



Houston Independent School District Internal Audit Report: Timekeeping and Overtime

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") 2024-2025 for Houston Independent School District ("HISD" or "the District"), we hereby submit the internal audit of the Employee Timekeeping and Overtime processes. This internal audit focused on the employee timekeeping and overtime accrual process, which encompassed the examination of policies and procedures related to time entry and overtime for exempt and non-exempt employees within HISD.

We plan to present this report during the next Audit Committee meeting on April 29, 2025. Our report is organized into the following sections:

Executive Summary	This section provides a high-level overview and summary of the observations noted in our internal audit of the employee timekeeping and overtime accrual processes.
Background	This section 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.
Process Maps	This section provides a visual depiction of the workflow of key processes.

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 – Employee Timekeeping and Overtime

Background

Employee timekeeping and overtime processes at the Houston Independent School District (HISD) are essential for promoting accurate employee compensation and compliance with federal and district regulations. These processes are governed by the Fair Labor Standards Act (FLSA), which requires non-exempt employees to receive overtime pay for hours worked beyond 40 in a workweek, and HISD’s internal policies, which establish procedures for tracking time, approving overtime, and processing payroll. Employees are responsible for accurately reporting their work hours, while supervisors are tasked with approving timesheets and overtime requests. The payroll department reviews that compensation is calculated and processed correctly, while system administrators maintain the integrity of the timekeeping software. In March 2024, HISD fully rolled out a new timekeeping software, TimeClock Plus (TCP), to each of its District sites across the district.

Effective timekeeping and overtime management rely on clear roles, robust systems, and strong internal controls. The accuracy of payroll depends on reliable timekeeping systems, which capture and validate data, and processes that detect and address discrepancies. These practices help the district manage labor costs, ensure compliance with legal requirements, and uphold financial accountability across its operations.

District Cost Centers

461

Employees by Pay Type¹

Annual Exempt	20,200
Annual Non-Exempt	6,806
Hourly	6,845



¹As of September 1, 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 timekeeping and overtime processes. In-scope areas include, but may not be limited to, key processes and controls related to overtime tracking, time recording, time entry monitoring, and time reporting within the District’s operations.

The primary objective of the internal audit was to evaluate the design and operating effectiveness of controls surrounding HISD’s employee timekeeping and overtime processes. Our procedures included:

- Verified that District timekeeping policies and procedures exist, are well-documented, comprehensive, and reflect current practice.
- Performed testing on a sample of employee timekeeping entries across the District.
- Verified that time and attendance information (overtime, leave, compensatory time, special pay, etc.) agrees to appropriately approved and authorized supporting documentation.
- Verified that hours paid agree to the supporting documentation (timesheets), and were mathematically accurate and reasonable.
- Identified and assessed segregation of duties and user access controls for proper monitoring and appropriateness over timekeeping and employee master file.

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

Summary of Observation Ratings

	Low	Moderate	High
Observations	-	-	3

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. Overtime Pre-Approval</p> <p>Condition: In fifteen (15) out of fifty (50) sampled timesheets, we noted recorded overtime did not have documented pre-approval, as required by the District's Compensation Manual.</p> <p>Recommendation: We recommend that the District provide additional training to reinforce Compensation Manual expectations and explore system capabilities to attach supporting documentation for timekeeping and overtime entries, with Site Approvers consistently following protocols for advance approval and maintaining a clear audit trail.</p>	High
<p>2. Leave Pre-Approval</p> <p>Condition: In six (6) out of fifty (50) sampled timesheets, employees recorded paid leave hours without obtaining the required pre-approval from their supervisors, non-compliant with the HISD District Compensation Manual.</p> <p>Recommendation: We recommend that HISD reinforce leave approval policies with training on documented pre-approval, consider system enhancements for tracking approvals, and conduct periodic reviews to address non-compliance.</p>	High
<p>3. Manual Payroll Workload Caused by Delayed Time and Leave Approvals</p> <p>Condition: We noted the Payroll Department is experiencing a significant administrative burden resulting from untimely and incomplete timekeeping submissions and approvals by employees and their supervisors. These delays and omissions require Payroll personnel to perform extensive manual interventions.</p> <p>Recommendation: We recommend the District enhance enforcement of timekeeping and leave approval responsibilities by implementing automated system reminders, establishing accountability measures for late actions, and reinforcing expectations through training. Additionally, system settings should be aligned with policy to prevent Payroll from approving leave without documented supervisory authorization.</p>	High



