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Functional Performance  
Audit of the Procurement  
Department  
*for Alexandria City Public Schools*

PREPARED AND SUBMITTED BY:

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# Executive Summary

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In 2016, Gibson Consulting Group, Inc. (Gibson) was engaged by Alexandria City Public Schools (Alexandria CPS) to commence an internal audit program. The first audit selected was a performance audit of the procurement function. Other audits are tentatively planned for fiscal year (FY) 2017 and FY 2018, including facilities management, payroll, and human resources.

This report represents the results of the procurement audit. Gibson analyzed all procurement functions when conducting this audit. These functions include those within the Procurement Department, and also extended to departments and schools that play a role in procurement processes. Several recommendations in this report relate to the procurement function but fall outside the scope of responsibility of the Procurement Department.

The audit objectives of the procurement audit were to:

- Determine whether the Division is in compliance with the Virginia Public Procurement Act (VPPA).
- Determine whether policies and procedures have been established for the procurement function and whether those policies and procedures are being followed.
- Determine whether procurement transactions are recorded accurately and whether adequate support is maintained for those transactions.
- Determine whether effective internal controls have been established.
- Determine whether the organizational structure of the Procurement Department is appropriate, including the alignment of functions, the reporting structure, the staffing levels, and supervision of staff.
- Determine whether procurement processes are efficient and maximize the use of technology.

This report presents commendations as well as recommendations to improve processes, controls, and management practices in the Procurement Department.

The audit involved the collection and analysis of data as well as interviews with all members of the Procurement Department and administrators and staff that interact with the Division's Procurement operations and functions. Appendix A contains a complete interview roster. The audit team also performed data analytics and testing of transactions to ensure compliance with the VPPA, board policies, administrative regulations, and Division operating procedures. The audit took place from August 2016 to December 2016.

The summary below includes a list of commendations and recommendations identified during the audit.



## Commendations

- 1) **The Alexandria CPS Procurement Department won the Achievement of Excellence in Procurement (AEP) award from the National Procurement Institute, Inc. (NPI) in 2016.** The AEP is a national program designed to benchmark organizational excellence in procurement. All applicants are scored on criteria established to measure innovation, professionalism, productivity, e-procurement, and leadership attributes of the procurement organization. Points must be earned in many categories, including:
  - Procurements ethics
  - Electronic procurement manual
  - Professional development (also see separate commendation below)
  - Continuous improvement
  - Centralized procurement authority
  - Procurement organizational structure
  - Utilization of electronic commerce
  - Use of blanket orders
  - Professional certification (see related commendation below)
  - Education
  - Leadership in professional procurement association
  - Conference presentation or article publishing
  
- 2) **Professional development is a high priority in the Procurement Department.** The Director of Procurement and the Procurement Manager are both certified Virginia Contracting Officers (VCO), and the Sr. Buyer and Buyer are working towards obtaining this certification. The VCO program covers the intent of procurement law (VPPA) and the application of policies and procedures pertaining to competitive solicitations. In addition, the Director of Procurement monitors the training and professional development of all procurement personnel and incorporates related goals into annual evaluations.
  
- 3) **The Procurement Department is making strides towards becoming more efficient through the automation of several key processes.** In FY 2016, the Procurement Department implemented the MUNIS Contract Management module to more effectively manage contracts. For example, the software will generate reminders for contracts coming to an end and allow users to easily extract information on demand regarding any contract entered into the system. In FY 2017 the Procurement Department will be implementing the MUNIS eProcurement Vendor Self-Service and Procurement Card programs. The vendor self-service program will allow vendors to register online through a MUNIS web-based interface, and receive notifications of posted solicitations based on selected commodity codes. The Procurement Card program will help streamline the procurement process by reducing the time to process requisitions and purchase orders, reducing vendor collection costs, eliminating the submission of invoices to schools and departments, and

reducing the time to pay vendors. Through the use of procurement cards end users will be able to purchase goods, maintenance, repair, and operating supplies and services up to \$2,500.

- 4) **The Procurement Department has invested in the training of end users involved in the procurement process.** The Procurement Department has implemented a detailed manual and annual procurement training for those that create and approve requisitions. This training covers the entire procurement process and includes labs for entering requisitions, change orders, receiving reports, as well as for the approval of requisitions. In addition to the annual training, the Director of Procurement and other procurement personnel visit schools and departments every year, and as new employees are hired, work one-on-one with support staff regarding the procurement process and the use of the MUNIS system.

Other procurement initiatives are planned for FY 2017. The Procurement Department Goals are presented as part of the goals for Financial Services and include the following:

- Develop standard operating procedures, update the Procurement Manual, and coordinate training.
- Establish and coordinate training for the Procurement Card (P-Card) initiative, and train end users and procurement staff.
- Implement centralized contracting database for use by procurement staff and schools/departments.

These achievements and initiatives reflect significant progress of the Procurement function in recent years.

## Recommendations

While major improvements and achievements have been accomplished, several improvement opportunities were identified. One of the more significant findings related to this audit was the lack of complete procurement file documentation. This limited the ability of the audit team to verify compliance through audit transaction testing. Relatively minor compliance violations were noted during the audit, but better file documentation would help Alexandria CPS prove compliance with all applicable procurement laws and regulations.

While much progress has been made with respect to efficiency in recent years, and more is planned this year (e.g., P-Card implementation), additional efficiencies were identified to maximize the use of current technologies. Internal controls can also be improved in the areas of vendor creation and maintenance, blanket purchase orders, and information system access.

Table 1 provides a listing of 21 audit recommendations in the order they appear in the report, along with a priority assignment recommended by the audit team. These recommendations pertain to all elements of the procurement function, some of which relate to departments outside of procurement (e.g.

increasing the controls over the maintenance of MUNIS user access levels requires Technology Services to be implemented).

**Table 1. Summary of Recommendations**

Priority	No.	Recommendation
High	1	Supplement existing performance measures.
Medium	2	Conduct a spend analysis on a quarterly basis.
Low	3	Update Procurement Department job descriptions to accurately reflect the roles and responsibilities of the positions.
High	4	Utilize a documentation management system to store procurement and contract files electronically.
High	5	Maximize the use of Division resources to electronically receive vendor responses to competitive solicitations.
Medium	6	Improve the proposal evaluation process.
Low	7	Retain the actual advertisements of solicitations in the procurement files.
Medium	8	Retain documentation in procurement files of the date and time vendor responses are received by the Division.
Medium	9	Digitize the ITB/RFP checklists and enforce their use.
Medium	10	Conduct customer surveys upon completion of each competitive solicitation.
High	11	Document the evaluations of ITBs.
High	12	Increase use of state online system for obtaining quotes.
Medium	13	Enhance procedures for vendor creation and maintenance in the MUNIS system.
Medium	14	Implement the use of the MUNIS automatic email functionality to send POs to vendors.
Medium	15	Perform analysis to better understand the root cause of improperly issued purchase orders and implement control procedures to eliminate them.
Medium	16	Implement control procedures to better monitor the use of blanket purchase orders.
High	17	Ensure that procurement file documentation validates policy compliance.
Medium	18	Increase controls over the maintenance of MUNIS user access levels.
Low	19	Implement departmental review procedures for the modification of MUNIS system workflow.
High	20	Utilize electronic forms to increase efficiency and enhance approval and record keeping processes.
High	21	Secure procurement files to ensure confidentiality and reduce the possibility of lost records.

The remainder of this report presents detailed findings and supporting information related to each recommendation. It is organized into the following sections:

Background

Testing Methodology

Section 1 – Management and Organization

Section 2 – Competitive Procurement and Contracting

Section 3 – Purchase Order Issuances

Section 4 – Other





# Background

## Financial Overview of Alexandria CPS

Alexandria CPS serves almost 15,000 students under an annual operating budget of \$233 million. The Division has seen overall expenditure increases from FY 2012 to FY 2016, but because of enrollment growth (19 percent over five years), expenditures per student have actually declined. Table 2 outlines operating expenditures and student enrollment for the Division over the past 5 years.

**Table 2. Operating Expenditures and Student Enrollment, FY 2012 – FY 2016<sup>1</sup>**

Expenditure	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Salaries	\$132,703,464	\$138,857,082	\$142,806,798	\$145,193,704	\$152,919,211
Employee Benefits	\$43,841,560	\$47,639,880	\$49,626,807	\$53,900,044	\$52,827,003
Purchased Services	\$11,478,775	\$10,948,053	\$10,783,815	\$11,068,248	\$11,433,941
Internal Services	\$12,373	(\$777)	\$6,443	\$3,499	\$1,008
Other Charges	\$7,043,433	\$8,250,961	\$7,571,459	\$9,839,065	\$8,883,938
Materials and Supplies	\$7,652,760	\$7,307,760	\$8,422,465	\$7,234,805	\$6,824,352
<b>Total</b>	<b>\$202,732,365</b>	<b>\$213,002,959</b>	<b>\$219,217,787</b>	<b>\$227,239,365</b>	<b>\$232,889,453</b>
Student Enrollment	12,396	13,105	13,622	14,216	14,729
Operating Expenditures per Student	\$16,355	\$16,254	\$16,093	\$15,985	\$15,812
Purchased Services per Student	\$926	\$835	\$792	\$779	\$776

Source: Alexandria CPS Five Year Spending History by Object

Salaries and benefits have historically comprised 87 percent to 88 percent of total operating expenditures. Growth in salaries (15 percent over five years) has actually been lower than enrollment growth, indicating more efficient staffing relative to the student population. Employee Benefits have historically comprised 33 percent to 34 percent of salaries. In 2013, Retirement/Group Life Insurance totals increased by 19 percent due to the Virginia Retirement System's increase in rates for Group Health and Group Life Insurance. During 2014, the Division experienced higher expenditures for workers compensation claims and in 2016, there was a discontinuation of long-term sick leave, which decreased Employee Benefit expenditures.

Purchased Services have historically comprised 5 percent to 6 percent of total operating expenditures, and have remained fairly constant during this time period. However, on a per student basis, the amount dropped from \$926 in FY 2012 to \$776 in FY 2016, a decline of 16 percent.

<sup>1</sup> Operating expenditures does not include capital outlay or other financing.

The Alexandria CPS Procurement Department processed more than 7,500 purchase orders representing \$43 million of purchases in FY 2016. Purchasing is largely centralized, although certain types of purchases (low dollar items, student activity fund purchases) can occur at the department and school level.

## Governing Framework

Chapter 43 of the Code of Virginia is the Virginia Public Procurement Act that establishes public policies that must be followed by public bodies in the Commonwealth of Virginia as it pertains to the procurement of goods and services. This Act outlines methods of procurement, competitive bidding requirements, contractual requirements, and certain state preferences for procurement (e.g., preference for recycled paper).

In addition to the VPPA, there are several Alexandria CPS board policies that govern the procurement process. Below is an overview of the key policies.

Policy DJ outlines the quote requirements for small purchases (i.e., purchases under \$100k over a twelve month period).

Policy DJA outlines purchasing authority limits, requirements for emergency purchases, and requirements for sole source purchases.

Policy DJA – R is the Alexandria CPS procurement manual that outlines the policies and procedures to be followed by the Division in fulfilling procurement and related responsibilities within delegated limits.

Policy DJF outlines contractor requirements including certification regarding felonies and sex offense convictions, compliance with the immigration reform and control act, and prohibited contractor discrimination.

Policy DJFA outlines purchasing procedures pertaining to construction services.

Policy DJFB outlines procedures for the review, approval, and execution of contracts.

Policy DJG outlines the policies pertaining to vendor relations including disclosure of subsequent employment with a vendor, as well as the limitation on submitting a bid or proposal for employees that participated in the preparation of the solicitation.



# Testing Methodology

Gibson’s testing strategy contained two main elements: (1) data analytics and (2) sample testing of individual transactions and process controls. Data analytics encompasses a review of an entire population of transactional data to detect any anomalies that would indicate non-compliance with policies and procedures, lack of controls, and inefficiencies in processes.

Sample testing of transactions focuses on a subset of the transactional data population. During testing, Gibson corroborates each aspect of the transaction selected through the review of all documentation retained for the transaction. The selection of samples for testing is based on experienced auditor judgment and is driven by information gained during interviews and data analytics.

Based on the timing of this audit, the transactions analyzed occurred between July 1, 2014 to June 30, 2015 (FY 2015) and July 1, 2015 to June 30, 2016 (FY 2016); referred to as the “audit period” for purposes of this report.

Appendix B details the transaction testing and analytical procedures, as well as summarizes the results from those. Sections 1 through 4 of this report outline the audit findings and recommendations for each major area of the procurement process. The findings outlined in each section do not always result in a recommendation; however, they are outlined as findings to highlight their importance. Table 4 provides a high level summary of the audit procedures that were executed.

**Table 4. Transaction Testing and Data Analytics Summary**

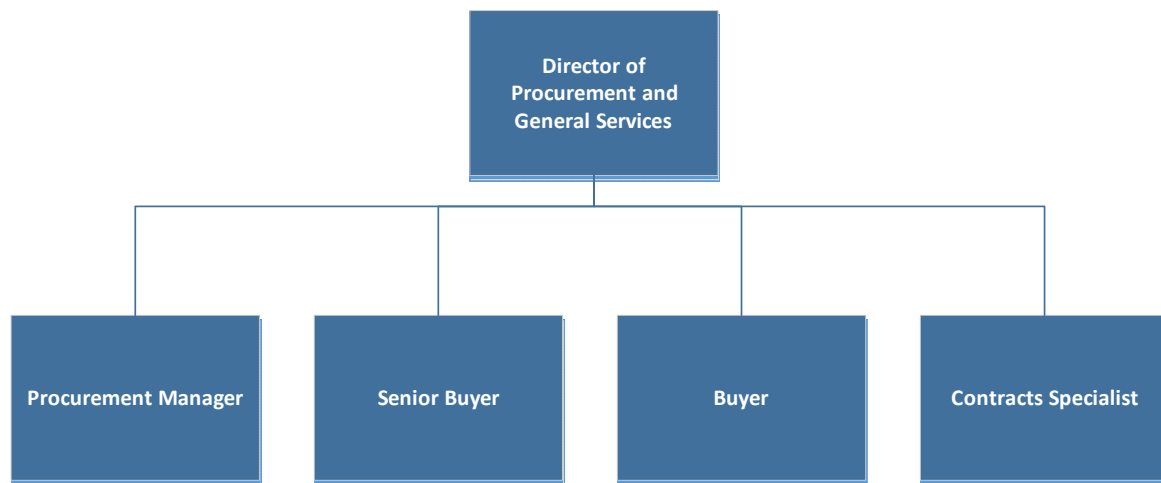
Procedure	Procedure Name	Sample Size	Procedure Overview
Test 1	Competitive Procurements	10	Audit of the competitive procurement process from drafting ITBs/RFPs through vendor selection and execution of contract.
Test 2	PO Transactions	30	Audit of transactions using a Purchase Order. Each transaction is reviewed from requisition to receipt of goods/services.
Analytic 1	Unusual PO Dates	Population	Examination of all PO dates to identify and assess POs issued on unexpected dates (e.g., holidays or weekends).
Analytic 2	Unusual Object Codes: POs	Population	Examination of all PO object codes to identify any improper coding (e.g., POs coded to revenue or other unexpected codes).
Analytic 3	Electronic POs	Population	Examination of all POs to identify the percentage sent electronically
Analytic 4	Improperly issued POs	Population	Examination of all issued and paid POs to identify any improperly issued POs (e.g., PO date after invoice).
Analytic 5	Duplicate Vendor Records	Population	Examination of all vendor records to identify vendors with the same name or address.
Analytic 6	Requisition Cycle Times	Population	Examination of all requisition entry dates and PO creation dates to determine the time to approve requisitions.

# Section 1 – Management and Organization

## Procurement Department

Figure 1 depicts the current organizational structure of the Procurement Department. Currently the Director of Procurement and General Services oversees all employees within the Department, including the Procurement Manager, Senior Buyer, Buyer, and Contract Specialist.

**Figure 1. Procurement Department Organizational Chart**



*Source: Alexandria CPS Procurement Department*

The Division's Procurement Department includes five positions. Everyone within the Department is new within the past two to three years, with the exception of the Buyer who has been in this position for over seven years. Gibson interviewed all members of the Procurement Department as well as members of other departments, such as Accounting Services and Financial Systems and Reporting. Refer to Appendix A for a complete interview roster.

The Procurement Director oversees all aspects of the procurement process and ensures compliance with federal and state procurement regulations and Board policies. The Procurement Director is also heavily involved in the preparation and administration of complex, high dollar value solicitations. The Procurement Manager assists the Director to ensure the Division is compliant and processes complex competitive solicitations. Both of these positions also play a significant role in the approval of requisitions, including all purchases equal to or greater than \$30,000. The Senior Buyer and Buyer prepare and administer less complex solicitations and approve requisitions below \$30,000. The Contracts Specialist manages contracts to ensure they are properly renewed or closed out. Both the Buyer and the Contracts Specialist manage vendors in the MUNIS system.

The Procurement Department also oversees three contractors that perform mail, print and courier services. These individuals are not ACPS employees; however they are included in the Procurement Department budget.

