved by HR and uploaded to the enterprise resource planning (ERP) system by Payroll. We reviewed 23 salary schedule tables within the ERP system that had been applied to active employees, comparing them against the approved schedules. We found that 19 of 23 active salary schedules tables have two types of errors:

- Differences in salary or pay rate ranges—10 system salary tables allowed for lower or higher rates than those approved by the Board.
- Inconsistent salary schedule structure—19 system salary tables include additional columns or steps for educational levels or experience not included in the Board-approved schedules.

Table 2, on page 11, illustrates differences noted in the salary schedules. The Table does not include Return-to-Work salary schedules. However, similar issues were identified on 7 Return-to-Work salary schedules. It is important to note that the differences in the system schedules do not directly indicate improper salary

placement (as detailed in Finding 1A and 1B) since amounts are manually entered for positions with pay ranges.

Table 2. Differences in rate or structure between ERP system salary schedules and Board-approved schedules.

Salary Schedule	Salary/ Rate Schedule Differences	Schedule Structure Differences
Certified	None	System table includes steps for existing teachers, while the approved schedule is specific to new teachers.
Certified Occupational Therapist Assistant, Guidance Counselors, Occupational/Physical Therapy, Speech Language Pathologists	None	System table includes added columns for education/experience.
Administrative Support - 12 month	None	System table includes steps and columns, while the approved schedule only includes minimum and maximum amounts.
Assistant Principals - 11 Months, Principals	System table includes a "Principals" salary schedule that was not Board approved (applied to 1 employee in an interim position).	System table includes High School Assistant Principal 11-month position, but the position no longer exists.
Cabinet	Minimum and maximum system rates were higher than Board approved by 15% and 2%, respectively.	System table includes steps not Board approved.
Classified	Minimum system rates were 2% lower than Board approved.	System table includes only minimum and maximum rates, while the Board approved schedule includes columns and rows.
Executive Directors	Minimum and maximum system rates were higher than Board approved by 3% and 29%, respectively.	System table includes steps not Board approved.
Psychologists	Minimum system rate was 9% lower than Board approved.	System table includes steps and a column titled "Off Schedule Amounts".

SOURCE: Auditor analysis of the ERP system salary schedule tables and Governing Board-approved salary schedules for fiscal year 2023-24.

Additionally, several outdated or invalid salary tables were not deactivated, and in three instances, a current employee had been assigned to an invalid schedule (though their salary amount was not impacted). We reviewed this with Payroll during the audit and the department is working on deactivating these schedules.

D. **Stronger internal controls are needed to improve accuracy of salary placement and identify potential errors.**

In addition to updating system salary schedules and implementing controls to enforce the approved amounts, designing system controls to improve data quality, such as auto-filling information or adding data integrity rules, could reduce potential errors. For example:

- *Position Descriptions* in the ERP system do not always align with *Primary Job Titles* (examples shown in the table below). These fields can also have minor variations for one employee to another in the same position. To improve consistency, this data could be pre-established and auto-filled rather than manually entered by staff.

Position Description	Primary Job Title
Benefits Specialist	Benefits Coordinator
Communications Manager	Coordinator
Teacher Reading Intervention	Coordinator
Web Content Strategy Manager	Coordinator
MTSS Specialist Behavior	Prevention Coach
Enrichment Coordinator	Enrichment Program Mgr
Interim Assistant Principal	Administrator

SOURCE: Auditor analysis of ERP system fields.

- Additional data integrity rules could also be established to restrict incorrect entry of pay grades by *Position Description.*
- Consistent implementation of manual controls, such as completing the new hire checklist, would also ensure more accurate data. During our review of salary placement we noted the new-hire checklist was incomplete for 9 of 28 recently hired employees that we reviewed. In 7 of these, we had observed errors within positions and pay data that are included in Finding 1 above.

Improving data quality will also allow the District to establish stronger controls to detect potential errors, such as automated exception reporting. Currently, the Payroll department performs reviews of system information on employee positions and pay to catch potential errors. However, this review is performed on an ad-hoc basis and no formal procedures have been established to systematically identify potential errors.

E. **Supplemental pay amounts were generally in-line with Board-approved amounts; however, we noted some instances where the pay was higher than approved, or not approved at all**.