BACKGROUND

Overview

Timekeeping is a fundamental administrative function within any organization, promoting accurate tracking and recording of employee work hours. At HISD, the timekeeping process plays a crucial role in managing payroll, monitoring compliance with district policies, and ensuring fair compensation for employees. Given the size and complexity of HISD as one of the largest school districts in the United States, its timekeeping operations must effectively support a diverse workforce that includes teachers, administrative staff, and support personnel. The timekeeping processes also support HISD's compliance with federal and state labor laws, including the Fair Labor Standards Act (FLSA), which mandates the tracking of hours worked for non-exempt employees to determine eligibility for overtime pay. Additionally, HISD policies dictate specific rules for time reporting and pay calculations, which require systematic enforcement through its timekeeping infrastructure.

The timekeeping process at HISD encompasses the tracking of regular work hours, overtime, extra duty pay, leave balances, and absences for all District employees. HISD's payroll team relies on accurate timekeeping data to verify employees are paid correctly and on time, avoiding errors that could lead to financial inaccuracies, compliance violations, or employee dissatisfaction. The following illustrates the roles and responsibilities within the timekeeping and overtime processes.

Employees

- Employees are responsible for accurately recording their hours worked and leave taken using the District's TCP timekeeping system. This includes clocking in and out for non-exempt staff or submitting manual time adjustments for approval when necessary.

Supervisors and Time Recorders

- Supervisors and designated time recorders oversee the accuracy of time entries for their respective departments and schools. They review, validate, and approve employee submissions to promote they comply with District policies, expectations, and labor laws.

Payroll Department

- The Payroll Department plays a critical role in processing timekeeping data into actionable payroll outputs. They verify time entries are complete, validated, and processed within the payroll schedule to meet pay deadlines.

Human Resources

- HR oversees the policy framework for timekeeping and provides guidance on compliance with legal and District requirements. They also assist with resolving disputes related to time reporting and employee compensation.

Technology Support

- HISD's IT team maintains the timekeeping system infrastructure, promoting system reliability and troubleshooting technical issues that may arise.



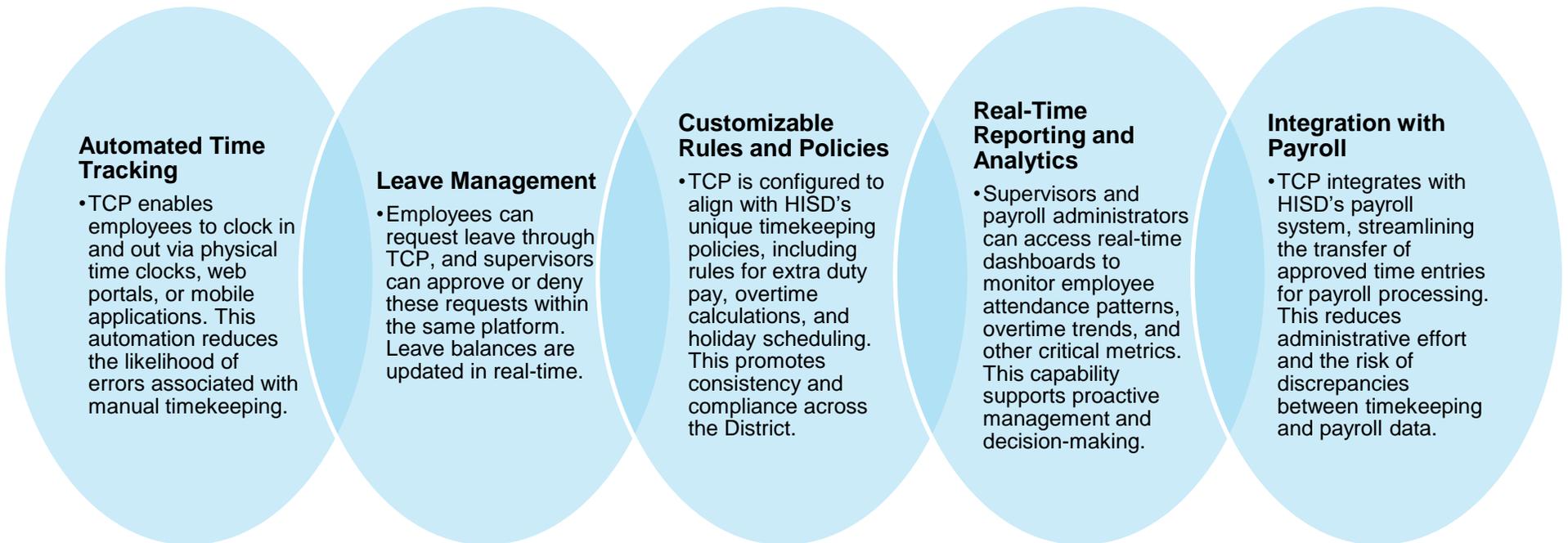
BACKGROUND (CONTINUED)