Table 3 outlines the Procurement Department expenditures for the past five years. These expenditures have historically accounted for 0.1% to 0.3% of total Division operating expenditures. Procurement staffing levels have increased over the past five years, from two in FY 2012 to five in FY 2016. This caused salaries and benefits to increase, and purchased services, specifically temporary help services, to decrease.

**Table 3. Procurement Department Expenditures, FY 2012 – FY 2016**

Expenditure	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Salaries	\$117,553	\$112,315	\$207,780	\$347,731	\$418,258
Employee Benefits	\$25,554	\$33,335	\$61,610	\$116,083	\$138,120
Purchased Services	\$58,508	\$215,457	\$93,822	\$37,228	\$35,502
Internal Services	\$274	\$0	\$0	\$606	\$36
Other Charges	\$6,396	\$2,114	\$4,784	\$7,629	\$12,953
Materials and Supplies	\$2,699	\$1,934	\$116	\$13,747	\$11,927
<b>Total</b>	<b>\$210,984</b>	<b>\$365,154</b>	<b>\$368,112</b>	<b>\$523,023</b>	<b>\$616,796</b>

Source: Alexandria CPS Procurement Department Five Year Spending History by Object

Each year the Council of Great City Schools (COGCS) publishes *Managing for Results*, a report that provides benchmark comparisons of the country's major urban schools systems. Performance measures are collected from school systems across the U.S. in all operational areas, including Procurement. While Alexandria CPS is not affiliated with the COGCS, the data provide a viable benchmark comparison. It is important to note that since most of the school districts reporting are much larger than Alexandria CPS, they are more likely to benefit from economies of scale. The fall 2016 report contains benchmark data for FY 2015.

Alexandria CPS' procurement cost per purchase order in FY 2015 was \$73, above the median COGCS measure reported (\$52) but below the upper quartile (\$97).<sup>2</sup> Procurement Department costs per \$100,000 of revenue for the school Division in FY 2015 was \$108, also above the median (\$83) but less than the upper quartile (\$120).<sup>3</sup> Recent staff additions to the Procurement Department moved both of these measures from significantly below the median to above the median, but these changes appear to have been necessary to implement recent improvements. Some of the recommendations to further improve efficiency made in this report may help the Division achieve better efficiency measures in the future.

## Systems Overview

The Division utilizes Tyler Technologies MUNIS (MUNIS) software as their integrated enterprise resource planning (ERP) system designed for public sector clients. The Division exclusively uses the system for all Finance, Accounting, Payroll, Procurement, Budgeting, and Human Resource functions. Within the

<sup>2</sup> Managing for Results, 2016, Council of Great City Schools.

<sup>3</sup> Ibid.

Procurement Department, MUNIS is utilized in various ways such as requisition and purchase order creation, purchase order change processing, purchase order receiving, contract management, and vendor management.

The Division also uses Virginia's online electronic procurement system, eVA, to publicly post competitive solicitations and notify registered vendors of postings that pertain to the services and commodities they provide. eVA has additional functionalities including the electronic receipt of bids, quotes and proposals, and the electronic execution of contracts; however, these features are not currently being utilized by the Division.

### *Findings and Recommendations*

**The Procurement Department would benefit from additional performance and efficiency measures.** Measurement is important in the establishment of accountability for performance. Departments should have goals that are aligned with the school system's mission, and supporting those goals should be measureable performance targets.

The Procurement Department has two stated goals. These are presented annually in the Alexandria CPS budget. The FY 2017 budget includes the following goals for the Procurement Department, as part of the Financial Services goals.

1. Improve best practices and benchmark the Procurement Office efficiencies by those agencies who have reached a new level of excellence.
2. School leaders will have greater knowledge of fiscal procedures and oversight responsibilities.

Goal 1 drives the application process for the AEP award described above. This goal also has as an implementation strategy – the implementation of a centralized contracting database for use by procurement staff and schools/departments. One of the implementation strategies under Goal 2 is to develop standard operating procedures for school leaders and business support staff, and provide training.

Additional performance measures tracked by the Department are listed below.

- Rejected requisitions by department
- Requisition cycle times (i.e., time to approve requisitions)
- Invoices with after the fact POs (i.e., improper POs)
- Special checks (i.e., checks written to pay improper POs)

The above measures speak to the effectiveness of the Procurement Department, but not to its efficiency. Additional measures could help management measure and analyze departmental efficiency.

**Recommendation 1: Supplement existing performance measures.**

For all performance measures, targets should be established for measuring against actual performance. This will help hold the Procurement Department accountable for effectiveness and efficiency. The recommended performance/efficiency measures should include:

- Procurement Department cost per \$100k spend
- Procurement Department Cost per purchase order
- Percentage of P-Card purchases to total purchase transactions (once the P-Card program has been implemented)
- Number of purchase order processed per Procurement FTE
- Average dollar value of purchase orders processed
- Number of purchase orders processed electronically vs. the CIP purchase orders processed manually
- Number of days to evaluate and award vendors for competitive procurement

Other procurement performance measures from the COGCS Benchmark Report should be reviewed by Alexandria CPS to determine if any other measures should be tracked. The departmental goals, objectives, and performance indicators should also be communicated to Procurement Department employees during their annual evaluations.

*Management's Response: Management agrees with the recommendation. The Procurement Department will develop additional performance measures with measurable target to help analyze departmental efficiency. As we bring new systems online, performance measures will be developed for those systems to show proper/accurate measurements against actual performance. The department goals, objectives, and performance indicators will be communicated to all Procurement Department employees.*

**Target Completion Date:** December 2017

**The Procurement Department does not perform spend analyses.** A spend analysis is the process of collecting, cleaning, classifying, and analyzing expenditure data to identify ways to improve efficiency, decrease costs, and monitor compliance. The only spend analysis performed within the Procurement Department is the occasional review of spend by vendor. These periodic reports are primarily developed to identify non-competitive purchases made to a particular vendor that are approaching or exceeding a given threshold.

**Recommendation 2: Conduct a spend analysis on a quarterly basis.**

A spend analysis is a powerful method for developing and achieving goals in the Procurement Department. There are many spend analyses that can be performed using Division expenditure data, including spend by vendor, spend by commodity code, number of vendors by commodity code, and historical spending trends. The Procurement Department should perform these spend analyses on a quarterly basis by performing the following:

- **Identify and collect data:** The first step is to identify and understand which sources contain the required data (e.g., MUNIS). Expenditure data should be extracted from these sources and reviewed for completeness and accuracy.
- **Clean and categorize data:** The collected data should be cleaned to remove any duplicates or errors, and to group and categorize commodities. This will ensure there is an accurate correlation of spend data and enable targeted analyses.
  - Categorization and grouping of commodities: the National Institute of Governmental Purchases (NIGP) has developed standardized commodity codes (used on the Virginia Online Procurement Portal, eVA). These NIGP codes, or similar Division developed codes, should be assigned to all goods and services purchased by the Division.
- **Create repeatable processes:** Reports created using the MUNIS system can be saved so that they can be available on demand.
- **Analyze data:** Frequent analysis of spend data is vital to ensure compliance with the VPPA and Division procurement policies, inform management decisions, and oversee vendor relationships. These spend reports should be made available to all members of the Procurement Department, and should be reviewed on a frequent basis by management.

A few examples of the benefits that can be achieved through the implementation of a well-designed spend analysis are listed below.

- Improve processes
- Manage risks
- Reduce duplicate suppliers and duplicate purchases of similar commodities
- Achieve standardization of purchases
- Improve compliance with the VPPA and Division procurement policies
- Increase part reuse
- Identify savings opportunities
- Obtain information necessary to perform benchmarking with similar size districts
- Track progress towards KPIs
- Improve communication and transparency within the Procurement Department

For example, by analyzing the number of vendors used to purchase the same type of commodity, based on the assigned commodity codes, the Division can identify opportunities to standardize purchases. Utilizing only one vendor for a particular commodity can enable the Division to receive high volume discounts, which would in turn save the Division money.

*Management's Response: Management agrees with the recommendation. The Procurement Department team will work with Financial Systems staff to develop the standard reports that can be created in MUNIS and then run on a quarterly basis. The data from the reports will be analyzed and shared with department management as necessary. Commodity codes are available for use in MUNIS. The Financial Services Department is working with end users to consistently and correctly use commodity codes. With the*



*consistent and correct use of commodity codes for purchases along with the expenditure data, the Procurement Department will be able to establish procedures for analyzing the data on a quarterly basis.*

**Target Completion Date:** December 2017

**Some of the Procurement Department job descriptions do not accurately reflect the roles and responsibilities of the positions.** Through the review of the Procurement Department job descriptions, the audit team identified several instances where the roles and responsibilities listed do not accurately reflect the actual work performed by the individuals in these positions. A few examples are listed below:

- The Procurement Manager's job description states that the position is responsible for assisting in the timely and prompt payments of vendors through effective collaboration with the budget, accounts payable office, and Alexandria CPS schools and departmental staff. In addition, it states that this position communicates and advises on potential risks to reduce exposure to potential abuse or fraud. Neither of these duties are currently performed by this position.
- The Senior Buyer's job description states that the position maintains approved supplier/vendor database, monitors supplier/vendor performance through the administration of supplier/vendor measurement programs, and makes recommendations for additions to and deletions from the supplier/vendor database. None of these duties are currently performed by this position.
- The Buyer's job description states that the position maintains files and documentation of all bids, proposals and contracts both physically and electronically for the purpose of accurate record keeping. This is not currently performed by this position.

Gibson also noted that two of the job descriptions, Senior Buyer and Buyer, had not been updated in 3 and 7 years, respectively.

**Recommendation 3: Update Procurement Department job descriptions to accurately reflect the roles and responsibilities of the positions.**

All Procurement Department job descriptions should be reviewed and modified to reflect the actual responsibilities and duties of each position. If the job descriptions are reflective of the work that should be performed by the positions then management should work with employees to ensure that all required work is being performed.

**Management's Response:** *Management agrees with the recommendation. The Procurement Department has two new systems and processes coming online in the next couple of months that will require different staff responsibilities. Once they are in place the job descriptions in the department will be reviewed and updated to reflect all responsibilities of each position.*

**Target Completion Date:** December 2017

## Section 2 – Competitive Procurement and Contracting

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### Competitive Procurement

Chapter 43 of the Code of Virginia, the Virginia Public Procurement Act, outlines the public policies pertaining to procurement. The VPPA serves as the basis for the Board Policy DJ, and the Procurement Manual, which state that formal competitive sealed bids or formal competitive negotiation is required for single or term contracts for goods and services, other than professional services, if the aggregate for each 12-month period is \$100,000 or more. The purchase of single or term contracts for professional services if the aggregate is \$60,000 or more must be competitively procured as well.

The Alexandria CPS Procurement Department oversees the competitive procurement process. The Division uses competitive sealed bidding and competitive negotiation by issuing Invitations to Bid (ITBs) and Requests for Proposals (RFPs). In general, this process is used to identify all vendors with whom the Division conducts business, with the following exceptions:

- Purchases pursuant to a small purchase procedure. Currently, Alexandria CPS is authorized to establish such procedures for single or term procurements not expected to exceed \$100,000 or in the case of professional services not expected to exceed \$60,000;
- Sole source procurements;
- Emergency procurements;
- Virginia Department of Education (VDOE);
- School Board purchases for textbooks and online learning providers; and
- Certain other miscellaneous exceptions.

It is the policy of Alexandria CPS to encourage full and open competition when practicable among potential contractors and suppliers through competitive bidding. In cases of emergency, where the public's health, safety and welfare is affected, the Superintendent may authorize purchase orders without bidding. If it is determined that there is only one source practicably available for procurement, contracts and purchase orders may be negotiated and awarded without bidding. Alexandria CPS will then issue a written notice stating that a sole source contract has been awarded, which identifies what is being procured, the selected contractor, and the date on which the contract was awarded.

#### ***Competitive Sealed Bidding***

The purpose of competitive sealed bidding is to stimulate competition and obtain the lowest practical price for the work, service, and/or items needed. Competitive sealed bidding is initiated through an ITB. Procurement personnel work with the applicable department to build the specifications or scope of work for the ITB, and establish a budget and timeline. A bid template is customized with these specifications, as well as the terms and conditions of the bid. The terms and conditions must include how the Division will publicly post the notice of award or announce the awarded vendor. Upon finalization, the ITB must

be published in a newspaper of general circulation for at least ten (10) days prior to the date set for receipt of bids. It is also posted on the Virginia's online electronic procurement system, eVA, and the Alexandria CPS website.

Vendors can utilize any of these three sources, or beginning later in FY 2017, vendors can register through the Tyler MUNIS eProcurement system to find Alexandria CPS bids. The MUNIS vendor self-service program allows vendors to create a profile, search for bids or set up email notifications of posted bids based on selected commodity codes.

Sealed bids are received in hard copy via mail up until the date and time specified in the ITB. Bids are publicly opened and read aloud. Late bids, or those sent via fax or email are not acceptable.

According to the VPPA, the bid must be awarded to the lowest responsive and responsible bidder. To be a responsive bidder the bid must conform, in all material respects, to the ITB, and to be a responsible bidder the vendor must have the capability to perform the contract requirements and the moral, integrity and reliability to assure good faith performance. If the solicitation provides for multiple awards then awards may be made to the lowest responsive and responsible bidders.

If the bid amount of the lowest responsive and responsible bidder exceeds available funds, the Procurement Department may negotiate with the lowest bidder to obtain a price within available funds, as long as the ITB contains the following language:

*"Alexandria CPS reserves the right to negotiate with the apparent lowest responsive and responsible bidder pursuant to § 2.2-4318 of the Code of Virginia, to obtain a contract price within the funds available if such low bid exceeds the available funds."*

Once the lowest responsive and responsible bidder is selected, Procurement personnel issue a notice of award.

### **Competitive Negotiation**

Competitive negotiation is used as the method of procurement for all professional services and may be used for procuring goods and nonprofessional services when it is determined to not be practicable or fiscally advantageous to the public to use competitive sealed bidding. Competitive negotiation is initiated through a RFP. The requesting department should communicate with Procurement personnel and provide a scope of work, along with technical specifications to be submitted by the vendor, if applicable. In addition, the timeline, location, background information, budget, and any special qualifications that may be required should also be provided. The RFP must also contain the factors that will be used in evaluating the proposal, indication of whether a numerical scoring system will be used in the evaluation, the contractual terms and conditions, and it must state the manner in which public notice of the award shall be given. When needed, Procurement personnel help to build the RFP and if desired, the requesting department can hold a pre-proposal meeting with Procurement to discuss the solicitation.

Upon finalization, the RFP must be published in the Alexandria Times, posted on eVA and the Alexandria CPS website, and may also be posted in the Washington Post. These advertisements must run for twenty-one (21) to thirty (30) days prior to the receipt of proposals. Beginning later in FY 2017, RFPs are also posted on the MUNIS eProcurement system, which can be viewed by registered vendors.

Sealed proposals are received in hard copy via mail up until the closing date and time specified in the RFP. Late proposals, or those sent via fax or email are not acceptable. Proposals are publicly opened unless otherwise approved by the Procurement Manager. The names of the individuals or firms that submitted proposals is the only information that is read aloud and made available to the public, unless stated otherwise in the RFP.

All timely submitted proposals are evaluated by an evaluation panel. The requesting department head, or designee should recommend a panel of no less than three (3) individuals knowledgeable in the service area, one of whom must be familiar with the VPPA. An employee in Procurement must chair the procurement process, but is not considered a voting member of the panel. Proposals are evaluated based on the details of the RFP. Each member of the evaluation panel completes an evaluation matrix by scoring criteria specific to that RFP. Below is a list of several criteria that are commonly evaluated.

- Background, education, and experience in providing similar services to school systems
- Responsiveness and compliance with RFP requirements and submittal
- Ability, capacity, and skills to perform the services. Properly documents projects completed on time/within budget.
- Quality of proposal response, requirements/adequacy of the information provided
- Project approach
- Conflict of interest or exceptions to the contract terms and conditions
- Committee Member recommends an oral presentation (YES/NO)

With the exception of the oral presentation recommendation, all criteria are scored according to a non-numeric key. Scoring options include excellent, good, satisfactory, marginal, and unsatisfactory. An evaluation key is provided to members of the panel that explains how to select from these options. In addition to completing the evaluation spreadsheet, all members must submit to the Director of Procurement a supporting narrative of their scoring for each respondent. The evaluators also indicate which respondents they recommend for oral presentations. Based on this, a short list of recommended presentations is created and respondents are contacted to schedule the presentations. The evaluators will prepare a list of interview questions for each respondent to be discussed during the presentations.

Once these evaluations and presentations have been performed, the Division may negotiate with the vendors that are determined to be fully qualified and best suited. One or more vendors may be selected for negotiations; however, if there is one vendor that is determined to be more qualified than all the others, documentation supporting this decision must be prepared and retained in the contract file. Negotiations are then conducted to allow for changes to the proposal, including price. After all negotiations have been conducted, the evaluators will rank the vendors and the vendor with the highest ranking is selected. When provided for in the terms and conditions, awards may be made to more than

one vendor. The Director of Procurement, or a designee, makes the award at which time a contract is prepared containing the requirements, and terms and conditions of the contract. Procurement personnel then issue a notice of award, at which time no additional negotiations may be conducted.

