



Volusia County Schools, Florida Internal Audit Report: FY24 Follow-Up

August 7, 2024

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TRANSMITTAL LETTER

August 7, 2024

The Audit Committee of
The School Board of Volusia County, FL
200 North Clara Avenue
DeLand, FL 32720

Pursuant to the Volusia County Schools' ("VCS," "District") approved internal audit plan for fiscal year ("FY") 2023-24, we hereby present the results of our follow-up procedures over the five (5) previously issued internal audit reports. The objective of this follow-up was to obtain the status of prior audit observations, and Management's remediation progress to-date. Below is a summary of the closed, in progress, and open observations within these internal audit reports:

				Open	
Internal Audit Report	Total Audit Items	Total Closed	Closed During This Round	In Progress	Not Started
Design and Construction <i>Issued October, 2020</i>	6	4	0	2	0
Maintenance Department Operations <i>Issued September, 2021</i>	5	4	1	1	0
White Fleet Management <i>Issued September, 2021</i>	7	6	2	1	0
Year End Tax Reporting and Disbursements <i>Issued September, 2021</i>	8	4	1	4	0
Timekeeping <i>Issued January, 2023</i>	4	0	0	4	0
Total	30	18	4	12	0

We would like to thank the staff and all those involved in assisting us with this follow-up report.

Respectfully Submitted,

RSM US LLP

RSM US LLP

DESIGN AND CONSTRUCTION

Issued October 7, 2020

OBSERVATIONS MATRIX – DESIGN AND CONSTRUCTION

1. Negotiation of Stipulated Rates

Risk Rating: Moderate

Status: Open

Observation Summary

During our detailed testing of construction invoices and in conversations with Management, we noted the District sometimes negotiates with contractors to establish rates within CMAR agreements. Although rates may be agreed with contractors, the District does not consistently maintain documentation supporting the reasonableness and methodology for determining the rates and did not modify contract language to reflect acceptable billing support for these items. Specifically, we noted instances where the District agreed to labor rates by position and to stipulated monthly vehicle rates. By design, CMAR agreements provide transparency of costs versus construction manager profits, by establishing a guaranteed maximum price (GMP) that includes actual costs, plus a percentage fee (profit). The contract templates utilized by the District contain provisions that require detailed support of actual costs for all items within the GMP. Although establishing rates can reduce administrative burden related to invoice review, this practice removes transparency of costs from the negotiated components. While negotiations to establish rates for certain components are commonplace, best practices include documenting the agreement in writing with the contractor, and documenting methodologies employed by the District for determining the reasonableness of rates agreed.

Recommendation Summary

When Management agrees to stipulated rates for certain components of a CMAR agreement, we recommend the District insert language or formal contract amendments, specifying which portions are stipulated rather than cost reimbursable. Further, we recommend the District perform pre-audits to support the reasonableness of fixed components, including documents reviewed to validate actual costs, historical cost comparisons, independent estimates, etc.

Management's Action Plan

Response: Insert language into the construction contract requiring daily timesheets and proof of CM payroll for each employee to be submitted with each application for payment.

Responsible Party: Director of Design & Construction; Director of Purchasing & Warehouse Services

Estimated Completion Date: February 2020

OBSERVATIONS MATRIX – DESIGN AND CONSTRUCTION (CONTINUED)

1. Negotiation of Stipulated Rates (continued)	
Management's Response: August 2024	Internal Audit Review
The construction agreements have been amended to include the new language and will be utilized for the FY25 construction projects. As these projects will not occur until Summer 2025, a sample test cannot be performed until that time. Updated Estimated Completion Date: Completed	Since the last round of follow-up (FY23), Management stated that the following changes were made: • Agreement language was amended to include proof of payroll, which includes timesheets within the payment applications. • General Requirements/General Conditions ("GC/GR") was amended to include that any changes to rates previously documented in the GC/GR will be indicated as part of the pay applications; thereby, eliminating the need to constantly update the Guaranteed Maximum Price. During this round of testing (FY24), RSM inspected the draft template A133 CM Master Agreement Article 11.1.4 and A133 Draft Exhibit A, noting that the proposed language and requirements were incorporated for any future contracts. Due to the recency, RSM could not select a sample with an executed contract / agreement to test for compliance with updated requirements. As such, this observation will remain open.

OBSERVATIONS MATRIX – DESIGN AND CONSTRUCTION (CONTINUED)

2. Decentralized Procurement Policies		Risk Rating: Moderate	Status: Open
Observation Summary			
Through our walkthroughs, we noted that procurement of construction contracts is currently decentralized and managed by Design & Construction Department (D&C), rather than the Purchasing & Warehouse Services Department. This practice of decentralized procurement is inconsistent with leading practices we observe at similar entities. Further, in our testing, we noted noncompliance with the Purchasing policy, as detailed in Observation #2 above. Many state statutes define appropriate procurement methodologies, thresholds, and provide overall guidance for the purchase of services with public funds. District policies, while consistent with statute, generally apply more stringent requirements. Verifying compliance with various statutes and policies is complicated, and purchasing departments are specifically equipped to independently facilitate the process, with personnel fully dedicated to performing purchasing duties. Decentralized procurement increases several risks including noncompliance with statute and policy, inappropriate segregation of duties, and independence and conflicts of interest, which all contribute to the risk of negative public perception.			
Recommendation Summary			
We recommend the District shift responsibilities of facilitating construction procurement to the Purchasing & Warehouse Services Department. Considering that construction procurements are unique, and often require specialized knowledge, this recommendation is not intended to remove D&C from the procurement process. Rather, we recommend that D&C personnel work in conjunction with Purchasing to provide technical assistance in scope development, qualifications review, contract negotiations, and other areas as needed. This, combined with the Purchasing & Warehouse Services Department's assumption of responsibility for solicitation advertisement, collection of bids/proposals, organization of committees, and scoring/ranking will provide the District with an independent procurement process, while allowing D&C to continue providing construction expertise in critical areas.			
Management's Action Plan			
Response: Facilities Planning & Construction and the VCS Purchasing Department will hold a series of workshops to determine the proper division of responsibilities for the procurement of professional design and construction services. Responsible Party: Director of Design & Construction; Director of Purchasing & Warehouse Services Estimated Completion Date: February 28, 2020			
Management's Response: August 2024		Internal Audit Review	
The Purchasing Director or their designee will be responsible for reviewing all solicitations and addenda before they are posted on VendorLink, attend all evaluation committee and negotiation meetings, review the final contract(s), and approve all related agenda items. We will update board policy 702 to include CCNA contract signature and solicitation thresholds. Updated Estimated Completion Date: January 2025		Management indicated that this observation is not ready to test this round of follow-up. Based on discussion in February 2024, the purchasing function will remain in Design and Construction, with assistance from the legal counsel to verify that procurement methods are in compliance with District and State requirements. However, this has yet to be documented or formalized in procedure. As such, this observation remains open.	