TimeClock Plus (TCP) System

To manage timekeeping processes efficiently, HISD uses the **TimeClock Plus (“TCP”)** system, an electronic time and attendance solution that integrates with the District’s payroll system. HISD fully rolled out TCP to each of its District sites in March 2024. Employees now clock in and out using the TCP system, utilizing fingerprint authentication, and their entries are initially reviewed by a time recorder assigned to their respective sites. Hourly employees enter all time and any applicable time exceptions daily, while salaried employees only enter time exceptions, as their scheduled hours are pre-determined.. Some departments may also require an additional paper sign-in process for supplemental or backup record-keeping. For time entries to be translated to HISD’s payroll system, they are automatically populated into an SAP-based time management tool known as the Cross-Application Time Sheet (“CATS”) system. Once the data reaches CATS system, all employee hours, including those for exempt staff, must be approved prior to payroll being processed and payment remitted within SAP.

Time recorders are responsible for making adjustments in TCP, which must be completed before the system locks out. After adjustments are made and approved by the time recorder, the data moves to staging in SAP. In staging, the entries—such as overtime—are visible and available for review prior to payroll processing. Time recorders certify the data weekly, verifying its accuracy before TCP is closed out at 5:00 PM on Monday, when the information transitions to the CATS timesheet, making it accessible to managers. If the TCP certification deadline is missed, manual entries can be made on Tuesday. Managers can request adjustments during this time, but all processes are finalized and closed by Wednesday.

TCP offers a range of features that support HISD’s operational needs, including:





BACKGROUND (CONTINUED)

Employee Types

Within HISD, there are three (3) employee pay sub-groups:

1. Annual Exempt Employees:

Annual exempt employees are salaried staff who are not subject to overtime provisions under 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.

3. Hourly Employees:

Hourly employees are paid based on the number of hours worked and are fully subject to the overtime provisions of the FLSA. They receive overtime pay at a rate of 1.5 times their regular hourly rate for any hours worked over 40 in a workweek. Hourly employees often hold positions requiring specific tasks or duties scheduled by shifts or work schedules. Examples include custodians, food service workers, bus drivers, paraprofessionals, etc.

Leave Requests and Overtime Monitoring

At HISD, leave and overtime request processes are critical components of workforce management, supporting accurate attendance records and fair compensation practices. Employees initiate leave requests through the TCP system, selecting the appropriate leave type, such as vacation, sick leave, or personal days, and providing any required supporting documentation. These requests are routed to supervisors for review and approval based on policy guidelines, availability of leave balances, and operational needs. Once approved, leave data is integrated into HISD's SAP system, where employee leave balances are maintained and updated in real-time to reflect usage accurately.

The SAP system plays an important role in preventing leave overages through built-in controls that automatically reject requests exceeding the available balance for a given leave type. This feature is intended to prevent unauthorized leave usage and maintain compliance with District policies. Supervisors and time recorders are notified of any discrepancies during the approval process, enabling them to address potential issues with employees before finalizing the request.

Overtime requests must go through a pre-approval process wherever reasonable. Non-exempt employees must obtain pre-approval from their supervisor before working any additional hours beyond their regular schedule. This step requires employees to provide justification for the overtime, detailing the specific tasks or circumstances necessitating the extra hours. Supervisors evaluate these requests based on operational priorities and budgetary constraints and only approve overtime if it aligns with District needs and policies. After the overtime is worked, employees record the hours in TCP, where supervisors review and validate the entries to confirm they were pre-approved and comply with District regulations.