### **Contract Execution**

Capital Improvement Program contracts in excess of \$500,000 or greater are subject to final approval by the School Board. The Procurement Director creates a Board memo and contacts the Superintendent and Board Secretary to add the item to the Board agenda. Once approved the contract is signed and executed.

All contracts must be signed and executed according to the approval levels summarized in Table 5 below.

**Table 5. Contract Approval Levels**

Approval	Contract Value
Authorized Agent of the Awarded Vendor	> \$0
Principals/Department Heads	> \$0
Director of Procurement/Purchasing Agent(s)	> \$0
Director of Budget	> \$100,000
Superintendent	> \$500,000

Source: Board Policy DJFB

The Division's legal counsel is also required to review the following contracts:

- Any capital program contract involving the expenditure of funds in excess of \$500,000
- Any contract for the lease or purchase of buildings or land.
- Any contract that the Superintendent has been specifically directed and/or authorized by the School Board to execute on behalf of the School Board.
- Any other contract that the Superintendent, Chief Financial Officer, or the Director of Procurement specifically requests to be reviewed and approved by legal counsel.

After the contract has been signed by all parties, the Contracts Specialist scans the contract into the MUNIS system and places it in the solicitation file. In order to link the contract to the corresponding vendor in the system, the vendor profile must be set up in MUNIS. In order to do so the vendor must first complete an electronic application, located on the Division's website. At this time, Procurement personnel receive an email notification stating that an application was submitted. The application, and the corresponding attachments are reviewed for completeness and the application is forwarded to the Principal or department head to approve. Upon approval, Procurement creates the vendor record in the system. The Senior Buyer, Buyer, and Contracts Specialist have access to create these vendor profiles in MUNIS.

### **Informal Competitive Solicitation**

Although competitive procurement is only required for purchases of goods and nonprofessional services of \$100,000 or more, and professional services of \$60,000 or more, departments often submit informal RFPs or ITBs for purchases below these thresholds. Through interviews conducted with Division personnel, the audit team discovered that up until approximately two years ago, departments rarely obtained quotes

for purchases under the given thresholds, or used competitive procurement for those over the thresholds. Instead, departments sole sourced most purchases and used the same vendors that had previously conducted business with the Division. Once the current Director of Procurement and Procurement Manager started at the Division, departments were informed of the requirements set forth in the VPPA. Since the majority of purchases made by the Division, and the related vendors, did not qualify to be sole sourced, departments had to learn how to obtain quotes and competitively procure goods and services. Due to the lack of experience, departments were not aware of the current vendors that provide the desired goods and services and were therefore unaware of which vendors to request quotes from, for purchases below the required thresholds. As a result, departments often request informal RFPs or ITBs to identify the eligible vendors.

As opposed to formal solicitations, informal ITBs and RFPs are not required to be advertised in newspapers of general circulation; however, advertisements should be placed on the Alexandria CPS website. In addition, informal bids and proposals can be submitted via email or fax and the responses can be viewed in an unsealed manner, allowing review upon receipt. While this is permissible, it is the practice of the Division to wait until the established due date to open all responses.

### *Testing*

To test the competitive procurement and contracting processes, Gibson obtained a list of all ITBs/RFPs awarded during the audit period (FY 2015 through FY 2016). From this list, Gibson made selections to execute Test 1. Refer to the Appendix B for further details of testing and results. In addition to the results from testing procedures, Appendix B also includes general observations about the transactions. The general observations are meant to highlight further areas of improvement.

### *Findings and Recommendations*

**Procurement and contract files are not maintained electronically.** The Procurement Department maintains hard copy files for every competitive solicitation that include the ITB or RFP, all vendor responses, evaluation documents, emails, and other procurement documents. Separate hard copy files are maintained for all contracts that include the executed contract, amendments, renewals, contractor performance reports, and other contract documents. Only the signed contract is scanned and maintained electronically in the MUNIS system. Maintaining hard copy files increases the risk that documents will be misplaced or lost, and requires additional security measures to ensure access to files is properly restricted. In addition, maintaining procurement and contract files separately can cause inefficiencies as two files have to be located and reviewed in order to get an entire picture of the applicable procurement.

#### ***Recommendation 4: Utilize a documentation management system to store procurement and contract files electronically.***

The Division should scan and maintain procurement and contract files in an electronic format. According to the Library of Virginia (LVA) retention schedules, and the Board policy DJFB, copies of all contracts executed shall be maintained for a period of five (5) years following the date of contract execution. As

such, all procurements and contracts executed within the past five years should be scanned and stored electronically. The Division should consider utilizing a documentation management system to store, index and protect all procurement and contract files, such as Tyler Content Manger. An outsourced company can scan existing files into the system, which can be integrated with the Division's current business application. Each procurement record in MUNIS can be linked to the corresponding vendor file in the documentation management system for automated retrieval. These systems can also streamline and automate the document retention and destruction process based on customizable business rules. Furthermore, access levels can be set up for authorized Division personnel, as well as outside vendors, for secure access from any device. If there is limited vendor access to a device, the files relevant to that vendor can be printed for review and subsequently shredded. This will eliminate the need to physically store and secure all procurement and contract files. Going forward, once all files have been digitized, procurement personnel should scan all documents as they are created and received.

A documentation management system can also work with Student Information Systems and Human Resources Information Systems to electronically store documents throughout the Division. This type of electronic document solution can significantly increase the efficiency and productivity of Division processes and protect and secure sensitive vendor, personnel, and student records. However, there are various other means to digitize and store procurement and contract files that the Division may want to look in to, such as scanning files into the MUNIS system or storing them in SharePoint or Dropbox.

***Management's Response:** Management agrees with the recommendation. Per School Board policy DJFB, all contracts are maintained electronically for a period of five (5) years following the date of contract execution. The Procurement Department has recently implemented the request to all bidders and offerors to submit original proposals electronically on a USB. Documentation received with the proposals related to an executed contract will be maintained in the electronic contract file. All other proposals will be maintained in a separate file. Additionally, as the Department implements the Vendor Self Service Bids Module in MUNIS, we will review what information related to an executed contract can be maintained electronically. The department will explore the feasibility of utilizing a document management system including costs, overall benefit and staff resources.*

***Target Completion Date:** December 2017*

**Vendor responses to competitive solicitations are not received electronically.** Currently vendors must print and mail hard copy bids and proposals to the Division (with the exception of informal competitive solicitations, i.e., those that are under the thresholds established by the VPPA, that can be received via email). This can cause delays in the contract process, and requires vendors to prepare and send responses several days prior to the deadline, in order to ensure it arrives on time. If there is inclement weather or courier delays a vendor's response may not be delivered in time, and as a result the vendor will not be considered for the contract. In addition, there is an inherent risk with hard copy files of misplacing or losing the documents.

***Recommendation 5: Maximize the use of Division resources to electronically receive vendor responses to competitive solicitations.***

The Division should research ways to electronically receive all vendor responses, starting with the current MUNIS and eVA systems. Both of these systems have functionalities that would facilitate the electronic receipt of bids and proposals. Electronic submissions will not only reduce the time to receive vendor responses, but will also help ensure that all documentation is received securely. In addition, this will eliminate the need to scan bid and proposals documents when creating electronic contract files, as they will already be in an electronic format.

***Management Response: Management agrees with the recommendation. The Procurement Department has secured the MUNIS Bid Module that will enable us to electronically receive all vendor responses to competitive solicitations through that module. We will evaluate the capabilities of the eVA system to determine if it is necessary to use both systems once we have the MUNIS module in place.***

***Target Completion Date: December 2017***

**Proposal evaluation scoring may vary widely across evaluators.** Members of evaluation committees complete an evaluation matrix for all proposals received by qualitatively scoring pre-established criteria as either excellent, good, satisfactory, marginal, or unsatisfactory. The Procurement Department has created a key that explains how to select amongst these options to be used as a guideline, and requires that evaluators submit a short narrative for each proposal to explain how the scores were selected. While conducting the testing over competitive solicitations however, the audit team discovered that the way these qualitative scores are assigned significantly varies between evaluators. For example, one evaluator may assign excellent or good scores for all criteria for a given proposal, while another evaluator may assign the exact same proposal all marginal or unsatisfactory scores.

In addition to the scoring of evaluation criteria, evaluators are instructed by Procurement to write narratives to explain the rationale behind the scores assigned to each respondent. Through conducting Test 1 – Competitive Procurement, the audit team noted that the procurement files for all three RFPs were missing written narratives by some or all evaluation committee members. Regardless of whether a qualitative or quantitative scoring method is used, these narratives are a best practice and should be enforced.

**The size of evaluation committees is not consistently an odd number, resulting in the possibility of a tie.** Evaluation committees should consist of at least three members and the total number should be odd in order to eliminate possible tie votes. Through conducting Test 1 – Competitive Procurement, the audit team noted that two of the three RFPs tested had an even number of evaluation committee members.

***Recommendation 6: Improve the proposal evaluation process.***

There are several implementation strategies to improve the proposal evaluation process. Members of evaluation committees should receive training on how to apply the evaluation criteria in scoring. Wide variances in scoring should be investigated by the Director of Procurement and General Services to ensure that the scoring does not reflect unjustified favoritism of one vendor over another. Proposals received



from vendors should also be evaluated using a numeric scoring method instead of the current qualitative approach. Each criteria should be weighted by assigning a point value out of 100 depending on the relative importance of the criterion. These assigned values should be included in the RFP or the advertisement of the RFP. A formula should be assigned to each criteria to provide structured guidance for the scoring. After the sum of all scores is calculated, the vendors with the highest scores should be selected for presentations. Refer to Appendix D for an example of an evaluation matrix using a numeric scoring method.

Training should include the development of narratives to explain the rater's evaluation. The Procurement Department should document and implement a procedure requiring the completion of narratives by all evaluators. These narratives will provide additional context, improve inter-rater reliability, and help the Division withstand external scrutiny in the case an award is challenged.

A third way to improve the proposal evaluation process is to require an odd number of evaluators on the committee. In the event the evaluation scoring results in a tie, a decision can be made by vote.

*Management's Response: Management disagrees with the recommendation. The process at ACPS is to have an odd number of evaluators. There may be a time when a committee member, at the last minute, has an event or emergency that does not allow them to complete the evaluation process to the voting stage. After the evaluation process has progressed to a certain point we complete the process with the existing team rather than starting over or adding a new member to the team.*

*ACPS will continue to use the current qualitative approach to scoring which we believe provides the most advantageous proposal or the best value to ACPS. We find that the narratives provide invaluable information to our vendors when debriefing proposals. Staff will ensure that all paperwork is submitted from each committee member.*

**Target Completion Date: N/A**

**The documentation of advertisements in contract files is insufficient.** Through performing Test 1 – Competitive Procurements, the audit team noted that the only evidence in contract files of the advertisements of ITBs and RFPs in newspapers or the Alexandria CPS website were emails requesting or confirming that the ads were posted. For the posting on the eVA portal, most contract files contained an email from eVA listing all of the vendors that were notified of the solicitation, based on their commodity codes, and/or a screenshot of the confirmation page with the details of the posting. These documents are obtained directly from the eVA, confirm that the solicitation was posted, and include the details of the solicitation, thereby proving that it was properly posted on the portal. The emails regarding postings in newspapers and the Alexandria CPS website do not contain this level of detail and do not serve as adequate evidence that the solicitation was properly advertised.

**Recommendation 7: Retain the actual advertisements of solicitations in the procurement files.**

For advertisements in newspapers of general circulation, such as The Alexandria Times and The Washington Post, the Procurement Department should retain the actual newspaper advertisement. This

should be cut out of the hard copy newspaper or a screenshot should be taken of the online newspaper ad. For postings on the Alexandria CPS website, the Procurement Department should take a screenshot of the actual post on the website to include in the procurement file. Retaining the actual advertisements from these two sources will provide indisputable evidence that the solicitations were properly advertised as required by the VPPA.

***Management's Response:** Management agrees with the recommendation. After reviewing this finding and recommendation with staff, it came to our attention that the actual copies of the ads are attached to the invoices and maintained in one file in Procurement and not in each contract file. Staff will scan the advertisements when received and ensure they are placed in each contract file.*

***Target Completion Date:** Implemented*

**There is no evidence within the procurement files of the date vendor responses are received.** The audit team obtained the procurement files for a sample of ten ITBs and RFPs to conduct Test 1 – Competitive Procurements. None of these 10 files contained documented evidence of the date the vendor responses were received. Through interviews conducted with Division personnel, the audit team was told that when bids and proposals are received in the Division they are stamped with the date and time of receipt; however, according to the testing performed this documentation is not retained within procurement files.

***Recommendation 8: Retain documentation in procurement files of the date and time vendor responses are received by the Division.***

According to the VPPA, a date should be set for the receipt of bids and proposals. As these vendor responses must be submitted by the date set, it is critical that the Procurement Department documents and retains the evidence of the date and time they are received. If the award is challenged, this will serve as one of the pieces of evidence to prove that the awarded vendor's response was valid.

***Management's Response:** Management agrees with the recommendation and has implemented this practice in the past couple of months. All proposals have a valid stamp on the outside of the package and the department has put in place the retention of the paper stub that is taped to the box to meet this recommendation.*

***Target Completion Date:** Implemented*

**The use of ITB/RFP checklists is insufficient.** The Procurement Department has created a checklist for ITBs and RFPs to track the dates of each step in the solicitation process. This checklist was developed as a training tool for end users that are new to the solicitation process and is not required for every solicitation. As a result, this checklist is not consistently used for all solicitations. Based on the results of Test 1 – Competitive Procurement, only four out of the ten (40%) procurement files selected for testing contained a checklist. One of these four was not filled out, and another was completed using checkmarks instead of dates. In addition, as this information is captured on hard copy forms, there is no way to aggregate and analyze the data to identify delays in the solicitation process.

***Recommendation 9: Digitize the ITB/RFP checklists and enforce their use.***

The use of checklists to capture the key dates in the solicitation process is a best practice. While these checklists are not required, the Procurement Department should enforce their use in order to verify that all solicitation files are complete. In addition, the department should utilize electronic means to capture the dates in the solicitation process for all ITBs and RFPs. The Division should explore the functionalities of the MUNIS system that would allow the creation and completion of an electronic checklist within the system. In an ideal scenario, there would be an electronic checklist in the system for each solicitation, and each step would be assigned to the appropriate individual. After completion of each step, the assigned personnel would digitally check the item off and an electronic time stamp would be recorded. At that time, the personnel assigned to the next task would be notified via email as a reminder that once they have completed their step the task should be electronically checked off. Due to the fluid nature of the solicitation process, assignment of tasks to specific individuals may not be practical. If this is the case, these electronic checklists can be created in MUNIS or SharePoint so that at any time personnel that complete each task can electronically check them off. As the solicitation process progresses, there will be a historical record of all of the dates of critical events. Using MUNIS or SharePoint, the Division can run reports to aggregate and analyze the data. This will enable the Department to continually improve the solicitation process.

***Management's Response:*** *Management agrees with the recommendation with modification. The Procurement Department recently created an electronic checklist in response to this finding and has found it to be challenging. We will review our processes and continue this for a period of time to see how efficient it is to maintain this type of list and evaluate the effectiveness of the process.*

***Target Completion Date:*** *Implemented on a trial basis. Will evaluate at the end of April 2017.*

**The Procurement Department is not conducting customer surveys for the competitive solicitation process.** The last step listed on the ITB/RFP checklist is to send a survey to the “customer” (i.e., the end user); however, the Procurement Department has not conducted any customer surveys.

***Recommendation 10: Conduct customer surveys upon completion of each competitive solicitation.***

The Procurement Department should send out customer surveys as the final step in the competitive solicitation process. As mentioned above, until the Procurement Director and Procurement Manager started working at the Division, end users were not competitively procuring goods and services as required by the VPPA. Due to this, the competitive solicitation process was completely new to them. Over the past few years the Procurement Department has worked to implement a sound process through training end users regarding what is required of them. Engaging these end users in the process from beginning to end, including obtaining their feedback, is critical to this growth and development and to the continued improvement of the competitive solicitation process.

**Management Response:** Management agrees with the recommendation and has implemented this practice in the last couple of months. The checklist for each solicitation includes “Send Customer Service Survey” at the bottom of the checklist to remind staff to ask their customers to complete the survey, which is now available on the ACPS website.

**Target Completion Date:** Implemented

**Documentation of the evaluation of ITBs is inadequate.** At the time bids are received, a member from the Procurement Department opens all responses and completes a bid tabulation. This tabulation lists the names of each vendor that responded and their total bid amount. If there are multiple items within the ITB, any calculations performed by procurement to arrive at the total bid amounts are not documented and retained within the procurement file. This tabulation is simply a summary of the total bid amounts per respondent, and does not serve as the evaluation of the ITB. The evaluation is performed by the assigned procurement personnel and consists of the review of this tabulation, and all responses to identify the lowest responsive and responsible bidder, as defined by the VPPA. Unless a deficiency is identified, there is no documentation created and retained within the procurement file of this evaluation.