MAINTENANCE DEPARTMENT OPERATIONS

Issued September 16, 2021

OBSERVATIONS MATRIX – MAINTENANCE DEPARTMENT OPERATIONS

1. Project Ownership: Maintenance versus Design & Construction

Risk Rating: Moderate

Status: Closed

Observation Summary

Based upon discussion with both Design & Construction ("D&C") and Maintenance & Operations ("M&O") personnel, we noted that there is no formal process for appropriately assigning projects between teams based on experience, capabilities, or project size. Recently implemented by the current COO, M&O and D&C conduct bi-weekly meetings to discuss possible crossover of projects, or the status of on-going activities; however, there is no specific language within the current policies and procedures that define and/or outline how to identify whether a project should be "owned" by M&O or by D&C.

Recommendation Summary

We recommend the District formally document expectations and procedures when delineating projects between Design & Construction and Maintenance & Operations departments. These policies may include, at a minimum: thresholds based on project size, scope, and dollar amount; criteria based on local, state, and federal mandates; experience and skill set of both teams.

Management's Action Plan

Response: The Maintenance & Operations and Design & Construction teams meet bi-weekly to discuss projects and determine appropriate department. Department leadership teams will meet with COO to develop procedures and expectations for meetings, including, but not limited to: thresholds based on project size, scope, and dollar amount; criteria based on local, state, and federal mandates; experience and skill set of both teams.

Responsible Party: Chief Operating Officer; Director of Design & Construction; Director of Operations & Maintenance.

Estimated Completion Date: June 30, 2022

Internal Audit Review

During the last round of follow-up (FY23), Management provided a draft policy titled, "Operations Work Request Assignment." During testing (FY24), we received the policy in final format, including revision history (last revised in February 2024). This policy outlines the procedures to delineate work orders between the D&C and Maintenance teams.

As part of our testing procedures, we inspected two (2) Facility Review Committee (FRC) meeting notes and agendas between January and March 2024, evidencing regular occurrence of the meeting. The content of the meetings indicated cross collaboration between the Design & Construction and Maintenance & Operations teams. As such, this observation is closed.

OBSERVATIONS MATRIX – MAINTENANCE DEPARTMENT OPERATIONS (CONTINUED)

2. Work Order Management

Risk Rating: Moderate

Status: Open

Observation Summary

Based upon discussion with Maintenance & Operations personnel, along with a review of current policies, procedures, and best practices, we noted the following exceptions: 20% of the sampled work orders were created and approved by the same person; 20% of the sampled work orders did not have evidence of work order creation approval; 70% of the sampled work orders did not contain reference to a Customer Service Request (CSR), which would have initiated the work; 100% of the sampled work orders did not have evidence of Supervisory review.

Recommendation Summary

We recommend the Maintenance & Operations Department revisit the policies and procedures associated with customer service requests, work order creation and approval, as well as the review of completed work. We recommend strengthening the current processes to ensure work orders include appropriate documentation of the CSR and that all work orders receive proper approval. Further, we recommend that the 5% audit requirements are monitored, and that functionality be introduced into the AiM workflow to appropriately document work orders to include documented review requirements. This functionality will be able to drive reporting to validate compliance with review requirements.

Management's Action Plan

Response: Maintenance & Operations Department revisit the policies and procedures associated with customer service requests, work order creation and approval, as well as the review of completed work. Strengthen new processes around work orders including appropriate documentation of the CSR and that all work orders receive proper approval from a supervisor or higher. Further, 5% audit requirements are monitored, and that the AiM workflow must appropriately document work orders after receiving the detailed review. Alternatively, a separate workflow can be configured to route higher cost, or higher priority work orders to include documented review requirements. This functionality will be able to drive reporting to validate and monitor compliance with review requirements.

Responsible Party: Director of Operations & Maintenance; Coordinator of Operations & Maintenance

Estimated Completion Date: June 30, 2022

OBSERVATIONS MATRIX – MAINTENANCE DEPARTMENT OPERATIONS (CONTINUED)

2. Work Order Management (continued)	
Management's Response: August 2024	Internal Audit Review
Maintenance and Operations has implemented a new workflow to address the concerns of supervisors submitting their own CSR's. It is now required that an employee of next level (Coordinator and above) review and approve those requests before they become active work orders. Updated Estimated Completion Date: Complete	During this round of follow-up, we selected a sample of ten (10) work orders, including both proactive and reactive. These work orders were tested for appropriate creation, retention, reference to the CSR, approval from the supervisor, and segregation of duties between the creator and approver. In the course of our audit, Management self-identified an issue with the design of the approval workflow. For proactive work orders, the maintenance staff acted as the initial requestor (as they identified the issue) and the flow automatically bypassed the supervisory review, which created a lack of segregation of duties between roles. Despite the work order creation approval by an Office Specialist, Management clarified that this position does not perform any kind of technical review. Within our sample testing, we found that four (4), or 40% of sampled work orders did not contain technical supervisory review approval. However, 100% of our samples contained reference to the CSR, had WO entry creation approval, and reflected appropriate segregation of duties between the creator and data entry approver. Management has amended this workflow; however, due to the recency of its implementation, we are unable to test its efficiency in this round of follow-up. Additionally, we obtained procedures documenting the creation of CSRs in AiM, as well as SOP # FSM 3.4.04-01, which details the approval workflow to create a work order. However, we recommend Management to include the requirements and procedures surrounding the 5% audit requirement. Due to the lack of appropriate supervisory review and SOPs documenting the work order creation and approval workflow, this observation will remain open.