1. One employee received supplemental pay for a temporary Administrator on Assignment position, but the amount was $41,600 more than approved by the Board. Additionally, this employee did not have

Supplemental Pay includes:
- Extra Work Duty – Mentor, Aide, Coach, Student Clubs, etc.
- Performance based pay
- Sick/Vacation buyback
- Substitute pay
- Compensation for consecutive years of service

SOURCE: Auditor summary of Supplemental Pay schedules.

a contract to detail terms of employment and benefits. According to HR, this placement was extended from one semester to two, but the extension had not gone to the Governing Board for approval.

2. One employee was paid about $10,000 in supplemental pay for grant-related work but did not have an approved supplemental contract or amount.
3. About 20 employees showed higher substitute pay than the approved maximum rate of $169 per day (between $300 to $1000 more). According to District staff, this system issue and the overpayments to a few employees have been corrected. Auditors have not received additional information regarding the system issue to further evaluate the cause.

Recommendations:

The District Superintendent should direct staff to:

1.1 Design and implement stronger manual and system controls to help ensure accurate employee salary placement. Additionally, establish processes to improve data entry accuracy in fields such as years of experience and employment status (e.g. active, inactive, retired). Evaluate ways to automate salary placement processes to reduce errors and create exception reporting to identify potential errors.

1.2 Review and correct errors identified in salary or rate placement.

1.3 Establish procedures to ensure ERP system salary schedules align with Governing Board approved schedules, and address discrepancies with Governing Board approved schedules.

1.4 Establish procedures for verifying accuracy of calculations for District-wide pay increases and salary schedule changes.

1.5 Obtain approval for extended versions of Certified Salary Schedule, and other expanded versions of position schedules in use, as applicable.

1.6 Establish procedures to ensure supplemental pay is authorized in accordance with District policies.

1.7 Review and correct data inconsistencies within key data fields such as Description and Primary Job Title.

2. District has not adopted employment policies for all employee classes to guide employment contract terms and practices.

Employment agreements, contracts, and Board policies provide policy governance for compensation practices. However, the District has not adopted policies for all employee groups or formally defined the employee groups and the positions that fall within each group. Further, employment contracts for administrative positions could be streamlined and address missing key terms of employment.

A. Some employee groups are not specifically covered in the three approved employment agreements, resulting in a gap in policy guidance.

For FY 2023/24, the District had identified eight employee groups by establishing separate contract forms (templates) for each group. However, it has only adopted three employment agreements (Certified, Administrative, and Classified) to provide policy guidance for contract terms and compensation. Since these terms are not specifically covered in Governing Board policies, certain terms from the employment agreements have been informally applied to other employee groups to fill that gap.

For example, while the Administrator Employment Agreement only specifically covers terms for Principals and Assistant Principals, portions of the agreement related to compensation and benefit are selectively applied to other employee groups such as Certified Administrators and Classified Exempt Administrators. Further, the Certified Employment Agreement states that it applies to employees on certified salary schedule, including but not limited to nurses, occupational therapists, physical therapists, speech language pathologist, and social workers. However, some of these positions are under a Special Services Provider Contract and, except nurses and social workers, have separate salary schedules. Table 3, below, shows the various agreement types, contract template forms, and salary placement schedules.

Table 3. SUSD employment agreements, contract forms and salary schedules

Employment Agreements	Contract Template Form	Related Salary Schedules[1]
1. Certified	1. Certified Teacher 2. Certified Terminating	1. Certified Teacher, Social Worker & Nurse
2. Classified	3. Notice of Classified Appointment	2. Classified
3. Administrator – Principal and Assistant Principals (AP)	4. Certified Administrator,12 months 5. Certified Administrator, 11 months	3. School Administrative (Principal & AP)
	6. Special Services Provider	4. Certified Teacher, Social Worker & Nurse 5. Certified Occupational Therapist Assistant 6. Guidance Counselor 7. Occupational/Physical Therapist 8. Psychologist 9. Speech Language Pathologist
	7. Classified Administrator - Exempt	10. 12-month Administrative Position 11. Executive Director
	8. Senior Level Administrator	12. Cabinet

[1] The list includes salary schedules approved by the Governing Board. These are not reflective of system salary tables discussed in Finding 1C.