Through conducting Test 1 – Competitive Procurement, the audit team identified an ITB that was originally awarded to an unresponsive bidder. This bidder completed the pricing tables attached to the ITB; however, they listed one of the prices incorrectly. The bidder wrote in a price for a different product number than the one listed in the ITB and the pricing table. The other documentation submitted by the bidder, including the detailed specs, listed this different product number. During the evaluation this was not identified, and since Procurement thought this was the lowest responsive and responsible bidder, they were awarded. It was not until the product was getting ready for shipment that the bidder realized it was a different product than the one listed in the ITB. The bidder notified the Division and decided to withdraw, at which time the next lowest bidder was awarded.

**Recommendation 11: Document the evaluations of ITBs.**

The evaluations of ITBs performed by assigned procurement personnel should be documented and retained within procurement files. This documentation should include the date of the evaluation, the name and title of the evaluator, the details of the evaluation, and the evaluator’s signature. The evaluation details should include the lowest bidder, based on the bid tabulation, and the determination of all bidders’ responsiveness and responsibility. If no deficiencies are identified, this should be noted. Formally documenting the evaluation performed will help prove the ITB was properly awarded if it were to be challenged.

**Management’s Response:** Management agrees with the recommendation and has implemented this process in the past couple of months. The process includes retaining the specific documentation noted in the recommendation.

**Target Completion Date:** Implemented

## Section 3 –Purchase Order Issuances

Alexandria CPS currently utilizes purchase orders (POs) as its predominant way to purchase goods. During the audit period (FY 2015 and FY 2016), the Division processed over 14,000 POs with an associated value of over \$82 million. The majority of these issued POs have an associated value of \$1 to \$1,000. Tables 6 and 7 display the POs stratified by individual PO value for FY 2015 and 2016.

**Table 6. FY 2015 PO Volume by Dollar Category**

PO Value	No. of POs	Percent	Value of POs
\$1 - \$1,000	4,831	67%	1,571,240
\$1,001 - \$5,000	1,669	23%	3,870,684
\$5,001 - \$10,000	262	4%	1,850,603
\$10,001 - \$20,000	182	3%	2,550,769
\$20,001 - \$50,000	121	2%	3,844,825
>\$50,000	106	1%	25,370,642
<b>Total</b>	<b>7,171</b>	<b>100%</b>	<b>39,058,763</b>

Source: Purchase Order Listing, FY 2015

**Table 7. FY 2016 PO Volume by Dollar Category**

PO Value	No. of POs	Percent	Value of POs
\$1 - \$1,000	5,139	68%	1,616,572
\$1,001 - \$5,000	1,782	24%	4,250,540
\$5,001 - \$10,000	233	3%	1,670,995
\$10,001 - \$20,000	183	2%	2,597,373
\$20,001 - \$50,000	126	2%	4,070,009
>\$50,000	108	1%	29,211,954
<b>Total</b>	<b>7,571</b>	<b>100%</b>	<b>43,417,443</b>

Source: Purchase Order Listing, FY 2016

The purchase order process begins when a Division staff member, typically Treasurers or department support staff, submits a requisition in the MUNIS system. At that time, the requester enters the associated budget code for the requisition. Once the requisition is entered, MUNIS automatically checks for availability of funds at the specific budget code level. The requisition cannot proceed if sufficient funds are not available. If funds are not available, the requester can submit a budget transfer request through the MUNIS system, which is then routed for approval at the department and budget levels. However, if there are adequate funds, the requester can submit the requisition. Depending on the dollar amount of the requisition, the requester may also be required to attach written vendor quotes, as prescribed in Board policy DJ. A written quote package must be prepared, including a cover sheet and a form in which to list unit prices and extended pricing, and sent via mail, fax, or email to the solicited vendors. The number

of quotes solicited depends on the budget estimate for the purchase. These requirements are summarized in Table 8.

**Table 8. Written Quote Requirements**

PO Value	No. of Quotes
< \$5,000	1
\$5,000 - \$29,999	3
\$30,000 - \$100,000	4

Source: Board policy DJ

There are three situations by which quotes would not be required. First, if the purchase is for professional services, as defined by the VPPA. Second, if the purchase of goods/non-professional services is above \$100,000. Lastly, if the goods or services were less than \$100,000 but were solicited through competitive bidding or negotiation. Through interviews conducted with Division personnel, Gibson discovered that it is common for end users to request the issuance of an ITB or an RFP, even if the desired goods or services are below the \$100,000 threshold. These solicitations may or may not result in an executed contract, as purchase orders commonly serve as the contract for purchases of goods. If a contract is executed, then the requester must link the contract prior to submitting a requisition. If there is no contract, then the body of the requisition lists the ITB or RFP number as evidence that the goods were competitively procured.

Sometimes these established procedures are not followed by requestors. Through interviews conducted with Division personnel, it was noted that it is common for an order to be placed directly with a vendor and the goods or services to be received prior to a treasurer or department support staff creating the requisition. This is called an improper purchase order. When this occurs the requester has to complete a hard copy special check request form that must be signed by the principal or department head, scanned, and electronically attached to the requisition in the system.

Once all information has been entered into the MUNIS requisition screen and all quotes or contracts have been attached, the system's workflow functionality then routes the requisition for approval based on the purchasing authority levels outlined in Table 9.

**Table 9. Purchasing Authority**

Approval	PO Value
Principals/Department Heads	> \$0
Executive Directors/Chief Officers	> \$10,000
Sr. Buyer or Buyer	< \$30,000
Procurement Director or Procurement Manager	> \$30,000
Chief Financial Officer	> \$100,000

Source: Alexandria CPS Approval Levels

All purchase orders pertaining to travel have to be approved by Executive Directors/Chief Officers and Accounting. During the approval process, the approver reviews all details of the requisition.

The procurement personnel approving the requisition specifically ensures the following during their review:

- The vendor and shipping address are correct
- The budget code is correct given the description of the purchase
- The proper number of quotes are attached, if applicable
- The requisition is linked to the proper contract, if applicable

Once all approvals have been submitted, the funds are encumbered in the MUNIS system and the requisition is automatically converted into a purchase order and posted. The system assigns sequential numbering to all purchase orders. At that time the PO is printed and mailed to the vendor or electronically delivered via email, based on the vendor preferences and the vendor profile set up in the system. Department support staff are responsible for sending their purchase orders to the vendors. They receive a notification from the system that their PO has been created, at which time they email, or print and mail, the PO to the vendor. Procurement personnel send all campuses purchase orders to the applicable vendors. MUNIS has the ability to automatically email the POs once approved, assuming that the vendor profile include an email address; however, the Division is not currently utilizing this system functionality. The majority of purchase orders are mailed to vendors.

Requesters can also request Blanket Purchase Orders (BPOs). BPOs are approvals of a set amount to be spent with a particular vendor. Most BPOs do not indicate the specific items being purchased. BPOs can be beneficial when a campus/department will have repetitive services or items from the same vendor over the fiscal year or instances where the campus/department will have numerous small dollar materials or supplies purchases. BPOs can be very useful in instances where multiple recurring payments need to be made. These types of purchases have historically been very prevalent in the Division due to the lack of a P-Card Program. In addition, BPOs are commonly used with contracts that have a set dollar amount that is not to be exceeded. A P-Card program is planned for implementation during FY 2017.

Once a requisition has been submitted, approved, and converted into a purchase order, the only way to change the details of the order (e.g., price, quantity, etc.) is to submit a purchase order change request in the MUNIS system. To do this, the requester enters the PO number, the change that is being requested, and the reason for the change. The only part of a purchase order that cannot be changed is the vendor address. Once submitted, the request is routed to the Buyer to approve and post. If the request is to increase the price of the purchase order by an amount that would require additional quotes, the request is rejected and the requester must create a new requisition with the proper quotes attached. Once the change has been approved and posted, the Buyer emails or prints and mails the PO to the vendor.

All goods purchased by the Division are received at the corresponding campus or the Division main office. Treasurers and department support staff are charged with logging into MUNIS to fill out the receiving report. When part of the order is received the Treasurers are instructed to log the partial receipt into the system.

## *Testing and Data Analytics*

To test purchase order processing, Gibson obtained a listing of all POs processed during the audit period (14,742). From this list, the audit team made selections to execute Test 2. Refer to Appendix B for further details of testing and results. In addition to the results from testing procedures, Appendix B also includes general observations about the transactions. The general observations are meant to highlight further areas of improvement. The audit team also analyzed the listing of POs to identify anomalies in the data. Refer to Appendix C for further details of the analytics performed (Analytics 1-6).

## *Findings and Recommendations*

**The Virginia online quote system is underutilized.** It is common for competitive solicitations to be issued as opposed to soliciting quotes, for purchases of goods under the \$100,000 threshold, and services under the \$60,000 threshold. This is because end users do not have access to the state online quote system, and may not be aware of multiple vendors that offer the goods or services that are being procured, and therefore do not know what vendors to solicit quotes from. As a result, it is easier for the end users to request an ITB or RFP from the Procurement Department in order to identify eligible vendors. This is a very time consuming process for all those involved, but particularly for the Procurement Department. Soliciting quotes, on the other hand, is much more efficient and can significantly reduce the time to procure goods and services.

**Quotes are not consistently documented for purchases under \$5,000.** According to Board policy DJ, purchases for goods and services other than professional services up to \$4,999 can be solicited to one vendor with the receipt of one written quote. The Procurement Manual, however, states the following:

*Departments/Schools are authorized to procure goods without competitive quotes, though it is recommended to email at least one other vendor to make sure you are getting a good price. It's important not to always contact the same vendor when buying goods and services, even at this dollar threshold. Your request must be sent in writing, and the response received in writing.*

This language in the procurement manual does not clearly state whether or not a written quote is required for purchases up to \$5,000. It appears as though the manual recommends that requesters send an email to a second vendor to get a competitive price; however, it does not explain what the requirements are for obtaining a quote from the first vendor. Through conducting Test 2 – PO Transactions, the audit team identified two purchase orders under \$5,000 that did not have any written quotes attached in the MUNIS system, and were not competitively procured through other means such as an ITB. Per discussion with the Procurement Department, this was because purchases of this amount do not require quotes. However, as stated above, according to Board policy one written quote is required in such cases.

### **Recommendation 12: Increase use of state online system for obtaining quotes.**

While competitively procuring goods and services under the \$100,000 threshold through an ITB or RFP is permitted, it is not required. In order to increase the efficiency of the procurement process, the Division should solicit quotes for all purchases less than \$100,000, based on the requirements in Board policy DJ,



including purchases under \$5,000. Instead of mailing, faxing, or emailing specific vendors to solicit these quotes, the Division should increase its use of the Quick Quotes feature of the Virginia online procurement system, eVA, and provide system access to end users. This is a tool that can be used by the Division to obtain quotes for small dollar purchases. Each quick quote request can be posted on the eVA public website and vendors whose registration matches the commodity codes will be automatically notified via email or fax. Once the vendors submit their quotes through the system the Division would be notified so that quotes can be reviewed and a vendor can be selected. By using this tool, end users will not need to know of specific vendors to solicit quotes from, and the Division will most likely obtain more quotes than required which will ensure the most competitive price is reached.

In addition, the procurement manual should be updated to reflect the requirements of Board policy DJ. All purchases for goods and non-professional services should be made through the solicitation of at least one written quote.

*Management's Response: Management agrees with the recommendation with some modifications. The Procurement Department is implementing its own Bid module that has the capability to solicit quick quotes. The Procurement staff will utilize the eVA system to solicit quick quotes more effectively, especially until we are able to build up the vendors in our own bid module. Procurement staff believes it is more efficient to do this work on behalf of the end users rather than having the end users utilize the systems to obtain quick quotes. Procurement staff will make sure the procurement manual is updated to reflect the Board policy.*

*Target Completion Date: September 2017*

**Vendor creation and maintenance within the MUNIS system is not well controlled, resulting in duplicate vendor records.** In order to create a vendor profile in the MUNIS system, the vendor must first submit an application from the Alexandria CPS website. Once received, the application is reviewed by the end user and then the vendor record is created by procurement personnel. Through interviews conducted with Division staff, the audit team discovered that most end users approve the vendor application without performing an actual review. In addition, prior to creating the vendor profile, procurement personnel only check the application for completeness, and ensure that the vendor does not already exist in the system. There is no review of other vendors to identify whether or not the Division has contracted or worked with another vendor that offers the same goods or services. Due to this, the Division may be missing out on large volume discounts that would otherwise be obtained had a single vendor been used for the same purchases. It is also beneficial to use one vendor in these instances in order to standardize purchases throughout the Division. This will help ensure that all campuses and departments obtain goods and services of the same level of quality.

Throughout conducting the audit, Gibson also discovered that the vendor file in the MUNIS system has not been reviewed or cleaned. During the implementation of the MUNIS system several years ago, all vendor records were transferred over without any review. As a result, there are several duplicate vendors within the system. Through performing Analytic 5 – Vendor Records, the audit team identified 12 instances where 2 or more vendors had the same name. Eight of the 12 had different addresses, 2 had

identical addresses, and 2 had the same address with different spelling. In addition, 17 instances were identified where 2 vendors had the same address. The audit team analyzed these 17 instances to determine what caused the duplication. The vendors with the same addresses all had different vendor numbers and slightly different vendor names. The names differed in some of the following ways:

- Different versions of the same company name
- Spelling differences
- The use of a middle initial
- Use of Inc. or Co.
- The use of the vendor name vs. the name of the vendor's representative

As a result it is evident that there are several duplicate vendor records within the MUNIS system.

***Recommendation 13: Enhance procedures for vendor creation and maintenance in the MUNIS system.***

All applications submitted by vendors should be actively reviewed by end users in the Division. These end users should validate that all vendor information is correct (e.g., vendor name, address, employer identification number). Once the applications get back to procurement, the vendor file in MUNIS should be reviewed to ensure that this new vendor does not already exist in the system, and that there is no other vendor that provides the same goods or services. If there is such a pre-existing vendor then procurement personnel should inquire with the end user as to why the current vendor was not selected.

Through interviews conducted with procurement personnel, the audit team discovered that the Division will be implementing MUNIS eProcurement Vendor Self-Service in FY 2017. This will allow vendors to register online and enter all necessary information into a MUNIS web-based interface. During the implementation the Division should set up a workflow so that new vendor records, as well as changes to existing vendor records, are routed to the end user and procurement for approval prior to creating and updating the profile in the system. The Division should ensure that all users are properly trained regarding the use of this application, as well as what to look for when performing their approvals.

In addition, the Procurement Department should review all existing vendor records, update vendor name and address information when applicable, deactivate old vendors, and remove all duplicate vendors.

***Management's Response: Management agrees with the recommendation. We are registering vendors as new and using a workflow to manage information between procurement and accounting for accuracy. The Financial Services Department is implementing a plan to clean up the vendor files, so there is consistency across all areas.***

***Target Completion Date: December 2017***

**The MUNIS automatic email functionality to send POs is not being used.** MUNIS offers the ability to automatically email POs to vendors. The vendor profile would be set up to include an email address for orders. This functionality is not being used. The Division does, however, send some POs electronically through email outside of the MUNIS system. Through performing Analytic 3, the audit team discovered

that these account for a small portion of the POs sent each year. Approximately 20 percent of POs in FY 2015, and 22 percent of the POs in FY 2016, were sent electronically.

**Recommendation 14: Implement the use of the MUNIS automatic email functionality to send POs to vendors.**

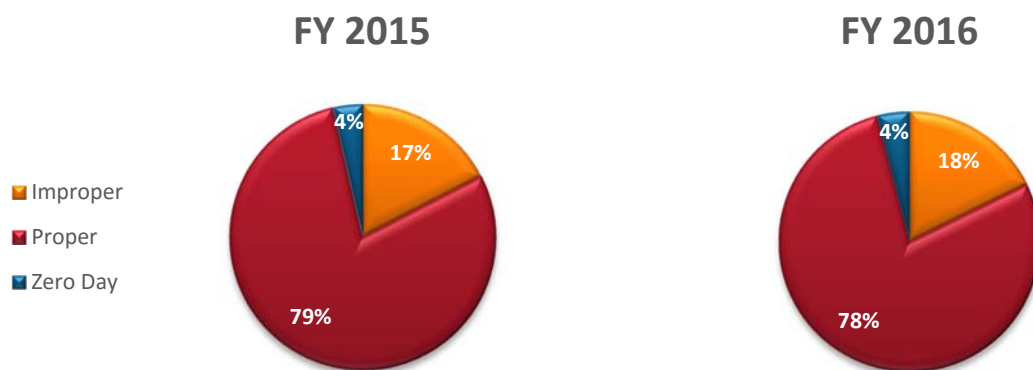
The Procurement Department should set up email addresses for all vendors in the system and implement this automatic email functionality. This would increase the efficiency of the Department by reducing the time spent printing and mailing purchase orders.