WHITE FLEET MANAGEMENT

Issued September 16, 2021

OBSERVATIONS MATRIX – WHITE FLEET MANAGEMENT

1. Facilities – Purchasing Card Parts Purchases	Risk Rating: High	Status: Open
Observation Summary		
P-Card vehicle parts purchases are reviewed by Facilities Maintenance & Operations ("M&O") administrative personnel to validate that the purchase receipt agrees to the P-Card charge amount, along with a cursory review to verify that the charges appear to be Fleet-related. However, a detailed, technical review is not performed by someone independent to verify that the vehicle parts purchased coincide with the specific work being performed on a given vehicle. Additionally, vehicle parts purchases are aggregated and added to vehicle work orders within the AiM system. There is not a process to document vehicle parts purchases in the respective work order phases so that the cost of individual repairs, or the total cost of vehicle maintenance and repair can be accurately calculated. Specifically, our testing noted 1,410 work orders in which there were no costs recorded for parts, despite the work order description indicating that parts would have been required to address the issue noted in the work order description. Of the 1,410 work orders, we selected a sample of 267 that had no parts costs captured on the work order. For each sample selected, we requested support for the lack of parts costs. Management provided a response attributing the lack of parts costs to the limitations of the AiM system, rather than an actual reflection on the cost of any parts used in the associated repairs.		
Recommendation Summary		
We recommend that Facilities Maintenance & Operations (M&O) develop, document, and implement a process to perform an independent technical review of P-Card vehicle parts purchases to verify that purchases are appropriate for open maintenance and repair order needs and supported by work order documentation (notes, repair codes, etc.). We further recommend that M&O identify a method for better tracking the vehicle repair parts costs associated with the completion of each vehicle maintenance and repair work order, which will allow for better, more consistent data regarding the costs of repairs.		
Management's Action Plan		
Response: Establish a 1:1 relationship between a part and a vehicle and ensure an economy of scale approach is established for part ordering and inventory management. Every P-Card transaction must have a corresponding vehicle number, work order number, and cost (labor/part) which are captured within the vehicle management system. Establish a refined P-Card training module for white fleet maintenance and repair orders. Responsible Party: Assistant Director of Student Transportation Services; Director of Purchasing & Warehouse Services Estimated Completion Date: June 30, 2022		

OBSERVATIONS MATRIX – WHITE FLEET MANAGEMENT (CONTINUED)

1. Facilities – Purchasing Card Parts Purchases (continued)	
Management's Response: August 2024	Internal Audit Review
The workflow has been revised due to the system/security limitations within the Transman software. In the event the Assistant Director is unavailable to perform the technician review of the requisition, the Shop Manager serves as the back-up. Shop Managers can only approve requisitions submitted by the Parts Mechanic. The Shop Managers are not permitted to submit requisitions as Transman does not allow for the workflow that RSM is requesting. If an item needs to be ordered and the Parts Mechanic is not available, the Shop Manager will contact an alternate Parts Mechanic to submit the requisition and allow for the proper workflow and segregation of duties. This went into effect on 4/1/2024. Updated Estimated Completion Date: April 1, 2024	During this round of follow-up, we selected a sample of ten (10) transactions, including both p-card and batch invoicing (checks) to verify that an independent technical review was performed by a Shop Manager or designated backup. Our testing revealed five (5), or 50% of the samples did not contain appropriate segregation of duties. These instances contained the Shop Manager as the requestor and approver. Per Management, this is a system limitation. If a Shop Manager enters the purchase requisition, the secondary technical review is automatically bypassed. Upon identifying this issue, Management implemented a remediation plan. Due to the recency of this implementation, this observation will remain open.

OBSERVATIONS MATRIX – WHITE FLEET MANAGEMENT (CONTINUED)

2. Facilities and Transportation – Vehicle Replacement Criteria

Risk Rating: Moderate

Status: Closed

Observation Summary

White fleet vehicles may need to be retired for several reasons, including mileage, age, irreparable damage due to an accident, or in some cases operational failure. To most effectively retire vehicles before operational failure, a number of variables must be considered to appropriately identify and select vehicles for retirement. Student Transportation Department and Maintenance and Operations currently use vehicle age and mileage as the initial determinant of white fleet replacement eligibility. There are subsequent discussions with using departments to further evaluate each vehicle proposed for retirement to consider factors such as reliability (based on available information) to determine whether to replace or retain each vehicle. The implementation of a more robust scoring method would provide an objective list of vehicles that should be replaced based on several different metrics and factors.

Recommendation Summary

We recommend Student Transportation Department and Maintenance & Operations consider the adoption of a more robust, quantitative criteria for vehicle replacement, which considers additional variables such as maintenance history, vehicle reliability, vehicle condition, etc. Quantitative factors could include age, miles/hours, type of service, reliability, maintenance and repair costs, and condition. A timeline for adoption should be defined and adhered to. Once adopted, the additional criteria should be added to updated fleet standard operating procedures, so all stakeholders are aware of the inputs for this decision-making process. Review of vehicles subject to replacement should be performed, at the least, on an annual basis.