SOURCE: Auditor analysis of Governing Board-approved employment agreements, contract template forms and salary schedules.

Other local school districts vary in mechanism for adopting compensation policies, with some including more specific terms within Governing Board policies and others

adopt more types of employment agreements. Figure 3 illustrates the types of employment agreements of SUSD in comparison to another local school district.

Figure 3. Employment Agreements for SUSD and another local school district.

SUSD	
☑	Certified
☑	Classified
☑	Principals and Assistant Principals

Other Local School District	
☑	Certified
☑	Support Employees (classified, excludes executive assistants)
☑	Principals and Assistant Principals
	Executive Support Staff
	Central Office Administrators
	Cabinet Level Administrators

SOURCE: Auditor analysis of FY 2023/24 SUSD employment agreements approved by the Governing Board and publicly available information for other local school district.

B. **Employment agreements, District policies, and contract forms have not formally defined the positions that fall within each employee group.**

A small percentage of employees were assigned incorrect or inconsistent contract forms for their position, which could also affect their leave plan assignment. Table 4 shows employees issued a Certified Contract, inconsistent with their group or job description. As previously noted, some Special Services Providers (those paid under the Certified salary schedule) are covered under the Certified Employment Agreement's terms, but not all positions are explicitly included. Establishing clear policies about classifications would help ensure consistency.

Table 4. Some employees were issued a Certified Contract in error.

Position	Employees with Certified Contracts	Employees with Other Contract Type
Guidance Counselor	2	30 have a Special Services Provider Contract.
Nurse[1]	1	19 have a Special Services Provider Contract.
Social Worker [1]	2	2 have a Special Services Provider Contract.
Speech Language Pathologists (SLP)	2	28 have a Special Services Provider Contract.
Behavior Intervention Specialist	2	Individuals appear to fit the definition of Special Services Provider, but it is unclear.
Auditorium Technician	1	2 have a classified Notice of Appointment.
Athletic Coordinator	1	The position is not listed in a salary schedule. Other Coordinators are assigned other types of contracts.

[1]Positions placed through the certified salary schedule, including teachers, nurses and social workers.
SOURCE: Auditor analysis of ERP system contract data as of February 2024.

Additionally, some contracts were not reviewed or accepted by employees. Human Resources had published 2,381 contracts from March 2023 through January 2024 for employee review and acceptance. About 70 (3%) of the published contracts have not yet been accepted and 15 (0.6%) were rejected by the applicable employee. Another 180 employees did not have a published or accepted contract.

C. Administrator employment contract forms could be simplified and include missing employment terms.

The District has adopted three different contract forms for administrators, depending upon the work calendar and certification requirements. As illustrated by Table 5, one of the forms, *Classified Administrator - Exempt*, is missing key information such as resignation or retirement leave buy out plans. The District has not adopted an employment agreement specific to this group. As a result, District officials reported having to rely on historical practices when determining leave buy out.

Table 5. Documented Resignation and Leave Buy Out Plans for Administrators

Description Leave Buy Out Plans	Principals, Assistant Principals (and Certified Administrators)[1]	Senior Level Administrator	Classified Administrative Employees
Severance pay equal to up to 100 days of accumulated general leave at 50% per diem rate.	Resignation	Not documented in policy	Not documented in policy
Severance pay equal to 50% of accumulated general leave at a per diem rate.	Retirement	Not documented in policy	Not documented in policy
Unused vacation pay out up to 45 days at a per diem rate.	Resignation Retirement	Separation	Not documented in policy

[1]While certified non-school administrators are not covered by the employment agreement, they are also assigned to a certified administrator contract.

SOURCE: Auditor analysis of FY 2023-24 Governing Board approved employment agreements and contract forms.

Other local school districts have varying terms related to leave buy out plans. Some examples include:

- Minimum years of service requirement – One district required at least five continuous years of service and separation in good standing to qualify for leave buy out.
- Tiered payouts – One district had pay out amounts based on a determined rate, employee years of services and unused leave balance as follows:

Years	Balance (hours)	Pay Out
5	0.01 – 200 200.01 - 600	25% 50%
6 – 10	0.01 – 200 200.01 – 800 800.01 – 1200	30% 80% 100%
11 – 15	0.01 – 400 400.01 – 12000	85% 100%
16+	0.01 - 12000	100%

- Capped payouts – Another district reimbursed administrators for unused vacation days for a maximum of 60 days upon separation or retirement.
- Using accrued leave at separation – One district's policy stated that administrators can use accrued vacation days prior to separation of employment. Under extraordinary circumstance, the employee is paid for their unused vacation days.