**Management's Response:** *Management agrees with the recommendation. Originally vendor emails were not set up in MUNIS. We are currently working on getting them into the system so that the email functionality to send POs can be used. Implementing eProcurement Vendor Self Service will help with the efforts to ensure all correct vendor information is in MUNIS.*

**Target Completion Date:** December 2017

**Improperly issued POs exist.** The Procurement Department tracks a performance measure on improper POs. An improper PO refers to a placed order where the goods and/or services have been supplied by the vendor before the PO has been officially issued by the Division. These are typically considered impermissible as they do not follow the established procedures. To identify the prevalence and magnitude of improper POs, the audit team performed a detailed analysis on the entire PO database<sup>4</sup>. For each PO in the PO database, the audit team compared the invoice date to the PO date. The logic being that if the vendor invoice date is prior to the PO date, the PO would be an improperly issued PO. Figure 2 displays the percentages for FY 2015 and FY 2016. There was a total of 17 percent (1,189) that may represent improperly issued POs in FY 2015 and 18 percent (1,242) in FY 2016.

**Figure 2. Percentage Distribution of Total PO Count by Type, FY 2015 and FY 2016**



Source: Gibson analysis of Purchase Order and Disbursements Listings, FY 2015 and 2016

<sup>4</sup> The PO database is used to describe the entirety of POs processed and paid during the audit period (e.g., 14,742).

In the analysis, Gibson also identified several POs where the PO date matched the invoice date (labeled “Zero Day” POs in figure). While the Zero Day POs are not being categorized as improperly issued POs for purpose of this assessment, it is important to note that there is a likelihood that some of those could also be improper POs, in that the receipt of the invoice triggered the PO and the PO was expedited within MUNIS on the same day. While this may not be the case for all of the Zero Day POs, it is important to consider the volume of those instances when fully evaluating the total possible magnitude of improper POs.

Improper POs are usually not the fault of a Procurement Department but of the schools or departments. Often because of inadequate planning, end users purchase items without going through the requisition process. This causes invoices to be sent to the Division before the Procurement Department is aware of the purchase. As a result, a PO is generated after that fact and at that point becomes an improper PO.

***Recommendation 15: Perform analysis to better understand the root cause of improperly issued purchase orders and implement control procedures to eliminate them.***

The Division should analyze historical purchasing data to determine trends in improperly issued POs and identify root causes for the prevalence of these items. Identifying root causes will help develop controls to better enforce and monitor the issuance of proper POs. The historical purchasing information can be analyzed in a number of ways. For instance the Procurement Department can analyze the number and percentage of improper POs by school or department code, object code, program code, and function code. This type of analysis can be used by management to better understand the needs of departments and determine root causes for improper POs.

***Management’s Response: Management agrees with the recommendation. The Procurement Department does not become aware of the problem until it is time to pay the vendor. Procurement has created a justification memo that requires Director and Executive level approval when an improperly issued PO is discovered and the amount of after the fact purchase orders has reduced since the justification memo process was put in place. However, the Procurement Department will analyze those that continue to be processed to determine how these can be eliminated.***

***Target Completion Date: December 2017***

**Blanket Purchase Orders are not tracked or monitored by the Procurement Office.** Currently BPOs are not being monitored within the MUNIS system by Procurement personnel. When entering a requisition into the system there is a BPO field that can be checked if the request is for a blanket purchase order; however, this field is not consistently checked by end users. Due to this inconsistency, if the BPO usage were to be tracked, the results would be unreliable.

***Recommendation 16: Implement control procedures to better monitor the use of blanket purchase orders.***

Campus secretaries and department support staff should be trained on the use of the BPO check box in the requisition entry screen in MUNIS and all BPOs should be properly classified as such within the system. Once reliable data have been captured, the Procurement Department should analyze historical purchasing

data to ensure proper BPO usage. BPOs should be used when multiple recurring payments need to be made, or when a contract is issued for a set amount that is not to be exceeded. Small dollar purchases for materials or supplies do not need to be procured through BPOs. It would be more efficient and effective to procure these goods with a Procurement Card, once the Division completes the implementation of the P-Card program.

***Management's Response:** Management agrees with the recommendation. The Procurement Department will emphasize the use of BPOs in the Procurement training to ensure they are being used properly. Additionally, the Procurement Department will set up a process to analyze how BPOs are being used.*

***Target Completion Date:** March 2018*

**Procurement file documentation does not consistently support compliance with purchasing policy.**

There are two methods to competitively procure goods and services (that do not pertain to one of the exceptions listed in the VPPA, e.g., sole source or emergencies), either through the use of quotes or competitive solicitations (ITBs and RFPs). Purchases under the thresholds established in Board policy DJ can be made through either method, and purchases above these thresholds must be competitively solicited through an ITB or RFP. The objective of one of the parts of Test 2 – PO Transactions was to validate that the purchase orders selected were properly competitively procured according to these requirements. For each selected PO, the audit team reviewed all documentation retained within the MUNIS system to identify quotes and contracts attached to the requisition or documented notes stating the ITB or RFP number. Out of the 30 POs selected, 4 (13%) did not contain evidence within the MUNIS system to prove that they were competitively procured.

***Recommendation 17:** Ensure that procurement file documentation validates policy compliance.*

It is important that all goods and services are competitively procured, and that the procurement files demonstrate that the purchasing policies are met. This needs to be done not only to comply with the VPPA and Board policies, but to ensure that the Division is receiving the best value. All documentation of these procurements (e.g., quotes, contracts, ITBs, RFPs, etc.) should be properly retained electronically through a documentation management system or an alternative system, per recommendation 4, to serve as evidence of compliance. Further, once a file is completed, it should be reviewed and signed by a supervisor to ensure that compliance requirements have been met.

***Management's Response:** Management agrees with the recommendation. Staff will ensure that the appropriate documentation to support compliance with the purchasing policy is retained within the MUNIS system for each PO. Additional documentation to support the procurement is currently maintained in separate files. The department will explore the feasibility of utilizing a document management system including costs, overall benefit and staff resources.*

***Target Completion Date:** December 2017*

## Section 4 – Other

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This report section covers the findings and recommendations for the different aspects of technology as it pertains to the Procurement Department, including user access to the MUNIS system and the use of electronic vs. hard copy forms and documents. In addition, this section addresses the security and accessibility of procurement files.

### *Findings and Recommendations*

**MUNIS user access controls are inadequate.** There are two aspects of maintaining proper system user access levels. These include the modification of access levels at the time of a change in employee status (i.e., when an employee is hired, changes positions, goes out on leave, or is terminated), and the periodic review of access levels for appropriateness.

Currently when an employee is hired, a MUNIS Access Request Form is completed and signed by the Principal/Department Head and a representative of the Financial Services Department. Once approved, the Business Systems Analyst sets up the employees account and access levels in the system. When an employee changes roles or positions that requires a change in access levels an email is sent from the Principal/Department Head to the Business Systems Analyst to approve the access changes, at which time the Business Systems Analyst updates the system. The access levels for employees that go out on leave or are terminated are not updated in a timely manner. A review is performed by the Business Systems Analyst on a monthly basis for all of these employees, and only at this time the accounts are locked, passwords are reset, or accounts are inactivated. In addition, this monthly review does not include changes to access levels for new employees or those that have changed positions. It is important that all changes to access levels are reviewed on a periodic basis to ensure that all required changes were made and that they were appropriate.

***Recommendation 18: Increase controls over the maintenance of MUNIS user access levels.***

When there is an approved change in existing employee status, the corresponding changes in user access levels should be formally requested, approved, and implemented immediately. As stated in the findings above, this formal process is currently in place for newly hired employees. The Division should implement a procedure for formally processing changes to user access levels for position changes, leave, and terminations. This would include completing a user request form, routing it for approval by the appropriate individuals, and updating the system accordingly.

In addition, the monthly review that is performed should include all changes to user access levels, not just those pertaining to employees terminated or on leave. It is important that these access levels are regularly reviewed for appropriateness to ensure that employees only have access to the areas of the system that are needed to perform their job.

**Management's Response:** Management agrees with the recommendation. A formal process will be established to ensure changes are made in a timely manner in the MUNIS system when an employee is hired, for position changes, long-term leave and terminations. This process will include how all changes are reviewed on a monthly basis.

**Target Completion Date:** September 2017

**MUNIS workflows relating to procurement can be changed without Procurement Department's knowledge or review.** Workflow is the sequence of processes through which a transaction passes from initiation to completion. Most information systems, including MUNIS, have workflow capabilities that support the configuration of automated processes, such as online approvals, to increase efficiency. Currently, the process for modifying MUNIS workflows related to procurement do not pass through the Procurement Department for review.

**Recommendation 19: Implement departmental review procedures for the modification of MUNIS system workflow.**

When the need to modify the current system workflow is identified, a formal request should be developed and routed to the departments affected by the change in workflow. If the change is a result of a policy change, then the policy should be referenced in the request documentation. Once the change has been reviewed and approved the change can be made in the MUNIS system. This will ensure that there is a proper audit trail of all changes to system workflows.

**Management's Response:** Management agrees with the recommendation. A formal process will be established that ensures the impacted departments are notified whenever a workflow for an employee is changed in MUNIS.

**Target Completion Date:** September 2017

**There are several manual processes within the Procurement Department.** There are several hard copy forms and documents utilized in the Procurement Department that are completed manually and then physically routed, or scanned and emailed to the appropriate parties for approval. These include MUNIS Access Request Forms, Special Check Request Forms, and numerous solicitation documents. The processing of these hard copy documents is time consuming and increases the risks that information will be lost or misplaced.

**Recommendation 20: Utilize electronic forms to increase efficiency and enhance approval and record keeping processes.**

The use of hard copy forms and manual processes is inefficient in many ways. The ideal way to digitize and automate the processing of these forms is through the use of a system workflow. The Division should explore the MUNIS system workflow functionalities that would allow end users to submit request forms (MUNIS Access Requests, Special Check Requests, and workflow change requests as recommended above) to be routed for approval through the system. If the system does not have this capability then the Division should consider using google docs or a secure shared drive to digitize and share documents. One of these

latter two methods should also be used to electronically create and track solicitation documents. This will facilitate the tracking of all communications in the competitive solicitation process, such as the drafting of scopes of work, and will reduce the time to create and execute solicitations.

Automating these current manual processes will increase efficiency, create an easily traceable audit trail, reduce approval times, and prevent the loss or misplacement of information.

***Management's Response:** Management agrees with the recommendation. Staff will explore the capabilities of the MUNIS system and any other options to increase efficiency.*

***Target Completion Date:** December 2017*

**Procurement files are not securely stored.** The Procurement Office at Alexandria CPS currently stores paper files in a filing room. This room is left unlocked during the day, and the locking mechanisms on the filing cabinets are not utilized.

***Recommendation 21:** Secure procurement files to ensure confidentiality and reduce the possibility of lost records.*

Many procurement files contain sensitive and confidential financial information about the Division's vendors. Access to these records must be controlled. Security measures are needed to protect the records against loss, unauthorized access or alteration while in storage and during their active use in the office. All file cabinets containing procurement files should be locked, preferably at all times, and the file room should be locked when not in use by authorized persons. In addition, employees should be careful not to leave files unsecured. For example, a file should be locked inside a desk or cabinet, rather than left on the desk, whenever the employee goes to lunch.

***Management's Response:** Management agrees with the recommendation and this has recently been implemented. The door to the file room is now keyed with an electronic code lock system for security.*

***Target Completion Date:** Implemented*



## Appendix A – Interview Roster

Interviewee	Title	Date
Sharon Lewis	Director, Procurement	8/8/2016
Connie Snyder-Felix	Finance Technician	8/8/2016
Christopher Guy	Purchasing Manager	8/8/2016
Gerald "Jerry" Amacker	Sr. Buyer	8/8/2016
Mekdes Amedi	Business Support and Administrative Specialist	8/8/2016
Melanie Johnson	Contract Specialist	8/9/2016
Salome Nnanga	Site Manager of Print Shop and Mailroom	8/9/2016
Michael Covington	Director, Accounting	8/9/2016
Shakeema Carroll	Accounts Payable/Receivable Technician	8/9/2016
Olimpia Garay	Accounts Payable/Receivable Technician	8/9/2016
Cathy Hoilman	Administrative Specialist, Information Technology Specialist	8/9/2016
Stacy B. Johnson	Chief Financial Officer	8/9/2016
Shelly Sikhammountry	Budget Analyst II	8/10/2016
Sarah Rhodes	Assistant Director, Financial Systems & Reporting	8/10/2016
Daniel Fugar	Business Systems Analyst	8/10/2016
Dr. Alvin Crawley	Superintendent	8/10/2016
Meloni Hurley	Business Support Specialist, Instructional Specialist	8/10/2016
Tracey Armah	Financial Analyst	8/10/2016
Dr. Elizabeth Hoover	Chief Technology Officer	9/19/2016
Francine Morris	Buyer	9/21/2016

## Appendix B – Testing Results

Test	Test Procedures	Results	General Observations
<p><b>Test 1 – Competitive Procurement</b></p>	<p>From the listing of all ITB/RFPs awarded during the audit period, select individual ITBs/RFPs to test. For each selection, validate the following:</p> <ul style="list-style-type: none"> <li>a) The ITB/RFP was properly advertised as required by the VPPA.</li> <li>b) The evaluations were conducted in accordance with stipulated criteria (i.e. bid tabulations, evaluation matrices, etc. were properly completed and retained).</li> <li>c) Evaluators were appropriate, given the nature of the solicitation, and the requirements set forth in the VPPA.</li> <li>d) Vendor responses support the scoring and selection of the awarded vendor(s).</li> <li>e) Vendor responses of the awarded vendor(s) were received prior to the deadline.</li> <li>f) Vendor responses for the awarded vendor(s) was complete.</li> <li>g) The award and contract were properly approved.</li> </ul>	<p>Of the 10 ITBs/RFPs selected for testing, Gibson identified the following:</p> <ul style="list-style-type: none"> <li>- 2 were not properly advertised.</li> <li>- The audit team could not determine if 1 was properly advertised based on the documentation within the file.</li> <li>- Narratives were not completed by evaluators to explain their scoring of respondents for 3 of the solicitations</li> <li>- 2 procurement files were missing some of the evaluation documents, including presentation and interview notes, and evaluation matrices.</li> <li>- 2 of the RFPs had evaluation committees consisting of an even number of evaluators.</li> </ul>	<p>Based on the testing performed the audit team observed the following:</p> <ul style="list-style-type: none"> <li>- Copies of the actual advertisements are not retained. Procurement files only include emails sent regarding the posting of solicitations.</li> <li>- Documentation of the time stamp indicating when proposals/bids are received is not retained within procurement files. Due to this the audit team was not able to confirm that responses were received prior to the deadlines.</li> <li>- One of the prices listed by the respondent in a bid was for a different product number. The pricing table listed the correct product number; however, the other documentation submitted by the bidder listed the incorrect product number. This was not identified by Procurement. The bidder discovered the error prior to shipment at which time they withdrew their bid.</li> </ul>

Test	Test Procedures	Results	General Observations
<b>Test 2 – PO Transactions</b>	<p>From the listing of all POs issued during the audit period, select individual POs to test. For each PO, validate the following:</p> <ul style="list-style-type: none"> <li>a) Proper approval for the purchase, as stipulated in the purchasing procedures.</li> <li>b) There is proper documentation of the receipt of goods and services.</li> <li>c) Invoice amount agreed to the PO</li> <li>d) PO was issued prior to the invoice date.</li> <li>e) Proper budget code was used.</li> <li>f) Purchase was properly procured through sole source, soliciting</li> </ul>	<p>Of the 30 POs selected for testing, Gibson identified the following:</p> <ul style="list-style-type: none"> <li>- 3 Selections did not have corresponding receiving information.</li> <li>- 3 selections had invoices with amounts greater than the Purchase Order without additional approvals</li> <li>- 4 selections did not have proper documentation to validate if the purchase was properly procured.</li> </ul>	<p>Based on the testing performed the audit team observed the following:</p> <ul style="list-style-type: none"> <li>- An inconsistent knowledge of when quotes can be obtained for purchases.</li> <li>- No uniform policy on documentation of sole source explanation. This information was located in various parts of MUNIS.</li> </ul>

## Appendix C – Analytics Results

Analytic	Analytical Procedure	Results
<b>Analytic 1 – Unusual PO Dates</b>	Identify all POs approved on holidays or weekends during the audit period.	Gibson did not identify any POs dated on holidays or weekends during the audit period.
<b>Analytic 4 – Unusual Object Codes: POs</b>	Identify any inappropriate budget coding (in terms of object codes) for all POs issued during the audit period. Inappropriate coding could be indicative of a control gap related to budget coding.	Gibson did not identify any inappropriate object coding.
<b>Analytic 3 – Electronic POs</b>	Identify the number and percentage of POs sent electronically to vendors.	Gibson identified 1,458 (20%) POs that were sent electronically in FY 2015, and 1,700 (22%) in FY 2016. Refer to the Findings and Recommendations in Section 3 of this report for further discussion related to these results.
<b>Analytic 4 – Improperly Issued POs</b>	Identify magnitude of possible improperly issued POs. For all POs processed and paid during the audit period, compare the invoice date to the PO date. Quantify number of POs with dates after the corresponding invoice date.	Gibson identified 1,189 (17%) of processed and paid POs dated after the corresponding invoice in FY 2015 and 1,242 (18%) in FY 2016. Refer to the Findings and Recommendations in Section 3 of this report for further discussion related to these results.
<b>Analytic 5 – Duplicate Vendor Records</b>	Identify all vendor records with the same name or address. Those identified could indicate that there are duplicate vendor records within the MUNIS system.	Gibson identified 17 instances where 2 vendor records contained the same address. These were all duplicate records, as the vendor names were slightly different but pertained to the same vendors. Gibson also identified 12 instances where 2 or more vendor records contained the same name. All but 4 of these instances contained different addresses. This is a possible indication that when a vendor's address changed a new records was created as opposed to updating the existing record. Refer to the Findings and Recommendations in Section 3 of this report for further discussion related to these results.

