DALLAS INDEPENDENT SCHOOL DISTRICT

Internal Audit

Continuous Audit - Payroll and Disbursements for Q3 and Q4 of FY 2022-2023

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Fiscal Year 2022-2023 Payroll and Disbursements Activity By Quarter 8

Date: October 18, 2023

To: Board of Trustees
Stephanie S. Elizalde, Ed.D., Superintendent

From: Robert Rubel, MBA, CPA, CIA, CISA
Chief Internal Audit Officer

Subject: Continuous Audit - Payroll and Disbursements for Q3 and Q4 of FY 2022-2023

Executive Summary

The Dallas Independent School District (District) Office of Internal Audit (OIA) has completed the Continuous Audit - Payroll and Disbursements for Q3 and Q4 of FY 2022-2023.

This audit focused on the processes and controls surrounding the District's payroll and accounts payable disbursement transactions for the period of January 1, 2023, to March 31, 2023 (Q3) and April 1, 2023, to June 30, 2023 (Q4). Phase one of this audit, focusing on Q1 and Q2 transactions, was presented at the May 17, 2023 audit committee meeting.

Overall, the District has implemented processes and procedures for the payroll and disbursement processes. There were no recommendations made in this audit report.

Background

Accounting Services provides accurate and timely information and support to campuses and departments in a professional, positive manner so that the District's focus can remain on education of all children. The Accounts Payable Division (AP) of the Accounting Services Department is responsible for ensuring authorization, approval, and required documentation is present prior to distribution of District funds. The District's disbursement process is distributed across three departments: Central AP, Food Services AP, and Bond Services AP. As of July 26, 2023, the District's vendor master file had 6,940 active vendors. According to data obtained from Oracle, AP routinely processes a high volume of transactions for District operations (See Table 1).

Table 1 – Accounts Payable Activity Processed During Q3 and Q4 of FY 2022-2023[1]

Description	Q3	Q4
Number of Purchase Orders Created	12,325	10,910
Purchase Order Amount	$423,442,531	$297,049,386
Number of Invoices Paid	42,366	42,414
Invoice Amount Paid	$303,261,571	$400,937,909
Number of Employees with Mileage Reimbursement	525	585
Mileage Reimbursement Amount	$140,424	$183,314
Miles Reimbursed	223,782	292,927

[1] See Attachment 1 for Q1 & Q2 information.

The Payroll Business Services Department (Payroll Services) is dedicated and committed to providing best-in-class customer service through the delivery of accurate and timely paychecks, robust information and analyses, and support to departments to help achieve the District's strategic plan towards efficiency and excellence. As of July 25, 2023, the master employee file had 22,566 employees. According to data obtained from Oracle, Payroll Services routinely processes a high volume of transactions for District employees (See Table 2).

Table 2 – Payroll Activity Processed During Q3 and Q4 of FY 2022-2023[2]		
Description	**Q3**	**Q4**
Number of Employee Payroll Payments	88,980	83,867
Employee Payroll Amount	$257,070,580	$272,090,563
Number of Employees Paid Overtime	1,774	1,874
Number of Overtime Hours	38,774	42,705
Overtime Amount	$1,515,082	$1,633,586

Scope

The audit period included activity for the period of January 1, 2023, to June 30, 2023. Certain other matters, procedures, and transactions outside that period were reviewed to understand and verify information during the audit period.

Objective

The objective of the audit is to continuously audit the District's payroll and disbursement processes and transactions on a quarterly basis.

Methodology

OIA reviewed processes, controls, and supporting documentation related to data and transactions managed by the Payroll Services and AP departments. To continuously audit District payroll and disbursements transactions, auditors used TeamMate Analytics (TMA), a data analytics software, to analyze and summarize data. Auditors used TMA's library of pre-loaded analytical tests for payroll and disbursements to perform the following testing.

Payroll

1. Duplicate Employee Payments – To identify potential duplicate payments made to employees, auditors obtained an employee payroll report for each pay period within Q3 and Q4 and used the TMA "Duplicate Employee Payments" test. The test identified employees that were paid more than one time over the course of a single pay period. From the employees identified, auditors randomly selected five from each period and obtained and reviewed the correlating statement of earnings to determine if the payments disbursed were for the same hours/time frame.
   No observations were noted.

2. Duplicate Employees – To identify potential duplicate or fictitious employees, auditors obtained the master employee file as of July 25, 2023, from Oracle and ran the TMA "Duplicate

[2] See Attachment 1 for Q1 & Q2 information.

Employees" test to identify employees containing the same name, bank account, and address. Auditors then randomly sampled ten employees with duplicate names, ten employees with duplicate addresses, and ten employees with duplicate bank account numbers and conducted further review by comparing social security numbers, job titles, and dates of birth.
No observations were noted.

3. Excessive Overtime Hours – To identify potential overpayments of overtime hours, auditors obtained a report of employee overtime payments from January 1, 2023, through June 30, 2023. Using the detail provided on the report, auditors used the TMA "Excessive Overtime Hours" test to identify employees with greater than 20 hours of overtime hours paid per pay period, noting 412 instances in Q3 and 524 instances in Q4 of such payments to employees. Auditors made a random selection of 10 employees within each quarter and verified supporting documentation and proper approvals were obtained and kept on file.
No observations were noted.

4. Overtime Paid to Unauthorized Employees – To identify all employees that have been paid for working overtime and determine they are eligible for overtime pay, auditors obtained a report of employee payments from January 1, 2023, through June 30, 2023. Using the report detail, auditors ran the TMA "Overtime Paid to Unauthorized Employees" test. The test was used to identify employees with overtime hours earned on a payment classified as 'monthly'. Typically, employees distinguished as monthly in Oracle are salaried and not eligible to receive overtime pay. Three instances for two employees were identified in Q3 and three instances for two employees in Q4. For those identified, auditors reviewed the employee's payroll profile and ensured they were paid hourly and eligible to receive overtime pay.
No observations were noted.

