



Houston Independent School District Internal Audit Report: Employee Extra Duty Pay

April 4, 2025



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TRANSMITTAL LETTER



April 4, 2025

The Audit Committee of
Houston Independent School District
4400 W 18th St.
Houston, Texas 77092

Pursuant to the approved internal audit plan for fiscal year ("FY") 2024 for Houston Independent School District ("HISD"), we hereby submit the internal audit of the Employee Extra Duty Pay. This internal audit focused on the employee extra duty pay, which encompassed the examination of policies, procedures, and extra duty pay entry time entry for employees. This draft report was presented to the Audit Committee on February 27, 2025. We were provided additional information from Management and updated our draft report. We will present the updated draft report to the Audit Committee on April 29, 2025.

Our report is organized into the following sections:

Executive Summary	This provides a high-level overview and summary of the observations noted in our internal audit of the employee extra duty pay process(es).
Background	This provides an overview of the function and relevant background information.
Objectives and Approach	The internal audit objectives are expanded upon in this section, as well as a review of the various phases of our approach.
Observations Matrix	This section includes a description of the observations noted during our internal audit and recommended actions, as well as Management response, including responsible party, and estimated completion date.

We would like to thank the staff and all those involved in assisting our firm with this internal audit.

Respectfully Submitted,

RSM US LLP

Internal Audit



EXECUTIVE SUMMARY

Houston Independent School District – Extra Duty Pay

Background

Extra duty pay at HISD compensates employees for work outside their regular responsibilities, such as coaching, mentoring, or leading extracurricular activities. This compensation structure is designed to reward contributions to student development and school community enrichment, with guidelines on eligibility, pre-approval processes, and payment rates. HISD distinguishes between overtime pay for non-exempt employees, governed by the Fair Labor Standards Act (“FLSA”), and extra duty pay, which is discretionary and based on specific roles or tasks rather than the number of hours worked. The District outlines detailed policies for extra duty pay, promoting transparency and accountability, while segregating responsibilities for approval, calculation, and processing to avoid conflicts of interest.

HISD utilizes the TimeClock Plus (“TCP”) system to manage timekeeping and track extra duty hours. This system automates time tracking, integrates with payroll, and ensures compliance with District policies. Supervisors review and approve extra duty pay entries, promoting alignment with District priorities and standardized rates. Extra duty pay at HISD is regularly monitored through a combination of supervisory oversight, timekeeping system controls, and payroll review processes. Supervisors play a critical role by reviewing and approving extra duty assignments, confirming that hours logged in the TCP system correspond with assigned responsibilities.

HISD Extra Duty Pay Overview



Extra Duty Pay Data¹

Individuals Receiving Payments	3,546
Extra Duty Pay Hours	7,441
Extra Duty Pay Expense	\$2,364,122

¹Data from July 17, 2024, to November 6, 2024

Internal Audit Objectives

The objective of this internal audit was to evaluate the design and control structure, including adherence to policies, procedures, and relevant laws and regulations for the operating effectiveness of the District’s extra duty pay processes. In-scope areas included key processes and controls related to extra duty pay tracking, time recording, and extra duty pay approval within the District’s operations. Our audit period was July 17, 2024 through November 6, 2024. Our procedures included:

- Reviewed District policies on extra duty pay, confirming eligibility, approval processes, and payment rates.
- Assessed segregation of duties in the extra duty pay process, promoting appropriate review of approval, calculation, and processing.
- Performed detail testing of forty (40) transactions for pre-approval, accuracy of pay calculations, and compliance with policy and grant requirements.
- Evaluated monitoring and reconciliation activities for extra duty pay transactions.

At the conclusion of this internal audit, we summarized our findings into this report. We reviewed the results with the appropriate Management personnel and incorporated Management responses into this report.

Summary of Observation Ratings

	Low	Moderate	High
Observations	1	-	1

We would like to thank all District team members who assisted us throughout this internal audit.



