



Volusia County Schools, Florida Internal Audit Report: FY25 Follow-Up

May 7, 2025

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TRANSMITTAL LETTER

May 7, 2025

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") 2024-25, 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. We will be presenting this report to the next scheduled meeting for the Audit Committee of VCS.

Internal Audit Report	Total Audit Items	Total Closed	Closed During This Round	Open	
				In Progress	Not Started
Design and Construction <i>Issued October, 2020</i>	6	5	1	1	-
Maintenance Department Operations <i>Issued September, 2021</i>	5	4	-	1	-
White Fleet Management <i>Issued September, 2021</i>	7	7	1	-	-
Year End Tax Reporting and Disbursements <i>Issued September, 2021</i>	8	5	1	3	-
Timekeeping <i>Issued January, 2023</i>	4	-	-	4	-
Total	30	21	3	9	-

We also issued our report of Student Discipline on May 19, 2025. The follow-up for this internal audit report is issued as a separate report and not included in the table above. We would like to thank the staff and all those involved in assisting us with this follow-up report.

Respectfully Submitted,



RSM US LLP

DESIGN AND CONSTRUCTION

Issued: October 7, 2020

OBSERVATIONS MATRIX – DESIGN AND CONSTRUCTION

3. Negotiation of Stipulated Rates

Risk Rating: Moderate

Status: Open

Original 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 Construction Manager at Risk (“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.

Original 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 Response: May 2025

Response: The amended construction agreements, which include enhanced provisions for payroll documentation and clarified requirements for stipulated rate components, are now being implemented for FY25 projects. The first projects utilizing these updated agreements will begin in June 2025. Sample testing to validate the effectiveness of these changes is expected to commence in July 2025 by the district, once a sufficient population of contracts is available for review. These updates are intended to improve transparency, ensure compliance with contract terms, and strengthen cost documentation requirements in Construction Manager at Risk (CMAR) agreements.

Responsible Party: Coordinator, Facilities Construction Design and Construction

Updated Estimated Completion Date: July 2025

Internal Audit Review

During the previous rounds of follow-up, RSM verified that the construction agreements were amended as of August 2024 to include new language relating to proof of payroll, requiring timesheets to be included in the submitted payment applications. Additionally, General Requirements/General Conditions (“GC/GR”) were amended to require that any changes to rates previously documented in the GC/GR will be indicated within the pay applications. These changes will be reflected and utilized for all FY25 construction projects. As these projects will not begin until Summer 2025, RSM confirmed that a sufficient population of contracts would not be available to sample from; due to the recency of the implemented remediation, follow-up testing cannot be adequately performed at this time.

As such, this observation remains open.

OBSERVATIONS MATRIX – DESIGN AND CONSTRUCTION (CONTINUED)

4. Decentralized Procurement Policies

Risk Rating: Moderate

Status: Closed

Original Observation Summary

Through our walkthroughs, we noted that procurement of construction contracts is currently decentralized and managed by the 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 (see Observation #2 in the original report). 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.

Original Recommendation Summary

We recommend the District shift the 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.

Internal Audit Review

Through conversations with management, we confirmed that the District amended their process in October 2024 and developed and implemented a new standard operating procedure which took place on May 5, 2025. This procedure details that the Director of Procurement, or their designee, will be responsible for reviewing all solicitations and related addenda prior to their posting on VendorLink. Additionally, the Director or designee will attend all evaluation committee and negotiation meetings for solicitations that fall within the CCNA thresholds for solicitation requirements.

As these thresholds are already referenced in Policy 602 and are subject to change on an annual basis, the District will refrain from updating Policy 702 to reflect these figures. This approach will ensure consistency and avoid the need for ongoing revisions to multiple policies. This observation is deemed closed.

MAINTENANCE DEPARTMENT OPERATIONS

Issued September 16, 2021

OBSERVATIONS MATRIX – MAINTENANCE DEPARTMENT OPERATIONS

4. Work Order Management

Risk Rating: Moderate

Status: Open

Original 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; and 100% of the sampled work orders did not have evidence of Supervisory review.

Original 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 confirm work orders include appropriate documentation of the CSR, and that all work orders receive proper approval. Further, we recommend that the 5% supervisory audit and review requirement is monitored and that functionality be introduced into the AiM workflow to appropriately document work order review requirements. This functionality will be able to drive reporting to validate compliance with review requirements.