Disbursements

5. Duplicate Vendors – To identify potential duplicate vendors, auditors obtained the master vendor file as of July 26, 2023, from Oracle and ran the TMA "Duplicate Vendors" test to identify vendors with the same name, address, and/or registered company number (taxpayer ID). The test identified 622 instances of vendors with the same address and 17 instances of vendors with the same taxpayer id. Auditors then randomly selected ten vendor accounts with duplicate addresses and all the vendor accounts with duplicate taxpayer IDs to verify the accounts that were duplicates were properly flagged to prevent purchases or payments being made to that vendor.
No observations were noted.

6. Duplicate Payments – To identify potential duplicate payments, auditors obtained a report of invoices paid from January 1, 2023, through June 30, 2023, from Oracle. Using the report detail, auditors ran the TMA "Duplicate Purchase Invoices/Payments" test. The test identifies separate payments made to a vendor containing the same invoice number. 580 instances were identified in Q3 and 409 instances in Q4. From the population identified, auditors randomly selected five invoices for testing from Q3 and five invoices from Q4. Auditors obtained and reviewed the invoices along with supporting documentation and verified payments were not duplicated i.e., they were made for different POs and were for separate goods and/or services. Additionally, the test identifies separate payments made to a vendor containing the same invoice number and the same amount. Six instances were identified in Q3 and two instances in Q4. Auditors tested all eight invoices flagged and verified payments were not duplicated i.e., they were made for different POs and were for separate goods and/or services.

No observations were noted.

7. Split Purchase Orders – To identify any potential instances where multiple purchase orders were submitted in place of a single purchase order to avoid a dollar or authorization threshold, auditors obtained a report of purchase orders created from January 1, 2023, through June 30, 2023. Using the report detail, auditors ran the TMA "Split Purchase Orders" test to identify purchase orders submitted by a single requestor to the same vendor. The test identified 157 instances in Q3 and 207 instances in Q4. Auditors sampled the five vendors from Q3 and Q4 based on total purchase order amount from a single buyer. For the samples selected, auditors obtained all the POs and reviewed what the purchase was for, the location the purchase was made for, fund type, board document and any other information applicable to determine if the purchase should have been made on a single PO.
   No observations were noted.

8. High Invoice Volume – To identify vendors with a high volume of invoices, auditors obtained a report of invoices paid from January 1, 2023, through June 30, 2023, from Oracle. Using the report detail, auditors ran the TMA "Vendors with Excessive Invoice Volume" test to calculate the number of invoices and credit notes issued by each supplier during the periods tested. Auditors reviewed the results and inquired about any outliers.
   No observations were noted.

9. Mileage Expenses – To determine if unusually high mileage expenses were appropriate, auditors obtained a report of mileage expenses paid from January 1, 2023, through June 30, 2023, from Oracle. Using the report detail, auditors ran the TMA "Unusually High Mileage Expenses" test. The test first calculates the mean mileage and then identifies employees with expense claims containing mileage 2 standard deviations from the mean. 28 employees were identified in Q3 and 30 in Q4. Auditors selected the top 15 employees identified in Q3 and the top 15 identified in Q4 and obtained one expense report for each employee for testing. Auditors reviewed the expense reports for justifications for mileage reimbursement, possible duplicate lines of mileage reimbursed, and possible round-trip reimbursement for one-way trips.
   No observations were noted; however, results were communicated to AP for further review.

Primary criteria used for this audit included:

1) Dallas Independent School District (ISD) Purchasing Manual, dated December 2021
2) Dallas ISD Payroll Manual, dated May 2019

Audit Observations and Recommendations

No observations and recommendations were identified for this audit of payroll and disbursement expenditures for Q3 and Q4 of FY 2022-2023.

Conclusion

Overall, the Payroll Services and Accounts Payable departments have implemented processes and procedures for the payroll and disbursement processes.

We would like to thank Payroll Business Services and Accounting Services for their cooperation and assistance during this audit.

The audit was conducted in accordance with the Institute of Internal Auditors' *International*

Standards for the Professional Practice of Internal Auditing. Those standards require OIA to plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our observations and conclusions based on our audit objectives. OIA believes the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

Respectfully submitted,

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Attachment 1

Fiscal Year 2022-2023 Payroll and Disbursements Activity By Quarter

Table 3 – Accounts Payable Activity Processed During FY 2022-2023				
Description	**Q1**	**Q2**	**Q3**	**Q4**
Number of Purchase Orders Created	11,238	10,698	12,325	10,910
Purchase Order Amount	$211,986,978	$245,655,529	$423,442,531	$297,049,386
Number of Invoices Paid	31,837	37,438	42,366	42,414
Invoice Amount Paid	$340,274,853	$357,194,020	$303,261,571	$400,937,909
Number of Employees with Mileage Reimbursement	536	583	525	585
Mileage Reimbursement Amount	$103,995	$141,829	$140,424	$183,314
Miles Reimbursed	167,842	227,028	223,782	292,927

Table 4 – Payroll Activity Processed During FY 2022-2023				
Description	**Q1**	**Q2**	**Q3**	**Q4**
Number of Employee Payroll Payments	82,965	85,446	88,980	83,867
Employee Payroll Amount	$254,154,895	$281,679,247	$257,070,580	$272,090,563
Number of Employees Paid Overtime	1,946	1,901	1,774	1,874
Number of Overtime Hours	42,995	57,937	38,774	42,705
Overtime Amount	$1,640,015	$2,255,554	$1,515,082	$1,633,586