EXECUTIVE SUMMARY (CONTINUED)

Observation Summary

Provided below are the observation risk rating definitions for the detailed observations.

Observation Risk Rating Definitions	
Rating	Definition
Low	Observation presents a low risk (i.e., impact on financial statements, internal control environment, or business operations) to the organization for the topic reviewed and/or is of low importance to business success/achievement of goals. Action should be taken within 12 months (if related to external financial reporting, mitigate financial risk within two months unless otherwise agreed upon).
Moderate	Observation presents a moderate risk (i.e., impact on financial statements, internal control environment, or business operations) to the organization for the topic reviewed and/or is of moderate importance to business success/achievement of goals. Action should be taken within nine months (if related to external financial reporting, must mitigate financial risk within two months).
High	Observation presents a high risk (i.e., impact on financial statements, internal control environment, or business operations) to the organization for the topic reviewed and/or is of high importance to business success/achievement of goals. Action should be taken immediately, but in no case should implementation exceed six months (if related to external financial reporting, must mitigate financial risk within two months).



EXECUTIVE SUMMARY (CONTINUED)

Observation Summary

Below is a summary listing of the observations identified during this internal audit. Detailed observations are included in the observation matrix section of the report.

Observation Summary	
Observations	Rating
<p>1. Extra Duty Pay Approval Timeliness</p> <p>Condition: We noted that the District no longer requires extra duty pay assignments to be pre-approved prior to the hours being worked. Additionally, we identified delayed supervisor approvals in four (4) cases resulting in late employee payments.</p> <p>Recommendation: We recommend that HISD reinstate the formal pre-approval requirement for extra duty pay assignments, as outlined in the 2023–2024 Compensation Manual, to help confirm alignment with priorities and budget before time is worked. Site Approvers should document and retain pre-approvals and HISD should strengthen monitoring of supervisor approvals within the pay period and conduct regular audits to promote timely and accurate processing of extra duty pay.</p>	<p>High</p>
<p>2. TCP Group Hours Approval</p> <p>Condition: For 8 out of 40 sampled extra duty pay transactions, group approval was not performed within TCP prior to system lockout as specified per the TCP standard operating procedures, requiring manual entry into the SAP system.</p> <p>Recommendation: We recommend that HISD enhance oversight and training to promote consistent documentation of TCP group approvals for extra duty pay transactions, supported by automated system reminders, periodic checks, and adherence to established review processes.</p>	<p>Low</p>



BACKGROUND

Overview

Extra duty pay at HISD refers to additional compensation provided to employees who perform work outside their regular job responsibilities or contract hours. This can include roles such as coaching sports teams, sponsoring extracurricular activities, mentoring students, or taking on extra assignments requiring significant time beyond their standard duties. The pay structure for extra duty work is designed to recognize and reward employees for contributing to student development and school community enrichment. Extra duty pay is not mandated, but a benefit provided by HISD to employees performing additional work outside of their scheduled duties and employment obligations.

HISD's policies for extra duty pay outline specific criteria, such as eligibility requirements, pre-approval processes, and documentation needed to promote transparency and accountability. Pay rates for extra duty work are typically standardized based on the type and scope of the activity, as well as the level of responsibility involved.

The primary difference between extra duty pay and overtime lies in the type of work performed and how the compensation is structured. Overtime pay applies to non-exempt employees under the Fair Labor Standards Act (FLSA) who work more than 40 hours in a workweek, requiring them to be compensated at one and a half times their regular hourly rate. This is typically related to their primary job responsibilities and regular duties performed beyond standard working hours. In contrast, extra duty pay compensates employees for additional work that is outside their normal job scope or contract obligations, such as coaching, sponsoring student organizations, or leading extracurricular activities. Extra duty pay is not tied to the number of hours worked in a week but instead to the completion of specific approved tasks or roles, often with predetermined rates or stipends. While overtime is a legal requirement for eligible employees, extra duty pay is governed by District policies and is discretionary, based on assigned roles and responsibilities.