## Appendix D – Sample Evaluation Matrix

Criteria	Points	Scoring	Vendor 1	Vendor 2	Vendor 3
Background, Education & Experience in providing similar services to School systems or recreation districts.	20	<p>20 = Extensive background, education &amp; experience in providing similar services to school systems or recreation districts</p> <p>15 = Significant background, education &amp; experience in providing similar services to school systems or recreation districts</p> <p>10 = Moderate background, education &amp; experience in providing similar services to non-school systems/recreations districts</p> <p>5 = Limited background, education &amp; experience in providing similar services</p> <p>0 = No background, education or experience in providing similar services</p>	15	20	15
Responsiveness and Compliance with RFP Requirements and submittal.	15	<p>15 = Response was complete and complied with all RFP requirements</p> <p>10 = Response was complete and complied with most RFP requirements</p> <p>5 = Response was complete and complied with a few RFP requirements</p> <p>0 = Response was incomplete and did not comply with RFP requirements</p>	15	15	10
Ability, Capacity, skills to perform the services. Properly documents projects completed on time/within budget.	25	<p>16-25 = Strong ability, capacity, and skills to perform the services, with multiple documented projects completed on time/within budget</p> <p>6-15 = Notable ability, capacity, and skills to perform the services, with few documented projects completed on time/within budget</p>	18	25	15

		0-5 = Weak ability, capacity, and skills to perform the services, with no documented projects completed on time/within budget			
Quality of proposal response, requirements/adequacy of the information provided.	15	15 = Excellent quality of proposal response, requirements/adequacy of the information provided 10 = Good quality of proposal response, requirements/adequacy of the information provided 5 = Satisfactory quality of proposal response, requirements/adequacy of the information provided 0 = Unsatisfactory quality of proposal response, requirements/adequacy of the information provided	10	15	10
Project approach.	15	15 = Excellent project approach 10 = Good project approach 5 = Satisfactory project approach 0 = Unsatisfactory project approach	10	10	5
Conflict of Interest or exceptions to the contract terms and conditions.	10	10 = No conflict of interest or exceptions to the contract terms and conditions 5 = No conflict of interest and minor exceptions to the contract terms and conditions 0 = Conflict of interest and/or significant exceptions to the contract terms and conditions	5	10	5
<b>TOTAL</b>	<b>100</b>		<b>73</b>	<b>95</b>	<b>60</b>

***Important notes regarding evaluation matrix:***

*Vendors are rated on how well they meet each factor. Point values for all factors are totaled for each vendor.*

*In the sample above, Vendor 2, with a total of **95** points, is the winning bid because that vendor has the highest total points.*

October  
2017

Functional Performance  
Audit of the Payroll  
Department  
*for Alexandria City Public Schools*

PREPARED AND SUBMITTED BY:

GIBSON

AN EDUCATION CONSULTING & RESEARCH GROUP







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## Executive Summary

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Gibson Consulting Group, Inc. (Gibson/audit team) was engaged to conduct an internal audit of the payroll function for Alexandria City Public Schools (ACPS) in May 2017. The scope of this audit involved the process of paying employees after they have been hired. The audit did not include functions typically associated with Human Resources (HR) such as recruiting, on-boarding, compensation negotiations, etc. The objectives of this audit were to determine whether:

- Policies and procedures have been established for the payroll function and whether those policies and procedures are being followed.
- Appropriate internal controls are in place for all payroll processes.
- Employees are being paid accurately and timely as well as whether adequate documentation is retained to support all employee compensation payments.
- Employees involved in the payroll function are properly supervised.
- The payroll process is efficient and maximizes the use of technology.

To accomplish these objectives, the Gibson conducted interviews with all employees associated with the payroll function, as well as the Superintendent, the Chief Financial Officer, the Accounting Services Director, the Assistant Director of Budget, and members of the Financial Systems, Human Resources, and Technology Services Department. Appendix A contains the interview roster.

Gibson also conducted data analytics and testing of transactions to ensure compliance with Board policies, administrative regulations, and division operating procedures.

This report presents the findings of the audit along with recommendations to improve the payroll process.

### Audit Summary

The audit found that the payroll function meets its general responsibilities with respect to payroll accuracy and timeliness. Some audit exceptions were noted during transaction testing, however, and several controls need to be improved. The efficiency of the Payroll Department is limited by the lack of system integration and the use of manual timesheets for certain employees. These factors contribute to excessive manual intervention and additional activities for data validation and transfer. The Payroll Department does not track performance measures, and this limits the ability of division leadership to hold the Department accountable for efficient and effective operations. The recommendations contained in this audit report should help strengthen minor control weaknesses, improve efficiency, and increase departmental accountability.

Table 1 includes a summary of the recommendations identified through the audit. Recommendations included in the table are presented in the order they appear in the report. The audit team also assigned a priority level to each recommendation.

**Table 1. Summary of Audit Recommendations**

No.	Priority	Audit Recommendation
1	High	Evaluate opportunities to streamline the payroll process.
2	Medium	Conduct an analytical review of all overtime, including historical trends and extra duty hours, to ensure appropriateness.
3	Low	Require all employees to enroll in direct deposit.
4	Low	Implement performance measures to monitor the payroll function's efficiency.
5	Low	Update the division payroll manual to reflect all current procedures.
6	Medium	Reduce the number of off-cycle payroll runs/warrants.
7	High	Implement controls to eliminate late time reporting.
8	Medium	Implement controls to ensure that stop payment orders are implemented for all checks that are reissued.
9	High	Enhance supervisory review procedures for all payout calculations.
10	Medium	Implement controls to consistently record coaching compensation and student activity stipend pay under related pay types within MUNIS.
11	High	Implement controls to ensure that all employees who receive a monetary supplement for middle school and club sports assignments receive separate contracts executed by the School Board, as outlined by School Board Policy.

The remainder of this report presents detailed findings and supporting information related to each recommendation and is organized into the following sections:

Section 1 – Background

Section 2 – Management and Organization

Section 3 – Testing Methodology

Section 4 – Payroll Process Overview

Section 5 – Audit Testing Results

## Section 1 – Background

### Financial and System Overview

Payroll expenditures represent the largest portion of school division operating expenses. At ACPS, payroll expenditures, which include total compensation (contract pay, overtime, stipends, etc.) and benefits (FICA, 403b, etc.) make up approximately 87 percent of operating expenditures each year. Table 2 shows payroll expenditures as a percentage of operating expenditures over the past five (5) fiscal years (FY). Over this time period, salaries and employee benefit expenditures have steadily increased along with total operating expenditures, allowing the percent of total to remain approximately the same.

**Table 2. Division Payroll Expenditures FY 2013 – FY 2017 YTD**

Character	Major Object Title	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 YTD through 4/30/2017
Salaries	Administrative Regular Total	4,063,223	3,948,060	4,639,552	4,954,899	4,249,980
	Professional Instruction Regular Total	97,466,219	99,402,093	100,612,349	106,276,682	76,508,040
	Professional Other Regular Total	7,279,471	7,471,049	7,659,633	7,886,543	6,207,343
	Technical Regular Total	3,925,330	4,199,450	3,965,306	4,242,836	3,741,487
	Support Regular Total	10,645,499	11,098,936	11,443,033	11,812,815	8,975,049
	Trades Regular Total	1,106,587	1,130,397	1,075,047	1,112,567	1,043,217
	Operative Regular Total	4,067,181	3,864,594	3,608,906	3,835,197	2,475,921
	Services Regular Total	4,173,536	3,598,610	3,337,070	3,151,462	2,569,969
	Intermittent Total	952,471	3,192,096	3,367,810	3,980,885	3,155,237
	Overtime Total	137,143	14,966	720,583	779,912	993,980
	Substitutes Total	2,996,996	2,647,845	2,719,910	2,951,366	2,327,043
	Supplements Total	2,021,673	2,238,886	2,044,506	1,931,047	1,531,873
	Division-Wide Salaries Total	21,753	-183		3,000	17,321
<b>Salaries Total</b>		<b>138,857,082</b>	<b>142,806,798</b>	<b>145,193,704</b>	<b>152,919,211</b>	<b>113,796,460</b>
<b>Percentage of Total Operating Expenditures</b>		<b>64%</b>	<b>64%</b>	<b>64%</b>	<b>65%</b>	<b>64%</b>
	FICA/Medicare Total	10,329,324	10,552,455	10,803,388	11,359,615	8,487,036
	Retirement/Group Life Total	16,372,755	16,861,914	21,347,270	21,284,504	18,522,351
	Hospital/Medical Plans Total	18,547,272	18,831,435	18,283,306	17,751,369	13,211,318
	Other Insurance Total	823,525	1,726,317	1,424,415	1,476,734	1,156,385
	Other Benefits Total	1,567,005	1,654,685	2,041,665	954,780	443,139
<b>Employee Benefits Total</b>		<b>47,639,880</b>	<b>49,626,807</b>	<b>53,900,044</b>	<b>52,827,003</b>	<b>41,820,228</b>
<b>Percentage of Total Operating Expenditures</b>		<b>22%</b>	<b>22%</b>	<b>24%</b>	<b>22%</b>	<b>23%</b>
<b>Total Payroll Expenditures</b>		<b>186,496,962</b>	<b>192,433,605</b>	<b>199,093,748</b>	<b>205,746,214</b>	<b>155,616,688</b>
<b>Total Operating Expenditures</b>		<b>215,362,149</b>	<b>221,976,703</b>	<b>227,481,897</b>	<b>235,852,861</b>	<b>179,158,191</b>
<b>Percentage of Total Operating Expenditures</b>		<b>87%</b>	<b>87%</b>	<b>88%</b>	<b>87%</b>	<b>87%</b>

Source: ACPS 5 year Expenditure Data

Below are observations relating to ACPS payroll expenditure trends:

1. *Intermittent Total* – This consists of compensation to casual temporary employees paid on an hourly basis. FY 2014 included an over 200 percent increase in this account due to the transition of employee compensation in English Language Learners, Operations and Maintenance, and Special Education from other salary categories to Intermittent. It should be noted that in FY 2013 ACPS transitioned to Tyler MUNIS; prior to this, intermittent pay was part of regular salaries.
2. *Overtime Total* – FY 2014 experienced a large decrease in overtime whereas FY 2015 experienced an increase. According to the division, this is primarily due to increases in overtime for the Operations and Maintenance Department and the Transportation Department. It should be noted that the division transferred HR and financial data to MUNIS in FY 2013 and overtime was reverted to regular salaries. However, in FY 2015 pay types for all eligible employees were added and overtime pay was reflected accurately.
3. *Division-Wide Salaries Total* – This account includes retirement, sick leave, and incentive payments which are authorized by the School Board and tend to fluctuate each year.
4. *Other Benefits Total* – This account is comprised primarily of termination benefit accruals and payments to retirees and long-term sick leave. In 2016, ACPS saw fewer retirements, resulting in fewer payments.

The division implemented Tyler MUNIS in 2013 as their payroll processing system, and is used for all salary calculations, employee demographic information, employee deduction information, employee pay history, and tax information. The division uses TimeClock Plus (TCP) as its timekeeping system. According to the Payroll Procedures Manual, all ACPS employees are required to clock in and request leave through this system. The division uses Substitute Assignment Manager (SAM) to request and track substitute teacher assignments. The Information Technology team supports Payroll and HR by exporting TCP and SAM data for recording and payment purposes.

## Section 2 – Management and Organization

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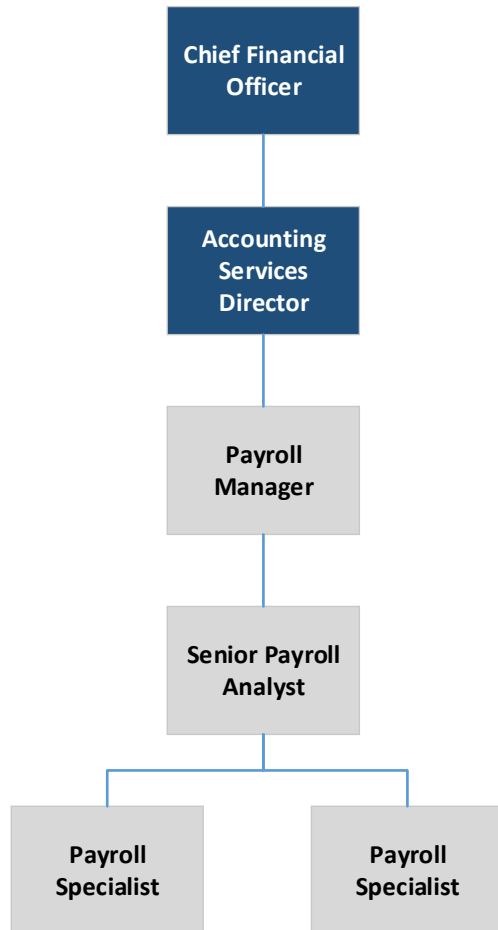
The Financial Services Department is led by the Chief Financial Officer (CFO) and consists of three functions; Accounting Services, Budget and Financial Planning, and Procurement and General Services. The CFO also has an Administrative Support Staff assisting with day-to-day duties. Accounting Services is made up of the Accounting and Payroll functions and Budget and Financial Planning is made up of the Financial Systems and Reporting as well as Budget and Fiscal Compliance functions.

### Payroll Function

ACPS' payroll function is organized under Accounting Services within the Financial Services Department. It is led by a Payroll Manager, who is supported by a Senior Payroll Analyst position and 2 Payroll Specialists positions. The Payroll Manager reports to the Director of Accounting Services, who reports to the CFO. The audit team obtained and reviewed all job descriptions related to the payroll function. Though all descriptions had not been updated in three to seven years, all areas accurately reflected the education, experience, and essential functions of each payroll position.

The Payroll Manager oversees the payroll function and is responsible for ensuring that payroll is processed timely and accurately. The Senior Payroll Analyst assists the Payroll Manager in many of the semi-monthly payroll duties and reviews the work conducted by the Payroll Specialists. The Payroll Specialists are responsible for processing checks, processing timesheets, adjusting leave balances, adjusting pay for terminations, as well as other payroll tasks. Although most of the payroll staff members have been in their respective positions for less than 5 years, all staff had previous payroll experience before coming to ACPS.

Figure 1 displays the organizational structure of the payroll function within the Financial Services Department.

**Figure 1. ACPS Organizational Structure, Payroll Function**

Source: Gibson Consulting Group

## Human Resources Department

While the payroll function within the Financial Services Department handles many aspects of processing payroll, other aspects including compensation calculations, disability pay, and initial review of the manual timesheets are the responsibilities of the Human Resources Department.

The Human Resources Department is organized into three functions: Employment Services, Employee Relations, and Compensation and Benefits.

- The employment services function oversees all hiring processes, including background checks, new employee orientation, and administering employee ID cards. This function includes 1 Director and 3 Employment Specialists positions.



- The employee relations function is responsible for all investigations, grievances, ADA (Americans with Disabilities) accommodations, and personnel and file management. This function has 1 Director Position and 1 Specialist position.
- The compensation and benefits function deals most directly with the Payroll function and is responsible for all aspects of compensation and benefits including health insurance, salary calculations, workers compensation, leave absences, and other related items. This function includes 1 Director, 1 Compensation Specialist, 1 Senior Benefits Analyst, 1 HR Generalist II, and 1 Benefits Analyst position.

## Technology Services Department

The Technology Services Department is responsible for maintaining the majority of applications and software used within ACPS, including TimeClock Plus, the division's time-keeping system. The Technology Services Department does not oversee the Tyler MUNIS system, as this is the responsibility Financial Systems and Reporting function. However, they do provide helpdesk services.

The Technology Services Department is led by the Chief Technology Officer and consists of three functions: Infrastructure & Support Services, Instructional Technology and Education & Business Applications. TimeClock Plus oversight lies within the Education & Business Applications function. The Education & Business Applications function is led by the Director of Education & Business Applications and ensures that students and employees are able to utilize district systems as needed. They also offer help for Tyler MUNIS issues. This function was part of the integration of TCP four years ago.