Recommendations:

The District Superintendent should direct staff to:

2.1 Develop classification and compensation policies for Governing Board approval, that address all employee groups and identifies the positions that are categorized within each of those groups.

2.2 Evaluate ways to simplify administrator contract forms, and ensure all contract forms cover key terms, such as leave and buy out programs, and ensure the correct contract forms are used for each position.

2.3 Establish procedures to ensure that all employees annually review and accept their employment contracts/notices. Issue new employment contracts to employees that have an inaccurate type of contract.

3. Several leave plans do not align with benefit policies approved by the Board.

The Governing Board approves leave plans granted to employees within the District, as outlined in employee agreements and/or contracts. Employee leave plans are then set up within the ERP system according to employee classification (Admin, Classified or Certified) and work schedule or months worked during the year.

We reviewed 20 leave plans within the ERP system and found:

- Two leave plans that are not currently authorized by the Board: General Leave 11-Month Classified and General Leave 10-Month Admin. Only 3 employees were assigned to these plans.
- Five leave plans with accrual information within the ERP system that did not match employee agreements/contracts. Of these, 3 provided accruals lower than approved and 2 referenced to a handbook with outdated accrual information. According to the District this handbook is no longer in use, however the employee agreement still includes references to it for additional information that is not included in the agreement.
- For 45 employees (of the over 2,600 employees reviewed), assigned leave plans were inconsistent with their contract type, hire date and/or work schedule. As an example, 9 certified employees were assigned to a leave plan for teachers hired after July 1, 2006, but they had hire dates before July 1, 2006. As shown in Table 1, on page 5, teachers hired before July 2006 received one additional general leave day. Other errors primarily involved inaccurate assignment to general leave/vacation plans based on the contract period (such as 9-, 10-, 11-, or 12-month employees).

Recommendations:

The District Superintendent should direct staff to:

3.1 Establish procedures to ensure ERP system leave plans accurately reflect approved benefit plans, remove unauthorized leave plans and address discrepancies with Governing Board approved accruals and assigned leave plans.

3.2 Review and correct errors within employee leave data/records. As an example, data analytics could be used to compare calendar schedule and contract type to assigned leave plans to identify potential errors.

4. A periodic review of job descriptions is needed to ensure compliance with overtime pay requirements.

The District must comply with the Fair Labor Standards Act (FLSA) which establishes federal minimum wage, overtime pay and other standards. FLSA exemption status is identified on Board-approved job descriptions, and system data. Job descriptions also provide the position pay grade and job responsibilities. However, the District has not implemented a periodic review of job descriptions to evaluate the accuracy of employees' job responsibilities, pay grade, and FLSA classification. We found that there is variation in exemption status within certain positions and some may be misclassified.

A. Certain positions may be misclassified as overtime exempt.

The Act requires employers to pay non-exempt employees overtime pay after 40 hours of work in a workweek. The Act exempts the following categories of employees from overtime pay as follows:

Exemption Type or Requirement	Tests that must be met
1. Salary	Compensation must be based on a salary bases at a rate no less than $684 per week
2. Executive	Primary duties include managing the enterprise, directs the work of at least two or more full-time employees, and has authority to hire or fire employees.
3. Administrative	• Perform office or non-manual work directly related to the management of general business operations. • Primary duties include exercise of discretion and independent judgement. • Included in this category: Administrative functions directly related to academic instruction or training in an educational establishment or department.
4. Professional	• Primary duty is work requiring advanced knowledge in a field of science or learning customarily acquired by a prolonged course of specialized intellectual instruction. • Included in this category: Teachers

SOURCE: Code of Federal Regulations Tile 29 Part 541 – Defining and Delimiting the Exemptions for Executive, Administrative, Professional, Computer and Outside Sales Employees.