Employee Types

Within HISD, there are two (2) primary employee pay sub-groups that may receive extra duty pay:

- 1. Annual Exempt Employees:**

Annual exempt employees are salaried staff who are not subject to overtime provisions under the Fair Labor Standards Act (FLSA). These employees are typically in professional, administrative, or executive roles, earning a fixed annual salary regardless of the number of hours worked. Their duties often include decision-making responsibilities, managing other employees, or performing specialized tasks requiring advanced knowledge or expertise. Examples include department directors, principals, and other leadership positions.

- 2. Annual Non-Exempt Employees:**

Annual non-exempt employees are salaried staff who are eligible for overtime pay under the FLSA. While they receive a fixed annual salary, they must be compensated at an overtime rate for hours worked beyond 40 in a workweek. These roles often involve supporting operations and providing essential services, such as clerical, technical, or administrative work that does not meet the exemption criteria. Examples include administrative assistants, library aides, technical support staff, etc.



BACKGROUND (CONTINUED)

Extra Duty Pay Types

The HISD Compensation Manual outlines various types of extra duty pay to accommodate the diverse responsibilities and contributions of employees beyond their standard roles. These pay types are categorized based on the nature of the duties performed and their alignment with District priorities. Key types of extra duty pay include:



Stipends for Extracurricular Activities:

These payments compensate employees who sponsor or coach extracurricular programs such as athletics, fine arts, academic teams, or student clubs. Stipends are predetermined based on the activity, level of responsibility, and the duration of involvement, ensuring consistency in compensation across similar roles.



Supplemental Instructional Duties:

This category includes compensation for additional instructional activities, such as tutoring, intervention programs, or curriculum development outside regular work hours. These payments aim to address specific academic needs or support district-wide initiatives.



Professional Development and Training:

Employees who lead or participate in approved professional development sessions, workshops, or training events may qualify for extra duty pay. This type of compensation recognizes the time and effort required to enhance skills or share expertise.



Administrative or Operational Support:

Employees who lead or participate in approved professional development sessions, workshops, or training events may qualify for extra duty pay. This type of compensation recognizes the time and effort required to enhance skills or share expertise.



Special Assignments or Projects:

Employees assigned to unique projects that fall outside their routine responsibilities may receive extra duty pay. These assignments are often time-sensitive and require specialized skills or additional effort.



BACKGROUND (CONTINUED)

Extra Duty Pay Types (Continued)

The below table identifies all extra duty pay types outlined within the HISD 2023 – 2024 compensation manual applicable to our audit period.

Extra Duty Pay Type	Pay Rate (Per Hour)
Extra Duty Pay related to Academic Tutorials for those paid on the Teacher Salary Schedule	\$50
Extra Duty Pay not related to Academic Tutorials for those paid on the Teacher Salary Schedule	\$25
Hourly teachers and hourly lecturers who work more than 38.75 hours/week are paid overtime. Documentation is required.	\$25
Extra Duty Pay for those teachers providing instruction after regular school hours to general education students receiving homebound/hospital services.	\$25
Tutorials or Curriculars Weekend Supervision – Assistant principals and deans who supervise weekend tutorials or other curricular activities, such as weekend STAAR tutorial.	\$27
Extra Duty Pay for teacher certified employees in non-instructional job classifications such as teacher development specialist, curriculum specialist, instructional specialist, program specialist, student assessment data specialists (DDIS), and new teacher coach who provide direct instructional services to students beyond their normal duties and work schedules.	\$25
Speech Therapists:	
Regular Rate	\$25
Saturday Rate	\$85
Home Visit Rate	\$40
Extra Duty Pay to compensate speech therapy assistants for work outside of their normal duties and work schedule. Speech therapy assistants will provide compensatory services on Saturdays to students not currently receiving required services from speech therapist.	\$60



BACKGROUND (CONTINUED)

Extra Duty Pay Data

The table below identifies the total extra duty payments made to employees, during our audit period, between July 17 and November 6, 2024, organized by extra duty payment type.

