



June 4, 2021

To: Board of Education

Michael J. Martirano, Ed.D., Superintendent

I reviewed certain pay errors in the Office of Human Resources (OHR). The review was performed as part of the amended Fiscal Year 2021 Internal Audit Plan.

### Summary

OHR detected and resolved pay errors in fiscal years 2020 and 2021 for 63 employees. OHR recently began implementing several initiatives to strengthen its internal operations that should lead to better controls against errors in the future, including instituting more regular monitoring of controls against errors and developing written standard operating procedures against errors. OHR plans to describe the procedures in its future annual reports to the Board.

### Background

OHR is responsible for the recruitment, hiring, certification, and other related services for HCPSS's 8500 employees. K-12 school systems generally have relatively detailed human resource requirements due to certification verification, collective bargaining/contract renewals, allowance plans, substitute teaching workforce management, education policy compliance, and other areas. It is generally understood that some pay errors may be inevitable in any human resources office, particularly for an office in a K-12 school system as large as HCPSS.

### Importance of Controls

Offices of Human Resources have a fundamental responsibility to design, implement, and maintain an effective internal control system over their human resource functions. The controls should also ensure effective and efficient operations and reliable reporting for internal and

external use, balancing the costs of the controls and availability of resources with the risk and sensitivity of errors or other problems.

Regarding controls specifically against pay errors, Offices of Human Resources in K-12 school systems should have:

- A fundamental awareness of the inherent risk of errors, particularly given the relatively detailed nature of pay in K-12 school systems;
- Prevention controls against errors to the extent practicable, such as separation of duties and supervisory reviews of all pay determinations and/or changes;
- Detection controls against errors to the extent practicable, including pay reviews or audits of pay determinations and changes;
- Procedures for monitoring and evaluating controls and making changes as needed;
- Written procedures that explicitly address the controls; and
- Regular communication of the procedures to Boards.

#### Detection of Errors in Fiscal Years 2020 and 2021

OHR tracking records show it detected pay errors in fiscal years 2020 and 2021<sup>1</sup> for 63 employees. Some of the errors occurred in previous years. OHR did not tally the total dollar amount of all the errors in the records. The errors ranged individually from less than one dollar to several thousand dollars and included both underpayments and overpayments. OHR said it has resolved all the errors, including adjusting back pay for certain years. OHR said it has considered the errors in its efforts to strengthen its prevention and detection controls discussed below.

Examples of some of the errors were:

- A former full-time employee was reinstated to a part-time position but received full-time pay.
- An employee was not placed at an appropriate step to reflect previous military experience.

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<sup>1</sup> Fiscal year 2021 through mid-April 2021

- A school did not notify OHR of a designation of a teacher as a new instructional team leader, which provides a pay allowance or stipend.
- An employee did not receive correct pay following the employee's change from a non-bargaining unit member to a bargaining unit member.
- Several custodians had errors related to incorrect night shift pay differentials.
- Several employees were assigned an incorrect grade or step.

Errors involving two employees were brought to the attention of the Board in March 2021 by employees. The first error, which OHR detected in 2020 during a regular classification review or "audit," resulted from OHR making an incorrect determination of education credits when the employee was hired in 2015. It is not clear how the error occurred. The second error, which OHR detected in 2020 during a OHR's verification of pay prior to placement of certain employees in collective bargaining units, resulted from OHR using an incorrect job title for a temporary acting assignment in 2014. It appears the error was the result of a misunderstanding by OHR staff of how temporary assignments can affect job titles and pay. OHR initially flagged the error in 2017 but did not correct it possibly because of another misunderstanding by OHR staff of how job titles can affect pay.

#### Detection of Errors in Prior Fiscal Years

HCPSS detected a high number of pay errors during the stabilization period immediately following implementation of the Workday payroll system in 2016, though the errors were not attributed to OHR. The errors were generally the result of converting many long-standing manual processes to more automated processes. The former Chief Financial Officer provided information and made presentations to the Board in December 2016 and February 2017 on pay errors related to the implementation.

The former long-standing OHR Executive Director said OHR detected and resolved other pay errors in fiscal years prior to 2019 and 2020. OHR documented the individual errors and their resolution. It did not maintain a cumulative record of errors and their amounts nor regularly communicate its procedures on errors to the Board.

#### OHR Controls Against Errors

OHR said it developed a 5-year strategic plan beginning in fiscal year 2019 and summarized its plan in its annual OHR Reports for 2019 and 2020 to the Board. The plan includes several new efforts for strengthening OHR's internal operations, many of which OHR believes will lead to better prevention and detection controls against pay errors.

The new efforts include strengthening staff competencies; restructuring staff duties and responsibilities, such as creating more segregated duties and better structuring supervisory and secondary reviews of data inputs; developing training, cross-training and professional development opportunities; leveraging technology to replace paper-based transactions; creating forms and more formal documentation of pay determinations and changes, instituting more regular monitoring and evaluation of controls against errors, and developing written standard operating procedures. OHR also revised employee hiring letters to state that any errors found in the salary assignment after issuance of a letter would be corrected retroactively up to 3 years, subject to the approval of the OHR Executive Director.

OHR plans to describe its procedures against errors in its future annual reports to the Board. Doing so will provide the Board with context to review actions OHR takes in the future related to errors.

#### Future Efforts

OHR should continue its efforts to strengthen its controls against errors, due to the inherent risk of errors and the extent of errors OHR recently detected. OHR should continue to develop written standard operating procedures for its overall operations and processes and ensure that it describes its procedures against errors in its future annual reports to the Board.

#### Management's Comments

Management reviewed a draft of this report and agreed with the information and the suggestions included in it.

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This report is intended primarily for the information and use of the Board of Education, Superintendent, and senior management. Any questions about the report should be addressed to them or me. I can be reached at [David.Clark@HCPSS.Org](mailto:David.Clark@HCPSS.Org) or 410-294-9787.



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