Based on analysis of 302 active positions, the following positions are at risk of FLSA misclassification:

- Senior Executive Administrative Assistants – Federal guidance provides as an example of administrative exemption: *An executive assistant or administrative assistant to a business owner or senior executive of a large business generally meets the administrative exemption if they are delegated authority regarding matters of significance without specific instruction or prescribed procedures.* The District classifies executive administrative assistants as follows:

Job Title	Non-Exempt	Exempt	Total
Senior Executive Admin Assistant	3	2	5
Executive Administrative Assistant	4		4
Executive Administrative Coordinator		1	1
Total	7	3	10

While the Executive Administrative Coordinator has greater responsibilities and reports directly to the Superintendent, there is inconsistency in the classification of the Senior Executive Administrative Assistant position. We also observed that another local school district classifies all its executive support staff as salaried non-exempt.

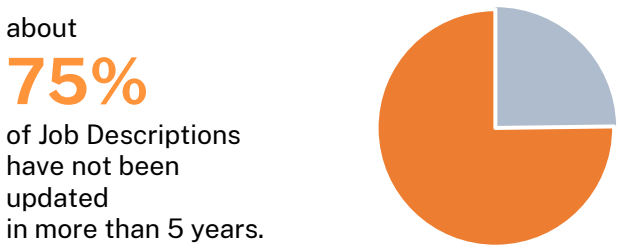
- Senior Buyer is non-exempt, but a Senior Contract Buyer is exempt – The job descriptions differ in responsibilities outlining more complex duties for the Senior Contract Buyer position. However, based on a review of the job descriptions, potentially neither position meets the *Administrative* or *Professional* exemption requirements.
- Art Director (non-exempt) – This position is listed in the Classified (non-exempt) salary schedule yet has a "Director" title and job description that may be administrative in nature.
- Positions with inconsistent classifications – Additional assessment of certain position types is needed. For example, the District has various "Coordinator" positions classified exempt and non-exempt. Further evaluation of job responsibilities is needed to determine whether these positions meet the *Administrative* exemption. We also observed that one local school district specifically identified "Coordinator" positions as Classified Administrators, rather than support staff. However, the District should consider the level of independent decision-making authority the positions have over matters of significance when determining exemption status.

#	Position Descriptions	Non-Exempt	Exempt	Total
1	Childcare Supervisor Kids Club	2		2
2	Coordinators	38	13	51
3	Specialists	5	1	6
	Total	**45**	**14**	**59**

B. The District has not implemented a periodic review of Job Descriptions to evaluate the accuracy of job responsibilities, pay grade, and FLSA classification.

Job Descriptions are a key document for employee management, recruiting, and compliance with employment regulations. The documents provide a description of a position's duties and responsibilities, information that supports an accurate FLSA classification. However, based on discussions with the Assistant Superintendent of HR and an HR Director, the Department has not implemented a cyclical review of the documents. Instead, they are reviewed when requested by a manager or administrator, which staff reported was seldom. As illustrated by Figure 4, many Job Descriptions have not been recently updated.

Figure 4. Many Job Descriptions have not been updated.



SOURCE: Auditor analysis of SUSD Job Description documents provided by District HR in December 2023.

1. Many Job Description documents were last updated in 2008 and 2012 (over ten years). Though if the documents were more recently reviewed without needing changes, review dates were not captured. With a changing work and regulatory environment, particularly after the COVID pandemic, it is likely some position descriptions have recently changed. Tracking review requests, responses and response dates can help ensure that Job Descriptions are kept current and assist in the determination of FLSA classification.
2. Five positions did not have a Board-approved Job Description:

#	Positions
1	Instructional Technology Trainer
2	Supervisor of Technical Support
3	Operations Coordinator
4	Certified Occupational Technology Assistant
5	Athletics Coordinator

   However, 3 of the 5 positions were included in salary schedules approved by the Governing Board. Job Descriptions are retained electronically in a network file, and also within the recruitment system. In a few instances, Job Descriptions were found in the recruitment system but not in the electronic files.
3. For about 20 of 257 (8%) Job Descriptions, pay grades shown did not match the pay grades on salary schedules. This is likely an indication that job descriptions were not re-evaluated when pay grade adjustments were made in the past. The HR department is reviewing these and will update Job Descriptions to reflect the approved salary schedules.