BACKGROUND (CONTINUED)

Leave Requests and Overtime Monitoring (Continued)

To monitor overtime, there is a multi-step approach. Each cost center is primarily responsible for monitoring its overtime expenditure. Outliers to overtime accrual in the previous pay period are identified by Payroll and communicated to the cost center for ongoing monitoring. In addition, department heads are provided monthly budget reports that forecast projected overtime expense variance to budget for a proactive approach to overtime monitoring. If negative variances are forecasted, the cost center is contacted and discussion to determine whether the forecasted variance is both reasonable and manageable with existing resources. This monitoring and forecasting is performed on a monthly basis, with centralized monitoring and reporting performed by Budget teams. At any time, cost center administrators retain access within SAP and BI Analytics to run overtime budget and expenditure reports to obtain point-in-time data of overtime expenditure and course-correct as necessary when variances in expenditure are identified.

By integrating these pre-approval steps and system controls into its timekeeping processes, HISD promotes efficient resource allocation, prevents unauthorized expenditures, and upholds compliance with labor laws. Supervisors play a crucial role in managing both leave and overtime, ensuring operational requirements are met while addressing employee needs.

Payroll Timeline

The timekeeping and payroll processes at HISD follow a structured timeline designed to promote accuracy and timeliness in compensating employees. This timeline outlines critical steps, including the submission, adjustment, approval, and certification of work hours, as well as final processing for payroll. The process involves collaboration between employees, time recorders, and managers, with specific deadlines to maintain efficiency and compliance. The following timeline highlights key milestones in HISD’s timekeeping and payroll workflow, fostering transparency and accountability throughout each payroll cycle.

Ongoing (Daily)	Monday	Tuesday	Wednesday	Thursday and Friday
<ul style="list-style-type: none"> •Employees Clock In/Out: Employees record their work hours in TCP using fingerprint authentication or other approved methods. •Time Recorders Adjust and Approve Entries: Time recorders review, adjust (if necessary), and approve time entries before the weekly lockout. 	<ul style="list-style-type: none"> •TCP System Lockout: TCP closes for the current payroll period at 5:00 PM. All entries and adjustments must be completed and certified by time recorders •Data Transition to CATS: Certified entries move to the CATS timesheet in SAP, becoming visible to managers for review. 	<ul style="list-style-type: none"> •Manual Adjustments (if needed): Managers and time recorders can manually input or correct entries for any missed certifications from TCP. •Manager Review: Managers review entries in CATS, focusing on items such as overtime, exceptions, and discrepancies. •Time Entry: All entries and approvals must be finalized in CATS by the end of the day. 	<ul style="list-style-type: none"> •Final Adjustments and Approvals: Managers may request and process any last-minute adjustments. •Payroll System Lockout: The system closes entirely for the current payroll cycle, and no further changes are allowed. 	<ul style="list-style-type: none"> •Payroll Processing: The payroll department processes approved time entries for payment. Employees are paid based on the finalized data.



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 timekeeping and overtime accrual processes. In-scope areas included key processes and controls related to overtime tracking, time recording, time entry monitoring, and time reporting within the District's operations. This includes assessing compliance with internal controls, timekeeping laws, and timekeeping management practices.

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.
- Gained an understanding of procedures related to the processes within scope.
- 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:

- Verified that District timekeeping policies and procedures exist, are well-documented, comprehensive, and reflect current practice.
- Identified and assessed segregation of duties and user access controls for proper monitoring and appropriateness over timekeeping and employee master file.
- Performed testing on a sample of fifty (50) employee timekeeping timesheet entries across the seven (7) locations (Police, Nutrition, Bellaire HS, and 4 Transportation sites) within the organization across two (2) separate pay periods (Paycheck dates March 24, 2024 and September 25, 2024) to assess whether the system of internal controls is adequate and appropriate for the following subprocesses:
 - Verified the completeness and mathematical accuracy of employee timesheets on file.
 - Verified that time and attendance information (overtime, leave, compensatory time, special pay, etc.) agrees to appropriately approved and authorized supporting documentation.
 - Verified that time and attendance information agreed to employee scheduled hours.
 - Reviewed the performance and adequacy of pre- and post-payroll reports monitoring and if performed by appropriate persons.
 - Verified that hours paid agree to the supporting documentation (timesheets), and were mathematically accurate and reasonable.
 - Determined if payroll changes/adjustments (including changes/adjustments after time has been approved by the Supervisor) are appropriately supported, authorized, and verified.



OBJECTIVES AND APPROACH (CONTINUED)

Approach (Continued)

Evaluation of the Process and Controls Design and Testing of Operating Effectiveness (Continued)

- Reviewed appropriateness of individual and overall time approval.
- Verified that employee OT was recorded and calculated accurately and timely in accordance with FLSA, if applicable.
- Evaluated whether the records and documentation for timekeeping are sufficient to establish an audit trail for all transactions involving employees' time.

