

**Continuous Audit -
Payroll and Disbursements
for Q1 and Q2 of FY 2023-2024**

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Date: May 15, 2024

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 Q1 and Q2 of FY 2023-2024

Executive Summary

The Dallas Independent School District (District) Office of Internal Audit (OIA) has completed the Continuous Audit - Payroll and Disbursements for Q1 and Q2 of fiscal year (FY) 2023-2024.

This audit focused on reviewing transactions for payroll and disbursements for the period of July 1, 2023, to December 31, 2023.

Overall, the District has controls in place for payroll and disbursement transactions. 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 (AP) Division of the Accounting Services Department is responsible for ensuring authorization, approval, and required documentation is present prior to distribution of District funds.

Table 1 below shows details for disbursement transactions in Q1 and Q2.

Table 1 – Accounts Payable Activity Processed During Q1 and Q2 of FY 2023-2024		
Description	Q1	Q2
Number of Invoices Paid	31,510	37,931
Invoice Amount Paid	\$375,686,774	\$415,463,418
Number of Vendors Paid	1,275	1,500
Number of Employees with Mileage Reimbursement	492	662
Mileage Reimbursement Amount	\$88,950	\$178,059
Miles Reimbursed	140,414	273,333

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.

Table 2 below shows details for payroll transactions in Q1 and Q2.

Table 2 – Payroll Activity Processed During Q1 and Q2 of FY 2023-2024		
Description	Q1	Q2
Number of Employees Paid	25,280	24,119
Number of Employee Payroll Payments	85,738	85,256
Employee Payroll Amount	\$274,945,331	\$301,742,846
Number of Employees Paid Overtime	1,916	3,916
Number of Overtime Hours	38,241	60,287
Overtime Amount	\$1,563,851	\$2,570,969
Number of Employees Paid Supplemental Pay	9,533	9,448
Number of Organization IDs with Supplemental Pay	301	300
Number of Supplemental Pay Hours	255,719	233,514

Scope

The audit period included activity for the period of July 1, 2023, to December 31, 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 review the District's payroll and disbursement transactions for any abnormal or unusual activity.

Methodology

OIA reviewed processes, controls, and supporting documentation related to data and transactions managed by the Payroll Services and AP departments. Auditors used TeamMate Analytics (TMA), a data analytics software, to conduct the following:

Payroll

1. Duplicate Employee Payments – To identify potential duplicate payments made to employees, auditors obtained a listing of employee payroll payments dated July 1, 2023, through December 31, 2023. Auditors then isolated payments by pay period within Q1 and Q2 totaling 13 pay periods and used the TMA "Duplicate Employee Payments" test for each pay period. Test results identified employees that were paid more than once over the course of a single pay period. From the employees identified, auditors randomly selected five employees from each pay period and reviewed the correlating statement of earnings and timesheets to determine if payments disbursed were potentially duplicated. No observations were noted.
2. Duplicate Employees – To identify potential duplicate or fictitious employees, auditors obtained the master employee file as of November 1, 2023 (Q1), and as of February 29, 2024 (Q2), from Oracle and ran the TMA "Duplicate Employees" test to identify employee profiles containing the same name, address, or social security number. Results for Q1 identified 1,354 employees with the same name and 1,476 employees with the same address. Results for Q2 populated 1,331 employees with the same name and 1,889 employees with the same address.

No employees were identified to have the same social security number in either period. Auditors randomly sampled ten employees from each of the buckets above and conducted further review by comparing job titles, dates of birth, and other relevant employee information. No observations were noted.

3. Excessive Overtime Hours – To identify potential excessive use of overtime, auditors obtained a report of employee overtime payments from July 1, 2023, through September 30, 2023, and October 1, 2023, through December 31, 2023. Using the detail provided in each 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 543 instances in Q1 and 807 instances in Q2. 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 determine if overtime payments were made to eligible employees, auditors obtained a report of employee overtime payments from July 1, 2023, through December 31. 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 classified as monthly in Oracle are salaried and not eligible to receive overtime pay. However, there are exceptions for certain monthly salaried employees who can request overtime. A total of 1,094 employees were identified between Q1 and Q2. For those identified, auditors reviewed the employee’s payroll profile and confirmed they were eligible to receive overtime pay. No observations were noted.
5. Supplemental Pay Review – To identify potential misuse of supplement pay, auditors obtained supplemental payments made from July 1, 2023, through September 30, 2023, and October 1, 2023, through December 31, 2023, from Oracle including the supplemental element name and any associated activity codes. Using the report detail, auditors compared a list of job descriptions to the element name to determine if the supplemental pay description was reasonable for that employee’s job description (i.e. a custodial job description was not paid supplemental pay using the tutor element). Additionally, auditors also sampled 25 employees with supplemental pay in Q1 and Q2 to verify the rate paid or activity code matched the District’s compensation handbook or other supporting documentation. No observations were noted.