Recommendations:

The SUSD Superintendent should require Human Resources to:

4.1 Perform a review of the positions at risk for FLSA misclassification.

4.2 Establish a formal process for periodic review and update of job descriptions, including tracking request dates, responses, and last reviewed dates. Also, ensure that job descriptions are reviewed for accuracy of FLSA status and pay determination when the documents are updated.

4.3 Ensure that job descriptions are maintained for all District positions and approved by the Governing Board.

MANAGEMENT ACTION PLAN

1. Controls over salary placement need to be strengthened and data quality needs to be improved to prevent and identify potential errors.

Recommendations:

The District Superintendent should direct staff to:

1.1 Design and implement stronger manual and system controls to help ensure accurate employee salary placement. Additionally, establish processes to improve data entry accuracy in fields such as years of experience and employment status (e.g. active, inactive, retired). Evaluate ways to automate salary placement processes to reduce errors and create exception reporting to identify potential errors.

Priority	Management Response and Proposed Resolution
Med/High	Agree. **Proposed resolution:** Design and implement stronger manual and system controls to ensure accurate employee salary placement. Create a Standard Operating Procedure (SOP) for determining placement. All salary placements will have two verifications by human resources personnel. Monthly internal audit to review new hires, data entry, and accuracy in Visions fields.

Responsible Party:	Est. Completion Date:
Human Resources Staffing Coordinators, HR Technical Analyst	July 15, 2024

1.2 Review and correct errors identified in salary or rate placement.

Priority	Management Response and Proposed Resolution
Med/High	Agree. **Proposed resolution:** Human Resources and Payroll have identified these employees. Employees' salaries have been corrected.

Responsible Party:	Est. Completion Date:
Human Resources and Payroll	April 1, 2024

1.3 Establish procedures to ensure ERP system salary schedules align with Governing Board approved schedules, and address discrepancies with Governing Board approved schedules.

Priority	Management Response and Proposed Resolution

Med/High	Agree. **Proposed resolution:** The payroll department has already started reviewing the schedules in the system to align with governing board approved salaries. Payroll will update unused cells to reflect a zero ($0) amount to help ensure employees are not placed incorrectly.

Responsible Party:	**Est. Completion Date:**
Payroll Department	April 1, 2024

1.4 Establish procedures for verifying accuracy of calculations for District-wide pay increases and salary schedule changes.

Priority	**Management Response and Proposed Resolution**
High	Agree. **Proposed resolution:** Finance/Payroll will write a standard operating procedure (SOP) to outline steps in calculating salary increases. Finance/Payroll will complete the mathematical calculations of approved salary increases. Human Resources can verify the increases. Further review will be completed utilizing governing board approved documents and the data inputted into ERP.

Responsible Party:	**Est. Completion Date:**
Payroll and Human Resources Department	June 30, 2024

1.5 Obtain approval for extended versions of Certified Salary Schedule, and other expanded versions of position schedules in use, as applicable.

Priority	**Management Response and Proposed Resolution**
High	Agree **Proposed resolution:** The governing board approved salary schedules are being utilized. Payroll is cleaning up the data in the ERP system to ensure non board approved salary amounts are not being used.

Responsible Party:	**Est. Completion Date:**
Payroll Department	April 30, 2024

1.6 Establish procedures to ensure supplemental pay is authorized in accordance with District policies.

Priority	Management Response and Proposed Resolution
Medium	Agree. **Proposed resolution:** Payroll is now in the process of correcting the amount fields to accurately show the amount paid to the substitute teachers. The governing board approved the supplemental pays in October 2023 and April 2024. Department level teams will be meeting to capture all supplemental pays to recommend approval on 2024-25 Supplemental Salary Schedule.

Responsible Party:	Est. Completion Date:
Payroll and Human Resources Department	June 30, 2024

1.7 Review and correct data inconsistencies within key data fields such as Description and Primary Job Title.

Priority	Management Response and Proposed Resolution
Medium	Agree. **Proposed resolution:** Human Resources will work to align Description and Primary Job Title.

Responsible Party:	Est. Completion Date:
Human Resources/ERP Systems Analyst	September 15, 2024

2. District has not adopted employment policies for all employee classes to guide employment contract terms and practices.