Reporting

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



OBSERVATIONS MATRIX

Observation	1. Overtime Pre-Approval
<p style="text-align: center;">High</p>	<p>Per the District's Compensation Manual and contained within the <i>Time & Attendance System: TimeClock Plus (TCP)</i> subsection, all employees should receive pre-approval, in advance, to work/earn additional time, such as overtime or compensatory time outside of the regular workday in excess of 40 hours for the week. It is the responsibility of each Site Approver or designee to provide approval for the earning of overtime prior to the hours being worked.</p> <p>During our detailed testing of fifty (50) sampled timekeeping entries, we found that fifteen (15) timesheets with overtime recorded in excess of their scheduled workday did not obtain pre-approval of overtime across five (5) District locations. While informal, verbal approval may exist for approval for certain employees to work additional time, we were not able to obtain any support for the exceptions noted above and therefore could not verify that approval prior to the time accrual was obtained. While ongoing monitoring may be performed by the Site Approver, and variance reporting and forecasting are performed by Budget and communicated to the site as variances are identified, there is not a system in place to prevent unapproved overtime from being accrued if pre-approval is not obtained as a preventative control to time entry. Once time has been accrued by an employee, it must be paid in accordance with FLSA.</p> <p>It is the responsibility of each District site to monitor accrued extra time and to obtain any necessary supporting documentation to evidence the appropriateness of the accrued extra time for each employee. Without timely and documented approval or review by appropriate personnel, we were unable to verify effective monitoring of this payroll expense.</p> <p>Documented approval of overtime, in accordance with the District's Compensation Manual, is necessary to provide an audit trail that sufficiently supports overtime earned and paid to District employees prior to payment. The lack thereof may impede District efforts to promote transparency and accountability. This increases the risk of unauthorized time accrual, potentially leading to excessive payment, financial losses, and budget overruns.</p>
<p style="text-align: center;">Recommendation</p>	<p>We recommend that the District reinforce expectations outlined within the Compensation Manual through additional training. Where applicable, the District may consider exploring system capabilities to attach support to substantiate the appropriateness of timekeeping and overtime entries. Site Approvers or their designees should consistently follow established protocols for approving overtime in advance, with approvals recorded in the system to maintain a clear and auditable trail.</p>
<p style="text-align: center;">Management Action Plan</p>	<p>Response: Subsequent to the audit period, Human Resources and Payroll has implemented an overtime approval process so that employees can request overtime from their managers in advance of the work. This is especially necessary for employees that are borrowed by other campuses and departments. This was part of an overall effort to manage overtime costs. In addition, Payroll and Technology have implemented a monthly report communication to supervisors to obtain a report on employee's overtime earnings. Additional training and communications will be developed prior to the start of the new school year.</p> <p>Responsible Party: Payroll and Human Resources</p> <p>Estimated Completion Date: July 2025</p>



OBSERVATIONS MATRIX (CONTINUED)

Observation	2. Timeliness of Leave Approval
<p style="text-align: center;">High</p>	<p>Within HISD, personal leave, personal business, professional development, or vacation must be pre-approved by the employee supervisor and should be communicated through email as soon as the employee is aware of the absence per the TCP timekeeping procedures. Requests should be submitted in advance of the leave being accrued, and approval is granted on a first-come, first-served basis to maintain adequate staffing.</p> <p>During our detailed testing, we noted six (6) employees out of fifty (50) samples who recorded paid leave hours without obtaining the required pre-approval from their supervisors or time recorder. HISD policy requires employees to request and document supervisor approval before recording leave to maintain accountability and accurate timekeeping practices. While approval for the hours by the employee supervisor were obtained after the hours were accrued and before the end of the pay period, they were not approved in advance of the time being taken. For some paid leave, such as sick time, obtaining pre-approval may not always be feasible due to the unexpected nature of illnesses. However, District policy typically requires employees to notify their supervisors as soon as possible when they need to take sick leave and to document the absence appropriately. While pre-approval may not be feasible to obtain, we noted in our testing that pre-approval for vacation time was still expected for at least three (3) samples as there was no indication that the leave was used in lieu of sick time that would have prevented the pre-approval. Existing Board policy does not specify whether approval should be obtained following a return to work in cases in which pre-approval was not feasible. Additionally, SAP permits users to leave comments to add context to the leave requested. In our testing we noted that samples using PTO in lieu of sick time left comments indicating why pre-approval was impractical. However, this comment field was not leveraged across our noted exceptions, and we were unable to verify whether pre-approval was impractical in these cases.</p> <p>The absence of documented pre-approvals poses significant risks to the District. It increases the likelihood of unauthorized leave usage, leading to payroll inaccuracies and potential financial loss. Furthermore, the District may face challenges in effectively managing workforce schedules and ensuring appropriate staffing levels. Such lapses could also weaken internal controls, leaving the District vulnerable to audit findings and reputational impacts due to perceived inefficiencies or lack of accountability in its timekeeping processes.</p>
<p>Recommendation</p>	<p>We recommend that HISD reinforce its leave approval policies through additional training to supervisors and employees on obtaining documented pre-approval for leave requests, except in cases such as unexpected sick leave. The District should consider implementing system enhancements to facilitate timely submission and tracking of leave approvals and conducting periodic reviews of leave records to identify and address instances of non-compliance. In addition, the District should reinforce the expectation of adding comments to any leave exception entry to provide insight as to the nature of the absence, as applicable, especially in cases of using PTO in lieu of sick leave.</p>