Extra Duty Pay Code	Count of Payments	Sum of Amount	Percent of Total (\$)
Extra Pay Teacher	4,425	\$ 591,360.50	25.01%
Additional Pay NWD	897	\$ 522,518.98	22.10%
Coach Pay	207	\$ 514,662.96	21.77%
Extended Time-After Duty	361	\$ 421,621.44	17.83%
Extra Duty Pay - Tutorial	1,465	\$ 278,633.50	11.79%
Assoc Teacher Ext Pay Hourly	76	\$ 33,462.15	1.42%
Assistant Principal Pay	10	\$ 1,863.00	0.08%
Grand Total	7,441	\$ 2,364,122.53	100.00%

TimeClock Plus (TCP) System

To manage any timekeeping processes efficiently, HISD uses the TimeClock Plus (“TCP”) system, an electronic time and attendance solution that integrates with the District’s payroll system.

Extra duty pay hours are entered into TCP, through a designated process for accurate tracking and approval. Employees performing extra duties must log their hours under the appropriate job code or category specifically designated for extra duty assignments. This typically involves selecting the relevant extra duty code within the TCP interface when clocking in and out or manually entering hours if pre-approved by their supervisor. Supervisors are responsible for reviewing and approving these entries to confirm that the reported hours align with the assigned tasks and District policies.

Monitoring

Extra duty pay at HISD is regularly monitored through a combination of supervisory oversight, timekeeping system controls, and payroll review processes. Supervisors play a critical role by reviewing and approving extra duty assignments, confirming that hours logged in the TCP system correspond with assigned responsibilities. The District uses designated job codes in the timekeeping system to differentiate extra duty hours from regular work hours, allowing for detailed tracking and reporting. Payroll staff review approved time entries to verify compliance with District policies, such as adherence to standardized rates or stipend amounts. Additionally, periodic audits and reconciliations are conducted to identify discrepancies or unauthorized payments, helping compensation practices align with District priorities and budget allocations.



OBJECTIVES AND APPROACH

Objectives

The objective of this internal audit was to evaluate the design and control structure, including adherence to policies, procedures, and relevant laws and regulations for the operating effectiveness of the District's extra duty pay processes. In-scope areas include, but may not be limited to, key processes and controls related to extra duty pay tracking, time recording, and extra duty pay approval within the District's operations. Our audit period was July 17 through November 6, 2024 to capture extra duty payments made following full implementation of TCP.

Approach

Our audit approach consisted of the three phases described below:

Understanding and Documentation of the Process

The first phase primarily involved inquiries to understand the critical personnel, risks, processes, and controls relevant to the abovementioned objectives. The following procedures were conducted as part of this phase:

- Obtained and reviewed any documented policies and procedures related to the function and relevant state and local regulations, reporting, and other pertinent information.
- Conducted interviews and walkthroughs with key personnel to understand operating policies and procedures, roles, and responsibilities within the department.
- Developed a work plan for evaluating the operating effectiveness of procedures and controls based on the information obtained through interviews, walkthroughs, and preliminary documentation review.

Evaluation of the Process and Controls Design and Testing of Operating Effectiveness

The purpose of this phase was to evaluate the design of key processes and controls and test compliance and internal controls for operating effectiveness based on our understanding of the processes obtained during the first phase. We utilized sampling and other auditing techniques to meet the abovementioned audit objectives. Our testing procedures included, but were not limited to:

- Obtained and reviewed the District's policies on extra duty pay, including eligibility criteria and approval processes.
- Confirmed that District policy outlines the types of extra duties eligible for additional compensation, payment rates, and conditions for approval.
- Assessed whether proper segregation of duties exist within the extra duty pay process.
 - Identified personnel responsible for approving, calculating, and processing extra duty pay.
 - Verified that approval of extra duty work is segregated from those calculating and processing payments.
 - Confirmed that no individual has the ability to initiate, approve, and process extra duty pay without review.
- Selected a sample of forty (40) extra duty pay transactions and performed the following:
 - Reviewed supporting documentation for evidence of approval prior to the work being performed.
 - Verified that approval comes from the appropriate level of authority, as outlined in District policy.
 - Reconciled the amount paid based on pay rates identified in District policy (e.g., hourly rates or flat fees).
 - Compared hours submitted for payment to documented hours worked.
 - Verified that extra duty payments align with specific grant requirements or funding restrictions, if applicable.
- Evaluated monitoring activities over extra duty pay transactions, including periodic reports or reconciliations performed.