## Section 3 – Testing Methodology

The audit team’s testing strategy contained two main elements: data analytics and sample testing of individual transactions and process controls. Data analytics encompassed a review of an entire population of transactional data to detect any anomalies that would indicate non-compliance with policies and procedures, lack of controls, and inefficiencies in processes.

Sample testing of transactions focuses on a subset of the transactional data population. During testing, the audit team corroborated each aspect of the selected transaction through the review of all documentation retained for the transaction. The judgmental selection of samples for testing was based on information gained during interviews and data analytics.

Payroll transactions testing occurred between July 1, 2015 and June 30, 2016 (FY 2016), and July 1, 2016 and April 30, 2017 (FY 2017 YTD). This is referred to as the “audit period” for purposes of this report. Table 3 provides a high-level summary of the transaction testing that was executed for this audit.

**Table 3. Audit Testing Summary**

Test No.	Sample Size	Test Overview
Test 1: Payroll Deductions	5	Audit of net pay and payroll deductions for employees. Each deduction for the selected employee was validated by tracing back to supporting documentation obtained from the division and rates found on IRS and VRS <sup>1</sup> websites.
Test 2: Casual employee payroll payments	15	Audit of payroll payments to casual employees. Each selected payment was validated by tracing back to division pay schedules, individual employee files, employee time sheets, as well as, other supporting documentation obtained from the division. All types of pay (including extra duty pay), as well as pay adjustments due to leave taken, were tested as part of this test.
Test 3: Contract Employee Payments	10	Audit of payroll payments to contract employees. Each selected payment was validated by tracing back to Board approved pay schedules, employee contracts, and supporting documentation obtained from the division. All types of pay (including extra duty pay), as well as pay adjustments due to leave taken, were tested as part of this test.
Test 4: Coaching/Stipend Compensation	5	Audit of coaching compensation and extra duty stipends for employees. Each pay selection was validated by tracing back to supporting documentation (contracts and approved stipend charts) obtained from the division.

<sup>1</sup> Virginia Retirement System

The remaining sections of this report elaborate on the payroll processes, data analytics, transaction testing, as well as audit findings and recommendations. The findings outlined do not always result in a recommendation; however, they are outlined as findings to highlight their importance in the process.



## Section 4 – Payroll Process Overview

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### Policy Framework

Several ACPS board policies govern the payroll process. Below is an overview of these key policies.

Policy DL requires that all salaries and supplements paid to all employees must be in accordance with the schedule approved by the School Board.

Policy DLB requires applicable federal and state taxes to be automatically deducted from employee paychecks based on the most recent withholding statement provided by the employee. This also allows other deductions required by court order or for health insurance and other voluntarily selected deductions.

Policy GAA defines staff time schedules. The policy states that the scheduled workday for full-time licensed teacher scale personnel will be seven and one quarter hours, unless otherwise agreed upon. Working hours for all employees not exempted under the FLSA will conform to federal and state regulations. The policy also states that supervisors will make every effort to avoid circumstances that will require non-exempt employees to work more than 40 hours each week.

Policy GB states that ACPS is an equal opportunity employer committed to non-discrimination in recruitment, selection, hiring, pay, promotion, retention, or other personnel actions affecting employees or candidates for employment.

Policy GCBA establishes that the ACPS School Board shall annually establish and approve a salary schedule for all employees.

Policy GCBB states that the ACPS School Board will approve all categories of athletic coaching and other extracurricular activity sponsorships for which supplemental pay will be provided. The School Board will also establish the amount of compensation for employees who coach or supervise such activities. A separate contract shall be executed by the School Board with an employee who is receiving monetary supplement for an athletic or extracurricular assignment.

Policy GCBD-R outlines how employees are advanced leave at the beginning of the contract year and support employees accrue leave on a monthly basis. This allows licensed employees and administrators to use leave in half or full day increments and support employees to use leave in quarter-hour, half day, or full day increments. This policy also outlines types of leave including annual, personal, and sick leave, among others.

In addition to the board policies listed above, in May 2017 the division implemented a new Employee Administration and Payroll Procedures Manual. This is a comprehensive tool for members of Financial Services, Human Resources and Technology Services. This manual includes all payroll related policies, processes, procedures, and systems and reviews all phases of the payroll process starting with

Employment Services and ending with how payroll is processed semi-monthly. The manual also explains other employee administrative matters including leave payoff process, supplemental check process, over and under payments, as well as leave deductions. Annual and quarterly processes are also included such as summer school process, tax changes, accrued expense payroll processing for 10 and 11 month employees, W2 process, and quarterly processing. Applicable board policies are also included.

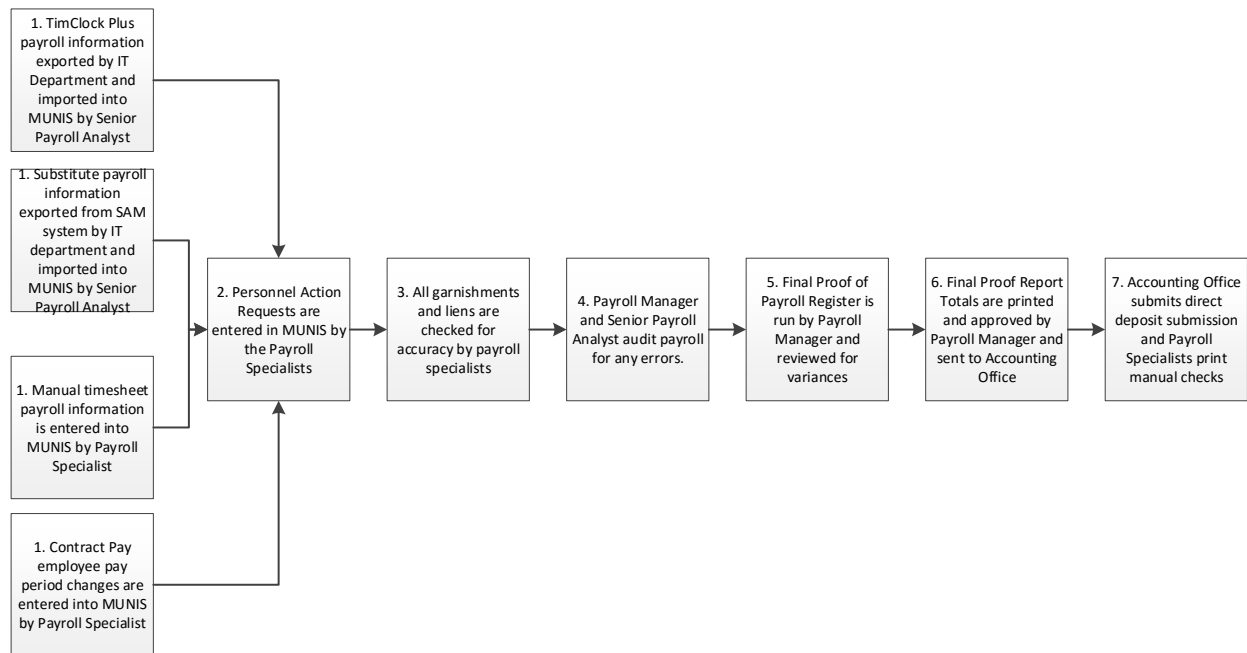
## Employee Set Up

When a new employee is hired, the Employment Services function of the Human Resources Department is responsible for setting up the new hire within MUNIS, TimeClock Plus, and the SAM system if applicable. Within MUNIS, the Employment Services Specialist enters the employee name, assignment location, home e-mail address, SSN, and date of birth. This action then triggers a workflow to the compensation and benefits function. Within TCP, the Employment Services Specialist enters the name, hire date, export code, and pin number. All employees, with a few minor exceptions, are set up within TimeClock Plus, whether they enter time through the system or through manual time sheets. These exceptions include employees such as temporary workers. If the employee is a substitute, the Employment Services Specialist enters the employee into the SAM system entering a default pay rate (\$105 per day) and the employee ID that was generated in MUNIS.

Once the workflow is triggered to the compensation and benefits function in MUNIS, the Compensation Analyst is responsible for entering all employee data involving position salary, pay type, and elected employee benefits into the MUNIS. This includes all information the employee has elected on benefit forms during Benefits Orientation. The Benefit Analyst then reviews what was entered into MUNIS for accuracy and completeness. The workflow is then triggered to payroll staff where the Payroll Specialist is then responsible for setting up employee deductions within MUNIS, such as FICA, Medicare, 403B, and other benefit deductions.

## Payroll Process Overview

Payroll is processed semi-monthly for all employees. For all contract employees, pay is received for the current pay period, however, all non-contract employees and all overtime pay is received 2-weeks in arrears. Due to the multiple systems being utilized at the division, each pay period requires several imports and exports and additional entry of data to complete processing. Figure 2 presents an overview of the payroll process at ACPS.

**Figure 2. ACPS Payroll Process**

The four major payroll input processes (Step 1 in the figure above) are discussed below.

### *TimeClock Plus Export*

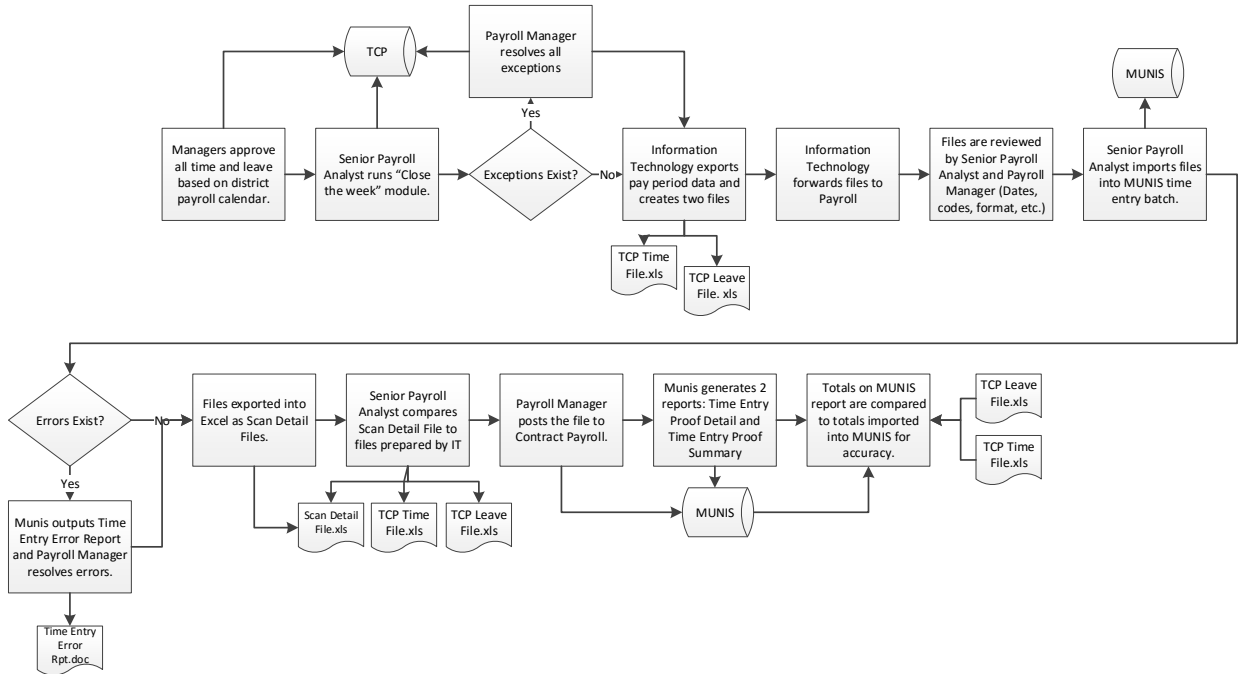
The TimeClock Plus export process begins at the end of each payroll period which is established by the division's payroll staff. All managers (typically principals) are responsible for approving all time and leave requests within TCP. Once the approval process is complete, the Senior Payroll Analyst runs the "close the week" process within the system. This closes out all weeks so the data can then be exported. Before weeks can be closed, all exceptions must be resolved within the system. These resolutions are solved by the Payroll Manager and the Senior Payroll Analyst, and may include issues such as employees being clocked in on days they previously requested leave or missed punches from employees.

Once exceptions are fixed, the Senior Payroll Analyst alerts the IT Department that all weeks for the pay period are closed. The IT department then exports the related data from TCP and sends Payroll two files: the TCP Time File, which includes overtime and casual employee pay for the prior pay period, and the TCP Leave File, which includes a record of employee leave for the prior pay period. These files are then audited by the Senior Payroll Analyst and Payroll Manager to ensure proper dates, proper pay codes, proper formatting for MUNIS, and any hours worked over 10 hours each day are verified.

This file is then imported into the MUNIS Time Entry Batch Module by the Senior Payroll Analyst. Once in MUNIS, the files are exported into Excel as Scan Detail. This file is then checked against the import file to verify that the number of records imported and number of hours imported match the original file. Once the scan is completed the Payroll Manager then posts the file to Contract Payroll Module within MUNIS and two reports are generated: 1) Time Entry Proof Detail 2) Time Entry Proof Summary. These totals are

then compared to the file imported and scanned for exceptions. Figure 3 displays an overview of this process.

**Figure 3. TimeClock Plus Export**

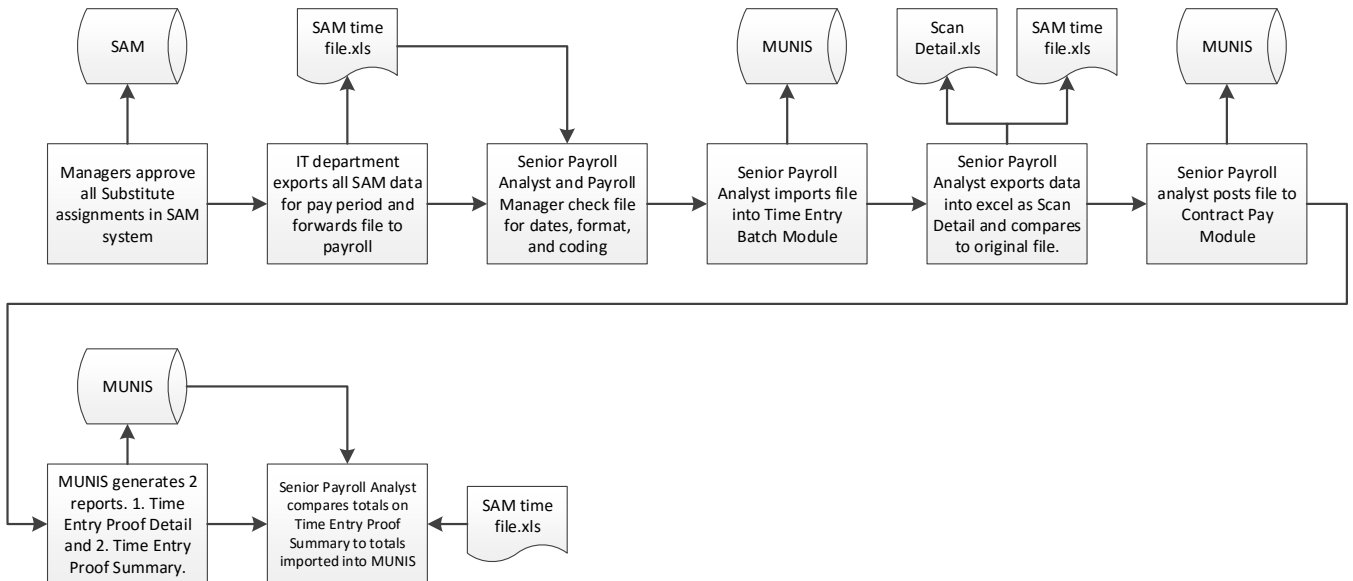


Source: ACPS Payroll Procedures Manual

The lack of an interface between TCP and MUNIS requires the use of spreadsheets to validate the data and export/import the information.

**Substitute Pay File Export**

The division’s IT Department is responsible for exporting all SAM data for each pay period and submitting to Payroll by the division established schedule created by payroll staff. The Senior Payroll Analyst and the Payroll Manager check the file to ensure the correct date range, proper formatting for MUNIS, and proper pay codes are used. The file is then imported into the Time Entry Batch Module within MUNIS. Next, the file is exported into Excel as Scan Detail and is compared to the original file submitted by the IT Department. The file is scanned to ensure number of records, number of days, and total amounts all match the original file submitted by the IT department. The file is then posted to Contract Payroll Module within MUNIS, which then generates two reports: 1) Time Entry Proof Detail, and 2) Time Entry Proof Summary. These totals are then compared to the totals imported into MUNIS. Figure 4 displays an overview of this process.