OBSERVATIONS MATRIX (CONTINUED)

Observation	2. Timeliness of Leave Approval
Management Action Plan	<p>Response: Management will reinforce the District's policy requiring pre-approval of leave by clearly communicating expectations to all managers and supervisors. Emphasis will be placed on ensuring that all leave is approved prior to the leave being taken. In cases where leave requests are submitted late, approvers will be required to include comments documenting the reasons for the delay and justification for approval.</p> <p>In addition, Payroll and Technology departments are collaboratively developing a Leave Accountability Report. This report, along with regular communications, will be distributed to leave approvers and their management teams. It will highlight instances of untimely leave approvals and serve as a tool to improve compliance and accountability across the district.</p> <p>Responsible Party: Payroll and HR</p> <p>Estimated Completion Date: July 2025</p>



OBSERVATIONS MATRIX (CONTINUED)

Observation	3. Manual Payroll Workload Caused by Delayed Time and Leave Approvals
High	<p>The Payroll Department is experiencing a significant administrative burden resulting from untimely and incomplete timekeeping submissions and approvals by employees and their supervisors. These delays and omissions require Payroll personnel to perform manual interventions that should otherwise be automated, diverting critical resources from core payroll processing responsibilities and increasing the risk of payroll errors and compliance concerns.</p> <p>1. <u>Manual Processing of Time Entries Submitted After System Lockout</u></p> <p>Employees frequently enter missed or corrected time punches after the TCP system has locked for payroll processing that result in delayed Time Recorder approval. While there may be circumstances that would prevent timely entry, because these late submissions cannot be automatically integrated into the payroll system, Payroll staff must manually extract, validate, and input the data to confirm employees are compensated accurately.</p> <p>Additionally, when employees neglect to clock in or out as scheduled, or when supervisors fail to approve time entries prior to the system lockout, Payroll must intervene to manually enter and process these records following Time Recorder review. These manual corrections are time-consuming, increase the likelihood of errors, and pull resources away from higher-value payroll processing tasks.</p> <p>Importantly, employees are accountable for accurately recording their hours worked, and supervisors are responsible for timely review and approval. A breakdown in this process not only disrupts workflow but also undermines the control framework and elevates the risk of payroll inaccuracies.</p> <p>2. <u>Off-Cycle Pay Runs Due to Missing Supervisor Approvals</u></p> <p>We noted multiple instances across pay periods where time entries were submitted by employees but not approved by supervisors before the payroll deadline. When these approvals are not completed on time, Payroll must initiate off-cycle pay adjustments to facilitate accurate compensation. These inefficiencies increase the cost and complexity of payroll operations and may diminish employee satisfaction and trust in the payroll process.</p>



OBSERVATIONS MATRIX (CONTINUED)