Reporting

At the conclusion of this internal audit, we summarized our findings into this report. We reviewed the results with the appropriate Management personnel and incorporated Management responses into this report.



OBSERVATIONS MATRIX

Observation	1. Extra Duty Pay Approval Timeliness
<p style="text-align: center;">High</p>	<p>We noted that the District no longer requires extra duty pay assignments to be pre-approved prior to the hours being worked. Although all extra duty pay hours must be approved in the TCP system after they are entered—thereby attesting that the hours were worked—there is no requirement to document pre-approval before the time is incurred.</p> <p>The District’s prior Compensation Manual (2023-2024), within the “<i>Extra Duty Pay</i>” subsection, required all eligible employees to receive pre-approval, in advance, to work/earn extra duty pay, stating “<i>extra duty pay must be authorized in advance by the principal. Further, payment of extra duty pay in past school years does not obligate the district to continue extra duty pay for the same activities in subsequent years</i>”. It was the responsibility of each Site Approver or designee to provide approval for the earning of extra duty pay prior to the hours being worked. Through discussions with management, we confirmed that the 2024–2025 Compensation Manual has been ratified and no longer includes the requirement for pre-approval of extra duty pay assignments.</p> <p>The absence of a pre-approval requirement for extra duty assignments increases the risk of unauthorized or unnecessary work being performed, resulting in avoidable labor costs. Without a documented pre-approval process, the District may face challenges in verifying that extra duty work aligns with operational priorities and budget constraints.</p> <p>In addition, we identified four (4) instances in which the employee supervisor did not approve the extra duty pay time entry within the pay period in which the hours occurred. Consequently, payment for the hours accrued by the employee was not remitted until the pay period date following the receipt of supervisor approval. While no payment is expected to be remitted without all necessary approvals of the timekeeping entry, this resulted in delayed payment to the employee. Per FLSA, non-exempt employees must be paid for all hours worked, including overtime, within a reasonable time after the end of the pay period in which the work was performed. This is typically interpreted as the next regular payday.</p> <p>Each District site is responsible for monitoring accrued extra duty time and maintaining sufficient documentation to support the appropriateness of hours worked. Although the requirement for documented pre-approval has been removed from the 2024–2025 Compensation Manual, timely supervisor approval remains critical. To promote accurate and timely payment, approvals should be documented and occur within the same pay period in which the work was performed. This helps validate compliance with FLSA requirements, supports effective budget monitoring, and reduces the risk of payroll delays or payment errors.</p>



OBSERVATIONS MATRIX (CONTINUED)

Observation	1. Extra Duty Pay Approval Timeliness (Continued)
<p>Recommendation</p>	<p>We recommend that HISD consider re-establishing the requirement for formal pre-approval of extra duty pay assignments, as previously outlined in the District’s 2023–2024 Compensation Manual. A formalized pre-approval process helps confirm that extra duty work is necessary, aligned with campus and District priorities, and within budget constraints before the time is incurred. Reinstating this requirement would strengthen accountability and provide a consistent basis for authorizing extra duty assignments across all campuses.</p> <p>As part of this effort, HISD should define what constitutes evidence of authorization (e.g., forms, memo, emails). Site Approvers or their designees should be required to retain evidence of pre-approval prior to the hours being worked. The pre-approval documentation should be available upon request to verify that the additional time was approved in advance.</p> <p>Additionally, we recommend that HISD implement a more stringent process to monitor and track supervisor approval of extra duty hours within the designated pay period. This process would involve verifying that all extra duty pay hours are approved by the appropriate supervisor in a timely manner, promoting that employees are paid promptly. To support this, regular reviews and audits should be conducted to verify that both pre-approval and supervisor approval processes are being followed accurately.</p>
<p>Management Action Plan</p>	<p>Response: HISD Administration agrees that the pre-authorization of extra-duty pay should be added into the next Compensation Plan. Language requiring pre-authorization of extra duty assignments will be added to the 2025-26 Compensation Plan. Additional procedures for documenting pre-authorization will also be developed but will depend on the ability to implement this within the ERP system. Training will also be provided to campus office managers on the pre-authorization process for extra duty assignments.</p> <p>Responsible Party: Payroll, Human Resources</p> <p>Estimated Completion Date: August 1, 2025</p>