OBSERVATIONS MATRIX – MAINTENANCE DEPARTMENT OPERATIONS (CONTINUED)

4. Work Order Management (Continued)

Management's Response: May 2025

Response: The District has implemented a formalized CSR approval protocol within AiM to enhance compliance, workflow integrity, and documentation standards. Supervisors have been directed that only supervisory-level staff may change CSR status to “open,” and that Office Specialists or other non-supervisory personnel are no longer authorized to perform this function. Additionally, if a supervisor creates a CSR, a higher-level designee (such as a coordinator or director) is required to approve it to maintain segregation of duties. These expectations were issued in writing to all Maintenance supervisors and coordinators in March and again in May 2025. An exception report is now being used to monitor compliance with this requirement.

To support accountability and continuous improvement, each Maintenance supervisor is now required to conduct a minimum of five (5) work order audits per week, replacing the previous 5% sampling rate. This weekly audit process focuses on confirming proper documentation, work completion, and adherence to established workflow procedures. Updated procedures and system reporting tools are currently being developed in AiM to track and validate these reviews.

Responsible Party: Facilities Maintenance & Operations

Updated Estimated Completion Date: September 2025

Internal Audit Review

During the previous rounds of follow-up, 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. Management amended the workflow to require technical supervisory approval.

During FY25 follow-up, we selected a sample of ten (10) work orders, including both proactive and reactive types. These work orders were tested for appropriate creation, retention, reference to the Customer Service Request (“CSR”), approval from the supervisor for reactive work orders, and segregation of duties between the creator and approver. We noted that 100% of our samples contained reference to the CSR, had work order entry creation approval, and reflected appropriate segregation of duties between the creator and data entry approver. However, within our sample testing, we found that three (3) proactive work orders, or 30% of our samples, did not contain technical supervisory review approval.

RSM received the Maintenance and Operations Manual and verified evidence of procedures defining the required 5% maintenance leadership audit and review requirement for work orders within AiM, with documentation that the allocated portion of work orders were reviewed by a reporting component to validate compliance with the review requirement. Through our testing, we received confirmation from the District that of 18,801 work orders between 07/01/24 and 01/15/25, only 463, or 2.46%, were audited by a supervisor to meet the requirements of the leadership audit. We understand that the District may wish to revisit the 5% supervisory audit requirement. We support the District in assessing risk vs. benefits of the potential changes. As such, this observation remains open.

WHITE FLEET MANAGEMENT

Issued September 16, 2021

OBSERVATIONS MATRIX – WHITE FLEET MANAGEMENT

4. Facilities – Purchasing Card Parts Purchases	Risk Rating: High	Status: Closed
Original Observation Summary		
<p>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.</p>		
Original Recommendation Summary		
<p>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.</p>		
Internal Audit Review		
<p>During FY25 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 the Assistant Director and/or Shop Manager. At the conclusion of our testing, we did not identify any instances with inappropriate segregation of duties. All samples reflected compliance through appropriate segregation between the requestor and the Assistant Director and/or Shop Manager (approver). Management confirmed the system limitation identified during the previous round of follow-up (FY24) had been remediated, with the removal of the system’s ability to bypass a secondary technical review. This observation is deemed closed.</p>		

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

Original 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 a formal process for periodically updating policies and procedures did not exist, 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.

Original 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.

Management's Response: May 2025

Response: The District is currently transitioning to the FOCUS ERP system, with full implementation of the HR/Payroll modules scheduled for July 2025. In alignment with this transition, the Human Resources and Benefits Departments are actively reviewing and updating all associated policies and procedures. These updates will reflect new workflows, responsibilities, and system processes introduced through FOCUS. The updated documentation will include clearly defined roles and responsibilities, operational checklists, and procedural guidance to ensure consistency, accuracy, and compliance. Finalized policies and procedures will be published following system stabilization to ensure they align with the live production environment.

Responsible Party: Executive Director, Human Resources

Updated Estimated Completion Date: December 2025

Internal Audit Review

During previous rounds of follow-up, 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*, which details the operations (such as roles and responsibilities, payroll processing, invoices, and timekeeping) established under *Payroll Policy 419*.

During FY25 follow-up, we noted that updated procedures covering Benefits and HR have not yet been drafted or completed. Per discussions with Management, these procedures will be established once the migration to the FOCUS ERP has 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

Original Observation Summary

During our review, we noted that a defined process to provide formal training to assist with change management within the Payroll Services Department does not exist. We also noted that a process to formally communicate current practice or obtain acknowledgment from team members of their respective roles and responsibilities does not yet exist. Through discussions with Management, 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 and significant change in the Payroll Department, job responsibilities have shifted without formal involvement from the Human Resources team. A formal process that provides on-demand or periodic training to all staff members could provide business and skill continuity and identify knowledge gaps before an issue arises.