Management's Action Plan

Response: Establish criteria for vehicle replacement and ensure updates of a current addendum to the white fleet operator's manual every year. The criteria may be dependent upon the purpose of the vehicle.

Responsible Party: Assistant Director of Student Transportation Services; Coordinator of Finance and Data in Maintenance & Operations Services

Estimated Completion Date: June 30, 2022

OBSERVATIONS MATRIX – WHITE FLEET MANAGEMENT (CONTINUED)

2. Facilities and Transportation – Vehicle Replacement Criteria (continued)	
Internal Audit Review	
During the last round of follow-up (FY23), we were provided with a draft format of the Vehicle Justification Form. In this round of follow-up (FY24), we received the formalized <i>Equipment/Vehicle Acquisition Request Form</i>. Through inspection, we noted it included the following criteria: • Requestor information (including requestor name, contact info, department, and vehicle/equipment type) • Replacement vehicle info (including replaced vehicle #, make, model, year, current miles/meter, replaced asset location) • Justification (including reasons and estimated cost) • Funding source information (including capital account strings) • Vehicle usage (including driver/operator of equipment info, estimated use, estimated annual mileage, location, activity description) • Approval workflow (including approval from the following: Requestor, Department Head/Director, Director of Student Transportation, and Chief Operating Officer) The form is robust, incorporating qualitative and quantitative criteria. As such, this observation is closed.	

OBSERVATIONS MATRIX – WHITE FLEET MANAGEMENT (CONTINUED)

3. Facilities and Transportation – Documentation of Vehicle Additions & Retirements	Risk Rating: Moderate	Status: Closed
Observation Summary		
Fleet vehicle purchase requests require business case justifications supporting the need to purchase the requested vehicle. Justifications could include increased headcount or the need to retire/replace unreliable vehicles. Similarly, vehicle retirements require documentation that evidences the completion of activities associated with the retirement of fleet vehicles. These steps include the completion of maintenance tasks that remove District decals, sensitive or prohibited equipment, emergency lights, etc. We selected a sample of five (5) vehicle additions and conducted detailed testing, which identified the following instances related to insufficient purchase documentation: Two (2) of selected vehicle purchases did not have a documented reason as to why the new vehicle was appropriate use of departmental funds; as it relates to vehicle retirements, we noted that none of the sampled retirements had a completed decommissioning work order, and none of the sampled retirements had an appropriately completed Transfer of Assets form.		
Recommendation Summary		
We recommend Student Transportation Department and Maintenance & Operations verify that all vehicle purchase requests include appropriate business case justifications prior to vehicle purchase, verify that evidence of approval for all vehicle retirement requests is properly documented and retained, and verify that all vehicle retirements are supported by completed decommissioning/dead lining work orders prior to completing the vehicle retirement and allowing the removal of the vehicle for sale.		
Management's Action Plan		
Response: We must build out a new business case model for all proposed white fleet additions/replacements. All new white fleet purchases must have a business case attached by the requestor. The BPO, Christopher Boyer, will vet all new requests with the Chief Operating Officer. Responsible Party: Assistant Director of Student Transportation Services; Chief Operating Officer Estimated Completion Date: June 30, 2022		

OBSERVATIONS MATRIX – WHITE FLEET MANAGEMENT (CONTINUED)

3. Facilities and Transportation – Documentation of Vehicle Additions & Retirements (continued)	
Internal Audit Review	
During the last round of follow-up (FY23), we were unable to evaluate the vehicle additions portion of this observation, as the justification form was in draft format and there were no vehicle additions to test. In this round of follow-up (FY24), we selected a sample of five (5) vehicle additions to verify that the <i>Equipment/Vehicle Addition Form</i> was utilized, and that proper approvals were documented. Our testing revealed that 100% of the vehicles sampled had completed forms, and received the appropriate approvals (including Requestor, Department Head/Director, Director of Student Transportation, and Chief Operating Officer). As a result of our testing, this observation will be closed.	

YEAR END TAX REPORTING AND DISBURSEMENTS

Issued September 16, 2021

OBSERVATIONS MATRIX – YEAR END TAX REPORTING AND DISBURSEMENTS

1. Finance/Payroll/Benefits: Formalized, Updated Policies and Procedures		Risk Rating: High	Status: Open
Observation Summary			
During our review, we noted that policy and procedural documentation regarding key functions were outdated and, in some cases, obsolete. We noted that the latest revisions to Finance policies and procedures were made in 2015. The Finance Department is in the process of updating policies and procedures to align with the new Oracle application. However, through discussions with Management we noted that no formal process for periodically updating policies and procedures existed even prior to software implementation. The Payroll Services Department was also found to maintain outdated policies and procedures that referenced applications no longer utilized by the District. The current policy does not provide updated guidance on how to complete current tasks, when to complete them, or defined roles and responsibilities for those tasks. Lastly, we noted that the Benefits Department retained outdated policies and procedures, last updated in 2006. While the Benefits Department does utilize checklists for some tasks, a formal process for reviewing and updating this tool for accuracy does not yet exist. The policies retained in the Payroll and Benefits Departments also affect external departments, such as IT.			
Recommendation Summary			
We recommend the District perform a formal review of policies and procedures for incomplete / outdated material on at least an annual basis or when a change occurs. All written procedures should be updated for accuracy and completeness. All relevant processes should be contained within the formalized procedures and should define how core functions are performed for all Payroll, Benefits, and Finance tasks. We recommend each respective Department consider utilizing checklists to provide structure and organization.			

OBSERVATIONS MATRIX – YEAR END TAX REPORTING AND DISBURSEMENTS (CONTINUED)

1. Finance/Payroll/Benefits: Formalized, Updated Policies and Procedures (continued)

Management's Action Plan

Payroll Responses: Payroll will work with Human Resources and the legal department to develop a school board policy for Payroll and will also review and revise Policy 417. The payroll procedural manuals are in the process of being reviewed and updated based on current practice.