Recommendations:

The District Superintendent should direct staff to:

2.1 Develop classification and compensation policies for Governing Board approval, that address all employee groups and identifies the positions that are categorized within each of those groups.

Priority	Management Response and Proposed Resolution
Medium	Agree. **Proposed resolution:** A fourth employee group was approved at the April 9, 2024, governing board meeting. Classification and compensation study in progress which will further assist. Interest Based Negotiation (IBN) Teams will further define.

Responsible Party:	Est. Completion Date:
Human Resources, District Administrators, IBN teams	Date: June 30, 2024

2.2 Evaluate ways to simplify administrator contract forms, and ensure all contract forms cover key terms, such as leave and buy out programs, and ensure the correct contract forms are used for each position.

Priority	Management Response and Proposed Resolution
Medium	Agree. **Proposed resolution:** Human Resources suggests recommendation of a governing board policy that encompasses the leave/buy out programs that is specified for each employee group. Employees identified in the audit have been issued the correct contract for 2024-25.

Responsible Party:	Est. Completion Date:
Human Resources and General Counsel	June 30, 2024

2.3 Establish procedures to ensure that all employees annually review and accept their employment contracts/notices. Issue new employment contracts to employees that have an inaccurate type of contract.

Priority	Management Response and Proposed Resolution
Medium	Agree. **Proposed resolution:** Human Resources provided weekly data to school/department supervisors to track acceptance of contracts. Corrected contracts were issued for 2024-25 for those employees identified in the audit.

Responsible Party:	Est. Completion Date:
Human Resources	June 30, 2024

3. Several leave plans do not align with benefit policies approved by the Board.

Recommendations:

The District Superintendent should direct staff to:

3.1 Establish procedures to ensure ERP system leave plans accurately reflect approved benefit plans, remove unauthorized leave plans and address discrepancies with Governing Board approved accruals and assigned leave plans.

Priority	Management Response and Proposed Resolution
Medium	Agree **Proposed resolution:** SOP, if not already created will be developed by Payroll Department to ensure accurate approved benefit plans. Payroll is already removing unauthorized leave plans. Payroll team will conduct internal audit.

Responsible Party:	Est. Completion Date:
Payroll Department	July 30, 2024

3.2 Review and correct errors with employee leave data/records. As an example, data analytics could be used to compare calendar schedule and contract type to assigned leave plants to identify potential errors.

Priority	Management Response and Proposed Resolution
Med-Low	Agree. **Proposed resolution:** Human Resources collaborated with Payroll to suggest utilization of data analytics to compare work calendar schedules and contract types to ensure correct leave records. The payroll team will conduct an internal audit.

Responsible Party:	Est. Completion Date:
Payroll Department	October 31, 2024

4. A periodic review of job descriptions is needed to ensure compliance with overtime pay requirements.

Recommendations:

The District Superintendent should direct staff to:

4.1 Perform a review of positions at risk of FLSA misclassification.

Priority	Management Response and Proposed Resolution
Medium/High	Agree **Proposed resolution:** Human Resources has previously identified the risk and intends to have 1:1 conversations regarding a change in classification for these employees. The Governing Board will have to approve non-exempt rate changes.

Responsible Party:	Est. Completion Date:
Direct Supervisors and Human Resources	June 30, 2024

4.2 Establish a formal process for periodic review and update of job descriptions, including tracking request dates, responses, and last reviewed dates. Also, ensure that job descriptions are reviewed for accuracy of FLSA status and payment determination when the documents are updated.

Priority	Management Response and Proposed Resolution
Medium	Agree **Proposed resolution:** The District has engaged a third party to conduct a review of job classifications and job descriptions.

Responsible Party:	**Est. Completion Date:**
Human Resources and third-party vendor	May 2025

4.3 Ensure that job descriptions are maintained for all District positions and approved by the Governing Board.

Priority	Management Response and Proposed Resolution
Medium	Agree. **Proposed resolution:** At present, revisions to and new job descriptions are recommended to the governing board for approval. Positions for which there were not job descriptions will be recommended for approval.

Responsible Party:	**Est. Completion Date:**
Human Resources	January 2025

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