Observation	3. Manual Payroll Workload Caused by Delayed Time and Leave Approvals																								
	<p data-bbox="394 342 1325 370">2. <u>Off-Cycle Pay Runs Due to Missing Supervisor Approvals (Continued)</u></p> <p data-bbox="394 388 1990 537">From November 2024 through February 2025 (pay periods P09 through P15), Payroll conducted fifteen (15) off-cycle pay runs due to missing or delayed approvals. Off-cycle payments require manual recalculations and increase administrative overhead. Additionally, they may introduce complications with tax withholdings, financial reporting, and timely employee payments. The chart below illustrates the volume of late time entries manually corrected by Payroll personnel through off-cycle pay runs between November 2024 and February 2025 (pay periods P09 through P15), highlighting the fluctuations in manual entries performed by Payroll.</p> <div data-bbox="562 581 1808 1073"> <table border="1"> <caption>Count of Manual Adjustments from Missed Entry</caption> <thead> <tr> <th>Date</th> <th>Count</th> </tr> </thead> <tbody> <tr><td>12/14/2024</td><td>280</td></tr> <tr><td>12/18/2024</td><td>210</td></tr> <tr><td>12/25/2024</td><td>100</td></tr> <tr><td>1/1/2025</td><td>50</td></tr> <tr><td>1/8/2025</td><td>10</td></tr> <tr><td>1/15/2025</td><td>40</td></tr> <tr><td>1/22/2025</td><td>10</td></tr> <tr><td>1/29/2025</td><td>400</td></tr> <tr><td>2/5/2025</td><td>80</td></tr> <tr><td>2/12/2025</td><td>280</td></tr> <tr><td>2/19/2025</td><td>20</td></tr> </tbody> </table> </div> <p data-bbox="394 1144 1325 1172">3. <u>Manual Approval of Leave Requests Without Supervisor Authorization</u></p> <p data-bbox="394 1190 1990 1279">In contrast to the treatment of time entries, we observed that Payroll has adopted a practice of manually approving leave requests when supervisors fail to do so within the pay period. While this approach helps maintain up-to-date leave balances and allows for timely leave compensation, it circumvents required supervisory approval protocols outlined in the District's Compensation Manual.</p> <p data-bbox="394 1299 1990 1479">According to District policy, leave types such as personal leave, personal business, professional development, and vacation must be pre-approved by the supervisor and communicated in advance. (See Observation #1) The practice of Payroll assuming this approval responsibility is not compliant with established procedures and weakens internal control over leave authorization. Between November 2024 and February 2025, 10,805 leave requests affecting 6,757 unique employees were approved by Payroll rather than by the employees' supervisors. This practice undermines accountability and places an inappropriate burden on Payroll staff to act in a supervisory capacity.</p>	Date	Count	12/14/2024	280	12/18/2024	210	12/25/2024	100	1/1/2025	50	1/8/2025	10	1/15/2025	40	1/22/2025	10	1/29/2025	400	2/5/2025	80	2/12/2025	280	2/19/2025	20
Date	Count																								
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OBSERVATIONS MATRIX (CONTINUED)

Observation	3. Manual Payroll Workload Caused by Delayed Time and Leave Approvals
<p>Recommendation</p>	<p>We recommend:</p> <ul style="list-style-type: none"> • Implementing automated reminders and escalation protocols within the SAP system to prompt employees to submit time entries and supervisors to complete approvals before payroll deadlines. • Establishing clear accountability measures for repeat instances of late submissions or unapproved time and leave, including reporting metrics to department leadership. • Providing training and ongoing communication to reinforce employee and supervisor responsibilities related to accurate and timely timekeeping. • Aligning system functionality with policy, such as restricting Payroll's ability to approve leave in the absence of documented supervisory authorization, to maintain compliance with District policies.
<p>Management Action Plan</p>	<p>Response: Payroll and Technology teams are collaboratively developing automated accountability reports to proactively manage and reduce delays. The plan includes:</p> <ol style="list-style-type: none"> 1. Missed Punches Report: <ul style="list-style-type: none"> ○ Distributed to supervisors to highlight employees with excessive missed punches. ○ Will include clear managerial guidelines and a progressive discipline process for recurring issues. 2. Late Time Recording Report: <ul style="list-style-type: none"> ○ Targets time approvers whose time recorders consistently submit time late. ○ Aims to hold approvers accountable and drive timely submissions. 3. Late Time Approvals Report: <ul style="list-style-type: none"> ○ Sent to management of time approvers to identify delays in time approval processes. ○ Enables higher-level accountability and support for timely payroll operations. 4. New Payroll Exception Guidelines: <ul style="list-style-type: none"> ○ Payroll will communicate revised standards for processing off-cycle payments. ○ These guidelines will clarify when off-cycle payments are permissible and when payment adjustments should wait until the next regular payroll cycle. <p>Responsible Party: Payroll and Technology Estimated Completion Date: August 2025</p>



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