Responsible Party: Payroll Coordinator; HR Coordinator; Legal

Estimated Completion Date: June 30, 2022

Finance Responses: A formal review of Finance policies and procedures has begun, and all key processes in Oracle have been documented. A formalized comprehensive policies and procedures manual will be developed to incorporate all core functions in Finance by June 2022. The new ERP software is not functioning as designed in many areas and work around processes were developed as we continue to work through functional issues.

Responsible Party: Finance Director

Estimated Completion Date: Current processes will be reviewed and updated to present practices by June 30, 2022

Benefits Response: We have processes documented; however, they will significantly change based on the direction of the new software.

Responsible Party: Risk and Benefits Management Director

Estimated Completion Date: Current processes will be reviewed and updated to present practices by June 30, 2022. After this, a formal review of processes will occur annually, and updates will be made to align with the current practices

Management's Response: August 2024

Updated processes and procedures for Benefits and Payroll will be available once we have transitioned to FOCUS.

Updated Estimated Completion Date: June 30, 2025

Internal Audit Review

During the last round of follow-up (FY23), we reviewed the *Finance Department Policies and Procedures*, and recommended that as part of finalization, add revision history. We also received the Board approved *Payroll Policy 419*. Through discussion with Management, we noted that detailed internal procedures were a work-in-progress.

In this round of follow-up (FY24), we received the *Finance Department Policies and Procedures*, and noted that the revision history was added (last revised June 2023). We were also provided with the *Payroll Procedures Manual*, to detail the operations (such as roles and responsibilities, payroll processing, invoices, and timekeeping) established under *Payroll Policy 419*.

We further noted that updated procedures covering Benefits and HR have not yet been drafted. We recommend performance of follow-up testing after the remediation actions have been completed. As such, this observation remains open.

OBSERVATIONS MATRIX – YEAR END TAX REPORTING AND DISBURSEMENTS (CONTINUED)

2. Payroll: Formalized Training, Roles, and Responsibilities

Risk Rating: High

Status: Open

Observation Summary

During our review, we noted that no formal process exists to provide formal training to assist with change management within the Payroll Services Department. We noted that a process does not exist to formally communicate current practice or obtain acknowledgment from team members of their respective roles and responsibilities. Through conversations, we noted that informal training is often completed when roles and responsibilities shift but such training is performed inconsistently and without documentation. Furthermore, we noted that during this period of recent significant change in Payroll, job responsibilities have shifted without formal involvement from the Human Resources team.

Recommendation Summary

We recommend the Payroll Services Department assess each position's role and responsibility and make any updates to job descriptions needed. The Payroll Department should implement a formal training process for each position. We also recommend the Finance and Payroll Departments consider collaborating with Human Resources to review changes to roles and responsibilities and update job descriptions, if needed, to accurately record compensation levels and experience requirements. Lastly, we recommend the Department consider performing a skills analysis to compare departmental need versus the current roles and responsibilities.

Management's Action Plan

Response: A needs assessment for training has been conducted for the payroll staff. Based on the results, a training schedule has been implemented and will be ongoing throughout the year. Job descriptions will be reviewed with the HR department and amended as needed.

Responsible Party: Payroll Coordinator; HR Director; Finance Director

Estimated Completion Date: December 2021 with ongoing assessment

OBSERVATIONS MATRIX – YEAR END TAX REPORTING AND DISBURSEMENTS (CONTINUED)

2. Payroll: Formalized Training, Roles, and Responsibilities (continued)	
Management's Response: August 2024	Internal Audit Review
Once we have transitioned to FOCUS, we can provide an update. Updated Estimated Completion Date: June 30, 2025	Management indicated that this observation is not ready to test this round of follow-up (FY24). During FY23 follow-up, Management stated that job descriptions will be updated upon implementation of the new ERP system. We recommend performance of follow-up testing after the remediation actions have been completed. As such, this observation remains open.

OBSERVATIONS MATRIX – YEAR END TAX REPORTING AND DISBURSEMENTS (CONTINUED)

3. Payroll: Review and Approval

Risk Rating: High

Status: Open

Observation Summary

Through our discussions with the Payroll Services Department leadership, we noted that several key tasks were performed manually by either a Payroll Analyst or Payroll Specialist without a secondary review for accuracy. Additionally, we noted that many of these tasks require input from external departments (i.e., deduction adjustments require input from the Benefits Department and W-2 forms require input from Human Resources). There are currently no formal procedures requiring documented review of inputs by the external Department prior to acceptance by Payroll.

Recommendation Summary

We recommend that the District consider assigning a designated reviewer of the inputs made by the Payroll Analyst or Specialist. Reviewers should, at a minimum, have the knowledge and expertise necessary to identify issues, miscalculations, and discrepancies. All updated procedures and expectations should be formally documented, periodically reviewed, and effectively communicated to all relevant process owners (see Observations 1 and 2). Further, we recommend that the Payroll Services Department collaborate with Human Resources and Benefits Departments to identify a process to document the review by each Department of their respective inputs for accuracy prior to flowing into payroll calculations.

Management's Action Plan

Response: Reassessment of the edit procedures run during payroll process will be conducted and updated as necessary. Develop a workflow, in conjunction with the IT department, for processing W2 documents accurately and on time. Develop a checks and balance system (a secondary review process) for reviewing and correcting any data calculation errors.