Original 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 Response: May 2025

Response: The District is in the process of transitioning to the FOCUS ERP system, with full implementation of the HR/Payroll modules scheduled for July 2025. As part of this transition, existing job roles within the Payroll Services Department are being re-evaluated in coordination with Human Resources. Updated job descriptions are being developed to reflect the responsibilities and workflows associated with the new system. A formalized training program will also be established to ensure consistent onboarding and cross-training aligned with the new structure.

Responsible Party: Executive Director, Human Resources

Updated Estimated Completion Date: December 2025

Internal Audit Review

Management stated that job descriptions will be updated upon implementation of the new FOCUS ERP system and indicated that this observation is not ready to test during this round of follow-up (FY25). We recommend the 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: Closed

Original 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.

Original 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 in the original report). 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.

Internal Audit Review

Management indicated a new control process that requires physical signatures on the W-2 edits. Physical signatures are also now required on W-2 reconciliations, which are prepared by the Payroll Specialist and reviewed and approved by the Payroll Coordinator. Management indicated that this process would be further automated and updated once the FOCUS ERP implementation is complete.

RSM reviewed the 2024 Calendar Year-End W-2 Reconciliation (prepared in February 2025) and inspected the supporting documentation for evidence of technical review and segregation of duties. Upon inspection, we confirmed the presence of physical signatures and dates indicating the preparer and approver on the supporting documents. This observation is deemed closed.

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

8. Finance: Monitoring Procedures

Risk Rating: Moderate

Status: Open

Original 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.

Original 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.

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

8. Finance: Monitoring Procedures (Continued)

Management's Response: May 2025

Response: The District acknowledges the importance of addressing delays in invoice approvals at the school and department levels. While the long-term corrective action will be addressed through the implementation of our new ERP system (FOCUS), we have also taken several interim steps to improve invoice tracking and accountability in the current environment.

Interim Actions:

1. **Interim Tracking Log:** The Accounts Payable team is transitioning to centralized payables, where all invoices will be delivered to a designated lockbox. From there, the Accounts Payable team will log each invoice and route it to the appropriate department for review and approval.
2. **Communication Protocols:** Regular reminders are being sent to school bookkeepers and departmental staff, emphasizing the importance of timely invoice approvals and outlining the potential risks and consequences of delays.
3. **Monitoring PO Aging Reports:** The Finance team is utilizing an Oracle-based report to monitor open purchase orders. This report will help identify instances where goods or services have been received but not yet invoiced or paid, enabling timely follow-up with the relevant departments to resolve discrepancies.

The new ERP will offer:

The District is actively addressing this observation through the implementation of a new Enterprise Resource Planning (ERP) system, FOCUS, which will modernize and centralize the Accounts Payable (A/P) process. Under the new system, all vendor invoices will be submitted directly to the District-level A/P office, where they will be scanned, logged, and uploaded into the invoice module. Each invoice will then be automatically matched with its corresponding purchase order and electronically routed to the originating department or school for review and receipting.

Once the invoice is marked as received by the requisitioning party, it will be automatically routed back to the A/P department for final processing and payment. This centralized workflow creates an electronic audit trail, allowing the District to monitor invoice status in real time and flag bottlenecks, including delays in invoice review or approval by user departments.

In addition, the new system will allow Finance staff to run exception reports identifying open purchase orders, received goods without corresponding invoices, and aging data to track turnaround times and follow up proactively. This resolves the core issue identified in the original observation—namely, the lack of visibility into invoices sitting at the school or department level awaiting approval.

Responsible Party: Financial Services (Accounts Payable) and Information Technology Services

Updated Estimated Completion Date: Full implementation of the FOCUS invoice module is expected by April 2026. Monitoring procedures and exception reports will be fully operational and tested by June 2026.

Internal Audit Review

During previous rounds of follow-up, RSM noted that the District is in the process of creating controls to monitor open POs and non-invoiced receipts. The District has decided to defer remediation until the implementation of a new Enterprise Resource Planning (“ERP”) system, FOCUS, to address this issue. We recommend that Purchasing & Warehouse Services, Financial Services, and Information Technology Services collaborate and 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

Original Observation Summary

Segregation of Duties

We noted Human Resources (“HR”) and Payroll Services retain the ability to perform key user access functions for payroll processes and TimeClock Plus (“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.

IT Procedures

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.

Original 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 access does not create a conflict or if a mitigating control is identified.