OBSERVATIONS MATRIX (CONTINUED)

Observation	2. TCP Group Hours Approval
<p style="text-align: center;">Low</p>	<p>During our review of extra duty pay transactions at HISD, we found that required group approval documentation within the TCP system was missing for 8 out of 40 sampled extra duty pay entries. According to the District’s TCP processing standard operating procedures, employees are expected to enter all time exceptions into TCP before the lockout period.</p> <p>While mitigating controls allow Time Recorders to enter missed time punches into SAP after the TCP lockout but prior to payroll processing, these procedures are designed for exceptions or anomalies requiring intervention—not as a standard practice. When a Time Recorder manually enters time into SAP, supervisor approval is still required before payment is processed.</p> <p>In 20% of our sample, manual entry into SAP was necessary due to employees failing to enter time exceptions on time, representing a significant portion of our test sample. However, we did not note any instances where payments were processed without the required supervisor approval in SAP.</p> <p>The absence of required group approval documentation in these cases reveals a gap in the approval and review process, increasing the risk of inaccurate pay calculations, improper payments, and payroll discrepancies. Additionally, missing approvals weaken the audit trail, reducing transparency and accountability. Consistently following and documenting the group approval process is critical to mitigating the risks of unauthorized or inaccurate time entries and ensuring compliance with District policies and best practices.</p>
<p>Recommendation</p>	<p>We recommend the following:</p> <ul style="list-style-type: none"> • HISD reinforce the expectation of documenting TCP group approvals for all extra duty pay transactions. The group approval process within the TCP system should be consistently followed to confirm that all hour entries, including extra duty hours are reviewed and approved by both the time recorder and site administrator timely. To promote this, HISD may consider implementing an enforcement mechanism, such as an automated escalation process where repeated late time entries trigger progressive corrective actions, including supervisor counseling and formal documentation for non-compliance. Additionally, the District may consider the adoption of a monthly compliance tracking system, where departments or individuals with the highest on-time submissions receive recognition or incentives to improve efficiency and promote that reported hours align with the assigned duties, are accurate, and that the associated payments are properly authorized before payroll processing. • Conduct regular checks to confirm that group approvals are documented for all extra duty pay entries and that all site administrators are adhering to the review process. • HISD may consider implementing automated reminders or system settings within TCP to prompt timely group approvals and reduce the risk of missing documentation. • The District provide additional training to site administrators and time recorders to reinforce the importance of completing and documenting the approval process. Periodic audits or spot checks of extra duty pay entries could be performed to verify compliance and confirm that group approval is consistently captured in the system.



OBSERVATIONS MATRIX (CONTINUED)

Observation	2. TCP Group Hours Approval
Management Action Plan	<p>Response: Management will provide reports to time recorders on a regular basis to keep up with time approvals in TCP. As well as continue to emphasize in time recorder training the importance of TCP approvals.</p> <p>Responsible Party: Payroll</p> <p>Estimated Completion Date: April 30, 2025</p>



RSM US LLP
1330 Post Oak Blvd
Suite 2400
Houston, TX 77056
713.625.3500

www.rsmus.com

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