Responsible Party: Payroll Coordinator; Business Analyst; Sr. Information Systems Analyst; IT Director; Human Resources Director; Risk and Benefits Mgt. Director

Estimated Completion Date: June 2022

OBSERVATIONS MATRIX – YEAR END TAX REPORTING AND DISBURSEMENTS (CONTINUED)

3. Payroll: Review and Approval (continued)	
Management's Response: August 2024	Internal Audit Review
A W-2 process will be updated once we transition to FOCUS. We have implemented a procedure requiring supervisory approval as W-2 edits and adjustments are done throughout the year. Updated Estimated Completion Date: June 30, 2025	Management initially indicated that this observation was ready for this round of follow-up. However, upon further inquiry, Management expressed that processes continue to rely heavily on manual inputs. In our review, Management did not provide a workflow (in collaboration with the IT department) for processing W2 documents accurately and on time. Additionally, they stated while supervisory review is performed for these functions, it is not formally documented. Without an audit trail, we are unable to verify the presence of appropriate segregation of duties and necessary approvals. The existence of manual processes further underscores the need for a supervisory review, given the increased risk of errors. As a result, this observation will remain open.

OBSERVATIONS MATRIX – YEAR END TAX REPORTING AND DISBURSEMENTS (CONTINUED)

4. Finance: User Access Management

Risk Rating: High

Status: Closed

Observation Summary

During our review, we noted several issues regarding management of user access roles within the Oracle application. These issues are outlined below.

Role Capabilities and Clarity: Through discussion with the Finance Department and review of their Oracle assignments, we noted that a clear understanding of the access granted by role does not exist. We noted that both the standard Oracle roles and the custom created roles do not contain detailed descriptions of access or edit rights.

User Access Change Management: Through discussion with Information Technology Services on the process to edit Oracle roles, we noted that while user departments may request user access modifications from the Information Technology Services via email, edit requests are also accepted verbally and without documentation of who the requestor is, the desired role, or who approved it.

Periodic User Access Review: Through discussions with the Information Technology Services Department, we noted that while a periodic user access review was performed for the Cross Pointe application, a similar process for Oracle user access has not yet been implemented.

Recommendation Summary

We recommend the following:

- The district should perform a baseline review of all roles, define the access capabilities within each role, and document for reference.
- User access provisioning should be the responsibility of the IT function where possible. This process could be further enhanced by the creation of a separation of duties matrix by department whereby, new access will only be provisioned if the access does not create a conflict or if a mitigating control is identified prior to granting the access.
- Changes made to the access capabilities should follow a defined process that includes proper request, testing, and approvals by each IT and requesting Department prior to the change being made. No changes should be made to roles without first determining if the change will result in a segregation of duties conflict.
- The District should implement a regular user access review.

OBSERVATIONS MATRIX – YEAR END TAX REPORTING AND DISBURSEMENTS (CONTINUED)

4. Finance: User Access Management (continued)	
Management's Action Plan	
Response: The IT Department will create a formal procedure for 1.) Creating, 2.) Editing, and 3.) Assigning user access roles in the Oracle System to include review and approval of management. The IT Department will update our customized roles to clearly define the capabilities and access provided. As the District cannot modify the description of Oracle's canned roles, the IT Department will submit a service request asking the vendor to update their role descriptions. The IT Department will create a formal procedure regarding the period review of user access to the Oracle system. This process will be maintained and documented. Responsible Party: Finance Director; ERP System Administrator; IT Director Estimated Completion Date: March, 2022	
Internal Audit Review	
During this round of follow-up, we received user access information for the Finance Department and confirmed addition of role clarity, capability detail, and user permissions within Oracle. Access privileges are now outlined in detail including user-specific access attributes. Additionally, we confirmed the most recent user access review was conducted in November 2023 to assess the allowability of users and their permissions within the module. Upon inspection of the Finance Department's user access, we noted no instances of inappropriate permissions. We received the <i>Identity and Access Management Handbook</i> detailing the process for initiating IT tickets to modify user access permissions. As such, this observation is closed.	

OBSERVATIONS MATRIX – YEAR END TAX REPORTING AND DISBURSEMENTS (CONTINUED)

5. Finance: Monitoring Procedures	Risk Rating: Moderate	Status: Open
Observation Summary		
The Finance Department utilizes Oracle reports to identify unpaid invoices that have been received and entered into the system by Finance. However, we noted there is no process to identify delays in invoice approvals from user schools or departments. Through our testing, we noted that invoices are paid expediently once delivered to Finance, however, thirteen (13) of the sixty-two (62) sampled invoices had an average delay of 94 days in approval from the user department or school.		
Recommendation Summary		
We recommend the Finance Department consider creating processes to monitor invoice turnaround time. Example processes may include: Creating an Oracle entry for schools and departments to log the receipt date of invoices prior to approval; Requiring school or departments to date stamp invoices upon receipt; Requiring vendors to send a copy of an invoice directly to the Finance department; Running reports periodically through the Oracle system to determine which purchase orders have goods/services received but not paid and following up with the user department or school for invoice status.		
Management's Action Plan		
Response: When invoices are received in the Finance Department, they are paid timely. Without monitoring tools, it is difficult for Finance to know when invoices are received by other departments. It may be the responsibility of the Finance Department to pay invoices in a timely manner, but it is the responsibility of the departments who receive an invoice to process and remit it to Finance in a timely manner. The Finance Department will continue to notify departments about submitting invoices as soon as they are received to ensure payments are made in a timely manner. Ultimately, it is the district's responsibility that the vendors are paid in a timely manner and in accordance with contract/state statute and finance will continue to work with Oracle to identify automated methods for ensuring obligations are met. Responsible Party: Finance Director; ERP Systems Administrator Estimated Completion Date: June 2022		

OBSERVATIONS MATRIX – YEAR END TAX REPORTING AND DISBURSEMENTS (CONTINUED)

5. Finance: Monitoring Procedures (continued)	
Management's Response: August 2024	Internal Audit Review
We acknowledge the ongoing status of this observation concerning the monitoring procedures for open purchase orders (POs) and non-invoiced receipts. The district remains committed to refining its processes as part of transitioning to a centralized accounts payable department. The implementation of the new ERP system will initiate this transition. Updated Estimated Completion Date: June 2025	Management indicated that this observation is not ready to test this round of follow-up (FY24). During FY23 follow-up, RSM noted that the District is in the process of creating controls to monitor open POs and non-invoiced receipts. The District is awaiting implementation of a new Enterprise Resource Planning (ERP) system to address this issue. We recommend that Purchasing & Warehouse Services, Financial Services, and Information Technology Services collaborate to address remediation of this observation, and to assign responsibility for the performance of implemented monitoring procedures. We recommend follow-up testing be performed after the remediation actions have been completed. As such, this observation remains open.