OBSERVATIONS MATRIX – TIMEKEEPING (CONTINUED)

1. Segregation of Duties and Procedures – Timekeeping Subsystems (Continued)

Management's Response: May 2025

Response: The District is in the process of implementing the FOCUS ERP system, which will replace the existing timekeeping subsystems (TCP and Payroll Processes) and streamline user access management. As part of this transition, the new procedures will ensure appropriate segregation of duties, limit elevated access to authorized personnel, and incorporate periodic user access reviews. The District will also develop a department-specific segregation of duties matrix to prevent access conflicts and ensure adequate internal controls. These procedures will be finalized and fully operational following the stabilization of the new ERP platform.

Responsible Party: Executive Director, Human Resources

Updated Estimated Completion Date: June 2026

Internal Audit Review

Management indicated that this observation was not ready for testing this round of follow-up (FY25). Upon further inquiry, we noted that the District has chosen a new ERP system, FOCUS, and is in the process of migrating the timekeeping function of both TCP and Payroll Processes over to this new platform. Once the migration is completed, 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

Original 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.

Original 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.

OBSERVATIONS MATRIX – TIMEKEEPING (CONTINUED)

2. Timekeeping Subsystems User Access (Continued)

Management's Response: May 2025

Response: The District is currently implementing the FOCUS ERP system, which will consolidate and modernize timekeeping and user access controls. As part of this implementation, all existing user access roles across legacy systems will be reviewed, and inappropriate or excessive privileges will be removed. The new ERP platform will integrate user provisioning directly with Information Technology Services, ensuring centralized control over timekeeping access rights. Formal procedures will be developed to support periodic access reviews, deactivation of terminated or transferred users, and documentation of changes. These controls will align with internal audit recommendations and ensure user access is consistent with assigned job responsibilities.

Responsible Party: Executive Director, Human Resources

Updated Estimated Completion Date: December 2025

Internal Audit Review

Management indicated that this observation was not ready for testing this round of follow-up (FY25). 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 this new platform. Once the migration is completed, 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

Original 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. After both of these methods, additional manual procedures are further performed by timekeepers when keying data into Payroll Processing. 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.

Each manual component of the timekeeping process creates additional risk of miscalculation resulting in under/over payments, human data entry error, fraudulent time reporting, and workflow inefficiencies, and takes time away from staff that may be better utilized on other activities.

Original 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.

OBSERVATIONS MATRIX – TIMEKEEPING (CONTINUED)

3. Manual Timekeeping Process (Continued)

Management's Response: May 2025

Response: The District's implementation of the FOCUS ERP system will significantly reduce the reliance on manual timekeeping processes currently in place. The new platform will incorporate electronic time entry, automated validation, and approval workflows, eliminating many of the manual tasks such as data transcription, exception tracking, and paper-based sign-in sheets. As part of this transition, updated procedures will be developed to reflect the automated workflows, reinforce compliance requirements, and improve accuracy and efficiency in payroll processing. These changes are expected to improve auditability, reduce the risk of error or fraud, and streamline administrative workload at school and department levels.

Responsible Party: Executive Director, Human Resources

Updated Estimated Completion Date: June 2026

Internal Audit Review

Management indicated that this observation was not ready for testing this round of follow-up (FY25). Upon further inquiry, we noted that the District has chosen a new ERP system, FOCUS, and is in the process of migrating timekeeping functions over to this new platform. The migration and its implementation 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

Original 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.

Original 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 Response: May 2025

Response: The District is addressing this observation as part of the broader transition to the FOCUS ERP system. The new platform will introduce standardized, electronic timesheet and approval workflows that will require employee attestation and supervisor authorization prior to payroll submission. These system-based controls will replace inconsistent manual practices and ensure compliance with District policy across all sites. Additionally, updated timekeeping procedures will be developed to formalize expectations for documentation, including signatures, dates, and verification of hours worked. These enhancements will reduce documentation errors, improve consistency, and create an auditable record of compliance.

Responsible Party: Executive Director, Human Resources

Updated Estimated Completion Date: June 2026

Internal Audit Review

During FY25 follow-up, we selected a sample of fifteen (15) employees and reviewed their timesheets from various payroll runs for completeness, mathematical accuracy, and supervisory approval prior to processing. Our testing revealed that one (1), or 6.7% of our samples did not have a complete timesheet, with entries and signatures missing from the employee's assigned entry line. As such, this observation remains open.



RSM US LLP

7351 Office Park Place
Melbourne, Florida 32940
321.751.6200
www.rsmus.com

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