Disbursements

6. Duplicate Vendors – To identify potential duplicate vendors, auditors obtained the master vendor file as of November 1, 2023, and March 21, 2024, from Oracle and ran the TMA “Duplicate Vendors” test to identify vendors with the same name, address, bank account number and/or registered company number (taxpayer ID). For Q1, the test identified 17 vendors with the same taxpayer ID, 788 vendors with the same bank account number, and 627 vendors with the same address. For Q2, the test identified 9 vendors with the same taxpayer ID, 19 vendors with the same bank account number, and 59 vendors with the same address. From the population identified, auditors reviewed 10 vendor accounts with duplicate addresses and 10 vendor accounts with duplicate bank accounts from Q1 and again for Q2 to verify the accounts that were duplicates were properly flagged to prevent purchases or payments being made to that vendor. No observations were noted.

7. Duplicate Payments – To identify potential duplicate payments, auditors obtained a report of invoices paid from July 1, 2023, through September 30, 2023, and October 1, 2023, through December 31, 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; 386 instances were identified in Q1 and 467 instances in Q2. From the population identified, auditors selected 16 invoices for testing from Q1 and 26 invoices from Q2. 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 either for separate goods/services or different locations.

Additionally, the test identifies separate payments made to a vendor containing the same invoice number and the same amount. Two instances were identified in Q2. Auditors tested both invoices flagged and verified payments were not duplicated.
No observations were noted.

8. Mileage Expenses – To determine if unusually high mileage expenses were appropriate, auditors obtained a report of mileage expenses paid from July 1, 2023, through September 30, 2023, and October 1, 2023, through December 31, 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 of 2 standard deviations from the mean. 21 employees were identified in Q1 and 37 were identified in Q2. Based on the number of miles reimbursed, auditors selected the top 15 employees identified in Q1 and the top 15 identified in Q2 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.

9. Payments to Non-Awarded Vendors – To identify any payments made to non-awarded vendors, auditors obtained a list of non-awarded vendors from the master vendor file and compared to the listing of invoices and payments made to vendors dated from July 1, 2023, through September 30, 2023, and October 1, 2023, through December 31, 2023. Using TMA functionality, 667 payments to non-awarded vendors were identified for Q1, and 593 payments to non-awarded vendors were identified for Q2. From the population, auditors reviewed the vendors with over \$1,000,000 in payments for each quarter to determine if each vendor met the criteria for a non-awarded vendor to be used or if there was an associated board doc approved by the Board of Trustees.
No observations were noted.

10. Payment Timing – To identify any payments not made in accordance with the Prompt Pay Act requirements of 30 calendar days or less, auditors obtained a list of vendor invoices from July 1, 2023, through September 30, 2023, and October 1, 2023, through December 31, 2023. Using the payment date and the latest of the invoice date, invoice received date, and goods/services received date, auditors identified 887 payments in Q1, and 2,847 payments in Q2, past the 30-day requirement. Auditors reviewed 20 invoices and supporting documentation from Q1 and 20 from Q2 to verify dates were correct within the source data and that holds on payments and invoices were in place for payments exceeding the 30-day requirement.
No observations were noted.

11. Vendor vs. Employee Master Files – To identify any District employees with active vendor profiles, auditors used TMA to compare the master employee file with vendor master file to match profiles that had the same bank account number. Auditors identified 25 instances where a vendor in the vendor master file had the same bank account number as an employee in the employee master file. Auditors reviewed each matching profile to verify employees that also have vendor profiles are appropriate and no payments were made to an employee's vendor account while they were an active employee.
No observations were noted.

Primary criteria used for this audit included:

- 1) Dallas Independent School District (ISD) Purchasing Manual, dated August 2023
- 2) Dallas ISD Payroll Manual, dated May 2019
- 3) Dallas ISD Compensation Handbook, dated 2023 - 2024

Audit Observations and Recommendations

No observations and recommendations were identified for this audit of payroll and disbursement expenditures for Q1 and Q2 of FY 2023-2024.

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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