TIMEKEEPING

Issued January 18, 2023

OBSERVATIONS MATRIX – TIMEKEEPING

1. Segregation of Duties and Procedures – Timekeeping Subsystems	Risk Rating: High	Status: Open
Observation Summary <u>Segregation of Duties</u> We noted Human Resources (“HR”) and Payroll Services retain the ability to perform key user access functions for Payroll Processes and TCP, which are timekeeping support applications. These include setting and granting access authority, the ability to enter time for Payroll Process, and perform sign-in and sign-out functions in TCP. As a result, segregation of duties between the granting of system access capabilities and the administration of timekeeping functions have not been sufficiently established within the Payroll Processes and TCP applications. <u>IT Procedures</u> Currently, there are 380 District personnel in Payroll Processes and 203 District personnel in TCP with access. Existing procedures do not define the process by which a new or existing user can have their access capabilities granted/updated or terminated for the support timekeeping applications of Payroll Process and TCP. Additionally, we noted that regularly occurring user access reviews are not performed, and standardized procedures dictating user access review activities does not yet exist.		
Recommendation Summary We recommend the District analyze and enhance its policies and procedures to establish standard ITS user access procedures for subsystems. This review should be designed to identify varying user access concerns including; if terminated users weren't removed, whether incorrect privileges were assigned, whether current access privileges impede proper segregation of duties, or identify role changes where access to key functions is no longer required. This may include, but is not limited to the following: • The District should perform a baseline review of all roles, define the access capabilities within each role and document for reference. • An in-depth audit review of user access role rights for all VCS related areas to obtain an understanding of the access capabilities within each role. • The District ITS personnel should be directly involved, responsible, and in control of the procedures for all system user role access management and documentation. The user access provisioning should be the responsibility of the ITS function where possible. This process could be further enhanced by the creation of a separation of duties matrix by department whereby, new access will only be provisioned if the access does not create a conflict or if a mitigating control is identified prior to granting the access.		

OBSERVATIONS MATRIX – TIMEKEEPING (CONTINUED)

1. Segregation of Duties and Procedures – Timekeeping Subsystems (continued)	
Management’s Action Plan	
Response: HR/Payroll will turn over granting access to TCP and Payroll Processes to Tech Services. There will be an approval process where payroll determines the level of access needed to each system based on job role. Procedures will follow current technology services process for requesting access. Audits of users will occur based on the tech services audit timeline. Responsible Party: Payroll and Tech Services Estimated Completion Date: May 2023	
Management’s Response: August 2024	Internal Audit Review
After we transition to FOCUS, we will be able to update this process Updated Estimated Completion Date: June 30, 2025	Management indicated that this observation was not ready for testing this round of follow-up. Upon further inquiry, we noted that the District has chosen a new ERP system (Focus) and are in the process of migrating the timekeeping function of both TCP and Payroll Processes over to Focus. Once the migration is completed then the provisioning process will be integrated into ITS user access procedures. As such, this observation remains open.

OBSERVATIONS MATRIX – TIMEKEEPING (CONTINUED)

2. Timekeeping Subsystems User Access

Risk Rating: High

Status: Open

Observation Summary

We inquired of Payroll Services and Information Technology Services to identify key functions in Payroll Processes that are used in the timekeeping process. We identified the following key user capabilities:

Payroll Processes

- The ability to create time entries;
- The ability to edit time entries; and
- The ability to grant user access capabilities to Payroll Process for time entry.

Based on our walkthrough procedures with various timekeepers at the sampled locations and members of Payroll Services, we identified the job titles that require the ability to create time entries as part of their daily job responsibilities as timekeepers. Once a time entry has been created in Payroll Processes, members of the Payroll Services team are the only users granted the ability to assign those timekeeping entries to a payroll run within Cross Point.

Of the 381 total users with the ability to create timekeeping entries in the Payroll Processes web application, we identified ten (10) users including bus operators, substitute teachers, and custodians with the ability to create timekeeping entries. These positions were not consistent with District site timekeeper positions. The ability to grant user access roles to Payroll Processes should be limited to Information Technology Services. During our review, we identified twelve (12) individuals with the ability to grant user access including Maintenance office specialists, substitute teacher, and other analyst positions. We did not identify any instances where these 12 individuals granted inappropriate access.

Recommendation Summary

We recommend that VCS perform a detailed review over all users with edit access to key functions as it relates to timekeeping. We further recommend that any user identified as having excessive or inappropriate edit access has their access to key functions removed. VCS should also develop, document, and implement procedures to regularly monitor and review user profiles including terminated employees, temporary user profiles, and transfers within VCS. A documented review of system user access should be performed on at least an annual basis.

Management's Action Plan

Response: Payroll will work with Tech Services to audit access on a quarterly basis. Tech Services will also take over providing access to new users.

Responsible Party: Payroll and Tech Services

Estimated Completion Date: May 2023

OBSERVATIONS MATRIX – TIMEKEEPING (CONTINUED)

2. Timekeeping Subsystems User Access (continued)	
Management's Response: August 2024	Internal Audit Review
After we transition to FOCUS, we will be able to update this process Updated Estimated Completion Date: June 30, 2025	Management indicated that this observation was not ready for testing this round of follow-up. Upon further inquiry, we noted that the District has chosen a new ERP system (Focus) and are in the process of migrating the timekeeping function of both TCP and Payroll Processes over to Focus and a detailed review of user access has not been performed. Once the migration is completed then the provisioning process will be integrated into ITS user access procedures. As such, this observation remains open.

OBSERVATIONS MATRIX – TIMEKEEPING (CONTINUED)

3. Manual Timekeeping Process

Risk Rating: High

Status: Open

Observation Summary

Manual procedures occur at the point of time entry for District sites using paper timecards and at the point of data upload to Cross Point for sites using TCP. Manual procedures are further performed when timekeepers then key time into Payroll Processing. We noted the following:

- Manual steps in VCS timekeeping process include
- The recording of time and time exceptions;
- Attestation of recorded time by employees and supervisors;
- Time spent interpreting unreadable timesheets;
- Recalculation of totals;
- Follow up on missing timesheets
- Time spent interpreting TCP entry or paper sign-in and sign-out documentation;
- Timekeepers following up on missing time exception / overtime support, approved leave requests, and other documentation;
- Tracking down supervisor approval;
- Corrections to errors or other irregularities in the source documents provided; and
- Review employee entry into Payroll Process.

In addition to manual procedures at the school / department site-level, Payroll Services performs a manual review of time entries and leave balances to verify accuracy.

Recommendation Summary

We recommend that VCS perform a detailed review over all users with edit access to key functions as it relates to timekeeping. We further recommend that any user identified as having excessive or inappropriate edit access has their access to key functions removed. VCS should also develop, document, and implement procedures to regularly monitor and review user profiles including terminated employees, temporary user profiles, and transfers within VCS. A documented review of system user access should be performed on at least an annual basis.

Management's Action Plan

Response: With the pending RFP for a new HR/Payroll system, a more unified timekeeping process will be developed.

Responsible Party: Payroll

Estimated Completion Date: August 2023

OBSERVATIONS MATRIX – TIMEKEEPING (CONTINUED)

3. Manual Timekeeping Process (continued)	
Management's Response: August 2024	Internal Audit Review
After we transition to FOCUS, we will be able to update this process Updated Estimated Completion Date: June 30, 2025	Management indicated that this observation is not ready to test this round of follow-up. Upon further inquiry, we noted that the District is undergoing an ERP implementation, which may impact the manual processes currently in place. As such, this observation remains open.

OBSERVATIONS MATRIX – TIMEKEEPING (CONTINUED)

4. Timekeeping Documentation – Verification and Authorization

Risk Rating: Low

Status: Open

Observation Summary

Time Authorization by Supervisor

Per the Volusia County Schools Payroll Procedures Manual, immediate supervisors are required to review and approve all timesheets, timecards, and leave request for each pay period. During our detailed testing of these documents, we noted the following:

- Four (4) out of thirty (30), or 13%, of sampled timesheets did not retain evidence of supervisory approval prior to submission to the site timekeeper for entry. All (4) exceptions noted were all the sampled custodial staff sampled within our testing. Upon inquiry, we learned that while District procedures require supervisory review and approval timesheets prior to submission to the site timekeeper, this review was not being performed by the custodial supervisor or the Principal at the school. We noted Custodial Services were previously outsourced to a private vendor, and the District is currently transitioning from to in-house custodial District staff.

Time Verification by Employee

VCS requires all employees, exempt and non-exempt, to sign-in and -out daily. Signing in and/or out in advance is not permitted. During our review we noted a total of four (4) instances out of thirty (30), or 13% instances of noncompliance with procedures:

- One (1) employee did not provide a signature on the paper employee sign-in sheet.
- We were unable to verify the identity or timeliness of entry for three (3) individual signatures on the employee sign-in and sign-out sheet at one site tested. This was due to the site's usage of a shared online spreadsheet.

Recommendation Summary

We recommend that VCS perform the following:

Perform employee training to reinforce the requirement for all employees to certify that the hours worked and reported on their respective timesheets each pay period are accurate pre-payroll, documentation of employee certification should include employees' signature and date of certification.

Reinforce and clarify the requirement for all timesheets to be reviewed and approved by an employee's immediate supervisor pre-payroll. This review can first be performed by the timekeeper; however, it must be additionally documented and approved by the employee's immediate supervisor and include supervisor's signature and date of certification.

Additionally, the District could consider updating its current timekeeping procedural manuals to incorporate the implementation of standardized timesheets and time tracking systems at all sites. The timesheet form should include: dates (including year and pay period); site name and number; employee name as it appears on their job record; employee signature and immediate supervisor signature and date. A system of record to track employee sign-in and sign-out time could be standardized to reduce errors and create consistence of retained documentation for timekeeping records, whether it was electronic of manual.

OBSERVATIONS MATRIX – TIMEKEEPING (CONTINUED)

4. Timekeeping Documentation – Verification and Authorization (continued)	
Management’s Action Plan	
Response: Ongoing training with payroll clerks is offered through the Clerical Institute. Payroll training was recently offered to principals at an HR meeting. These options will continue to occur into FY24. Payroll clerks can also request additional training at any time during the school year. Payroll also conducts quarterly audits of schools and departments where audit findings are reviewed with the principal. Estimated Completion Date: May 2023 Response: Payroll will work to create a consistent paper timesheet for usage throughout the district. With the pending RFP for a new HR/Payroll system, a more unified timekeeping process will be developed. Estimated Completion Date: August 2023 Responsible Party: HR and Payroll	
Management’s Response: August 2024	Internal Audit Review
Training for Payroll Clerks continues and updated procedures will be available once we transition to FOCUS. Updated Estimated Completion Date: June 30, 2025	During this round of follow-up, we selected a sample of 15 employees and reviewed their timesheets for completeness, mathematical accuracy, and supervisory approval, prior to processing. Our testing revealed that five (5), or 33% of our samples did not have a documented supervisory review of the timesheets. Additionally, one (1), or 7% of our samples, did not retain any timesheets for the selected pay period. As a result, this observation remains open.



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