**Figure 4. Substitute Pay File Export**

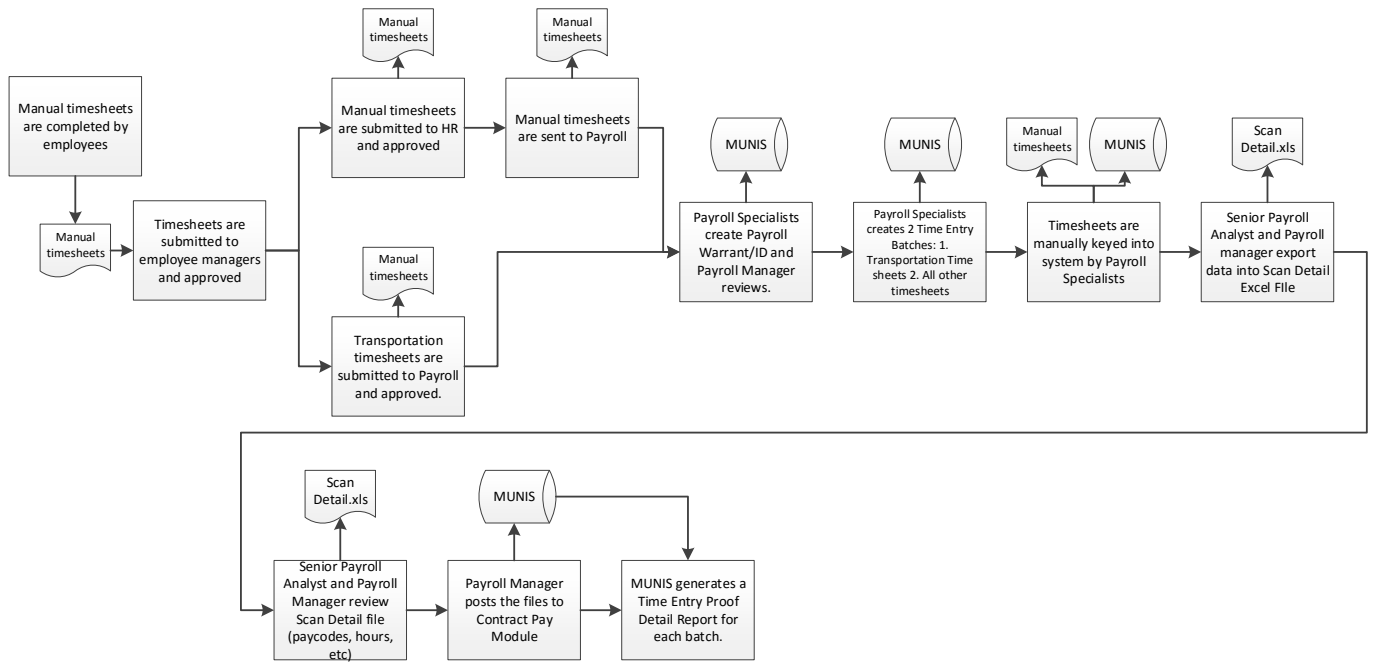
Source: ACPS Payroll Procedures Manual

### Manual Time Entry

Manual timesheets are submitted to the Human Resources Department, with the exception of the Transportation Department, which are submitted to the payroll staff. Transportation timesheets only include exceptions to their contract pay, such as overtime. Once approved by Human Resources, timesheets are submitted to Payroll. The Payroll Specialists create the Payroll ID/Warrant within MUNIS for the pay period payroll to be processed, which is then reviewed by the Payroll Manager. Time Entry Batches are then created in the Time Entry Processing Screen. Each Payroll Specialist creates their own batch, including timesheets they are individually responsible for. These are all manually keyed into the system. Once all manual timesheets are entered, the Senior Payroll Analyst and Payroll Manager export the data into Excel using Scan Detail and review the file to ensure pay codes are correct, number of overtime hours above 10 per day are validated, casual hours above 40 are validated, and amounts above \$500 are matched with corresponding time sheets to rule out input error. Timesheets with dates prior to 4 weeks of the current pay period are also checked for possible duplicate payments. Once the review is complete, the Payroll Manager posts the file to the Contract Pay Module. Figure 5 displays an overview of this process.



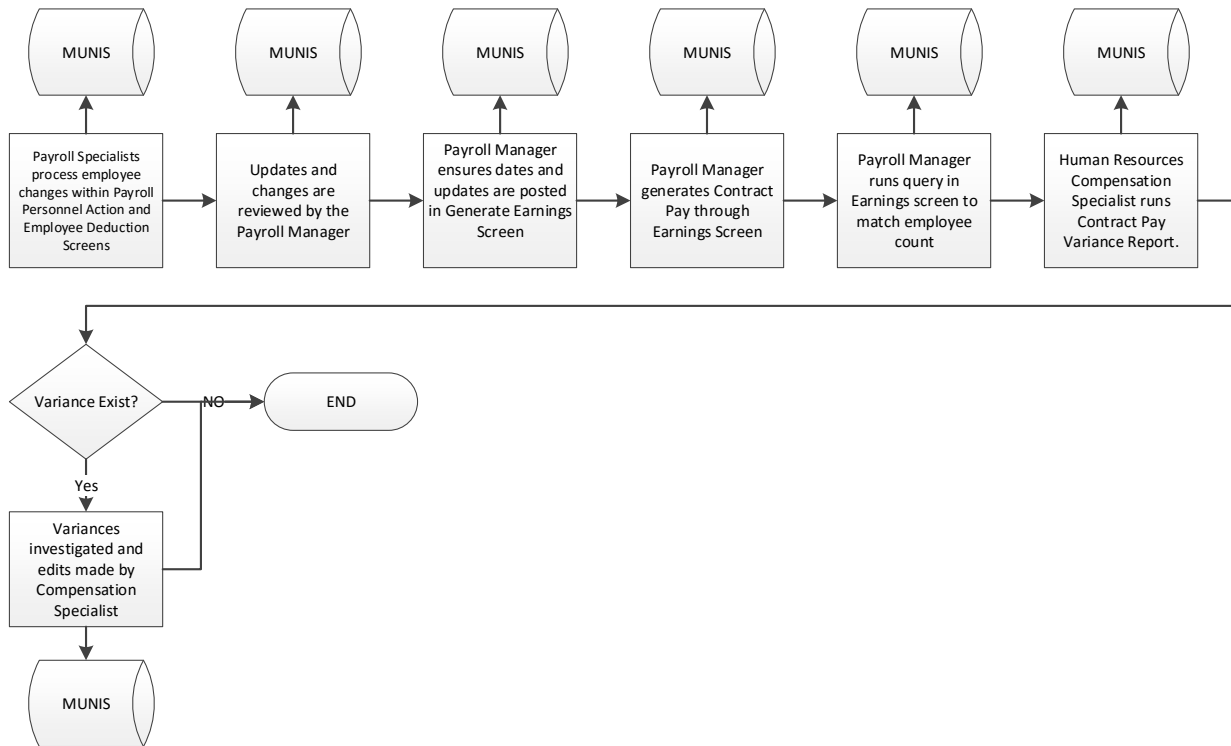
Figure 5. Manual Time Entry



Source: ACPs Payroll Procedures Manual

### Contract Pay Generate

Contract pay employee salaries are set up within MUNIS when employees are first hired. At the end of each pay period, the Payroll Specialists process any employee changes to salaries and deductions within the Payroll Personnel Action and Employee Deduction Screen in MUNIS. These are reviewed by the Payroll Manager and posted. The Payroll Manager then opens the Generate Earnings and Deductions screen to ensure the pay period dates are correct and the updates entered are posted. The Payroll Manager generates the Contract Pay which typically takes 2-4 hours. Once this has been generated, the Payroll Manager navigates to the Earnings and Deductions screen and runs a query to ensure that the employee count matches the actual Contract Pay employee count. The “contract pay variance” report is then run by the Human Resources Compensation Specialist to compare the current pay period contract salaries to the previous pay period. All variances are investigated and edits are made when needed. Figure 6 displays an overview of this process.

**Figure 6. Contract Pay Generate**

Source: ACPS Payroll Procedures Manual

### **Processing Payroll Imports**

Once the TCP import, SAM import, time entry batch, and contract pay entry are all completed (**Step One**), the Payroll team must complete several additional steps to finalize the payroll process.

**Step Two – Personnel Action Process:** Once the Human Resources deadline has passed in the payroll process, the Human Resources Department creates a Personnel Actions File which the Payroll Specialist exports to Excel for review. Based on the Personnel Actions File and the records of employees currently on FMLA<sup>1</sup> status from previous periods, the Payroll Specialist compiles and forwards a list of employees expected to receive Leave without pay (LWOP) dates during the period to the Compensation Specialist. This is reviewed and the Human Resources Department who then provides the “personnel action exception” report. This is then processed by the Payroll Specialist in MUNIS and validated by the Senior Payroll Analyst.

**Step Three – Garnishments and Lien Reviews:** Though garnishments and liens are set up as they are received by the issuing agency, they are reviewed during each pay period. Payroll Specialists have copies of the original orders and deduction calculations and these are individually checked for accuracy. Additional pay such as stipends and work done above contract pay can change these calculations,

<sup>1</sup> Family and Medical Leave Act, 1993

therefore some must be updated each period. The Senior Payroll Analyst and Payroll Manager review these updated calculations.

**Step Four – Pre-closure Review Audit Process:** Once all data have been entered into MUNIS for the pay period, it is ready to be audited. The Payroll Manager runs an “error” report and a “GL detail distribution” report. The error report ensures that all errors within the system have been resolved and the GL distribution report identifies any missing account codes. If any codes are missing, these are manually entered. The Senior Payroll Analyst then runs queries in the “earnings and deductions” screen to identify employee records with any missing FICA/Medicare/Federal and State tax deductions. Once complete, the final payroll data are exported into an Excel file. According to the division’s Payroll Procedures Manual, the report is then reviewed for accuracy in two areas: any employee with a net pay of \$3,000, and current pay period net pay is compared to net pay from prior pay period. Any variance of \$1,000 or more is noted and validated. However, during audit testing payroll errors were found that should have been discovered during this review process. This is discussed in more detail in later sections of this report (see Section 5 – Audit Testing Results).

**Step Five – Final Proof and Employee Update:** The final proof of the payroll register is then run by the Payroll Manager in MUNIS. According to the Payroll Procedures Manual, this file is reviewed for any deduction or payroll exclusions, any variances of over \$500,000 from previous period for direct deposit and check amount totals, and FICA and Medicare employer and employee match is confirmed. Once complete, all employee history records are updated for current pay period information.

**Step Six – Final Proof Report Total:** The Payroll Manager prints the final page of deduction totals from the payroll register generated in MUNIS and signs for approval to submit to the Accounting Office for direct deposit processing.

**Step Seven – Direct Deposit Transmission and Check Printing:** Once submitted to Accounting, the direct deposit submission is completed. The Payroll Specialists are responsible for printing paper checks for employees who are not enrolled in the direct deposit program.

## Absence and Leave Management

Eligible employees accrue sick leave, personal leave, and annual leave. For licensed employees and administrators leave is advanced on second pay in July (12-month employees and administrators) or second pay in August (10-month or 11-month employees and administrators). For other support employees, leave is accrued on a monthly basis. Any leave taken will be recorded and posted on the next pay cycle statements. In the event that employees do not have sufficient leave to cover absences, the paychecks for the next payroll cycle will be adjusted by the number of days or hours represented by the absences. All time and leave requests must be submitted through TCP.

When employees leave the division, some have the option of a leave payout or transfer. Leave payout calculations vary by employee group and termination status (resign or retire). Additional options for leave payouts are also available if the retirement sick leave enhancement payments are approved by the School Board. The Payroll Office is responsible for all leave payouts and transfers.

## Findings and Recommendations

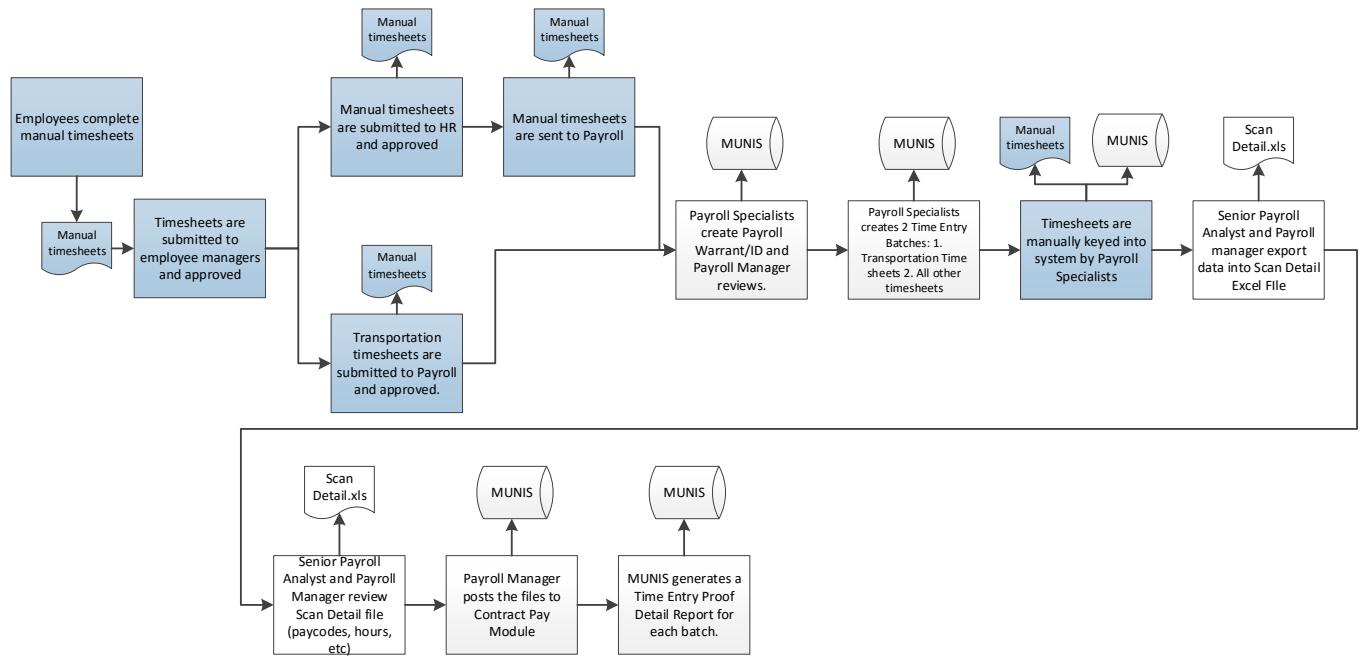
**Finding: The efficiency of the payroll process is inhibited by the lack of system integration and the use of manual timesheets by many employees.**

Currently the payroll process includes three systems, TCP, SAM, and MUNIS, none of which interface. This requires the extensive use of spreadsheets to validate the data and facilitate the transfer of data from one system to another. All but one of the payroll input processes described above requires the use of one or more spreadsheets to accomplish this.

The ACPS Payroll Department is aware of this issue, however, the differences between the systems makes it difficult to establish automated interfaces. The result is that additional manual validation, reconciliation, and transfer activities must occur, requiring additional time. The division should strive to operate a completely seamless interface among payroll, timekeeping, and substitute management systems. This is generally achieved by building an interface among systems or by modifying internal practices to support the use of fully integrated software.

The use of manual timesheets also contributes to payroll process inefficiency. Figure 7 replicates the Manual Timesheet process map shown previously in this report, and shades the processes affected by the use of hard copy timesheet forms.

**Figure 7. Activities Affected by Manual Timesheets**



The use of manual timesheets requires duplicative entry – once on the timesheet form and a second time into MUNIS. Additional verification activities must also be conducted to ensure that the data entry into MUNIS is accurate. Most ACPs employees enter their time or absences through the automated system, however some employees, including unique positions affiliated with multiple campuses, may have a particular need enter their time manually on a hard copy timesheet.

The use of manual timesheets is also inconsistent with the division’s own procedure that requires all employees to enter their time into TCP.

There are other implications of the manual timesheet use described in Section 5 – Audit Testing Results of this report.

**Recommendation 1: Evaluate opportunities to streamline the payroll process.**

The division should investigate the current capabilities of existing systems as well as research other systems that would allow the division to increase automation of the payroll process. The district should engage its current software initially, but may also seek input from other vendors during this process.

The division should also follow the established procedure of requiring all employees to utilize the TCP system when recording time (see Recommendation 7 in Section 5 – Audit Testing Results). Automating the payroll process as much as possible leaves less room for error and frees payroll staff time to complete additional duties.

**Management Response:** *We agree with the finding and are currently reviewing our processes in TCP/MUNIS workgroup meetings to minimize manual processes and automate data entry as much as possible. One specific area that we plan to test is the TCP capability for Transportation overtime. Also, we plan on further testing the import of Summer School hours via an excel file or TCP. In order to implement this, we will run a parallel payroll in Test for 6-8 pay periods to address exceptions. However, in our current set up, some manual timesheets are unavoidable. Teachers and Paraprofessionals working in programs/activities outside their contract hours are required to submit timesheets because these hours cannot be captured in TCP as they have different account codes and rates from the employees' contract pay.*

**Target Completion Date:** *This is an ongoing process and significant progress has already been made as of October 2017. ACPS management will continue to report out on progress.*

**Finding: Division overtime appears to be high in certain departments.**

The division currently has three types of overtime: regular overtime, double overtime, and straight time. Employees who receive regular overtime are paid 1.5 times their typical rate for anytime over 40 hours per week (Monday to Sunday), as required by the Fair Labor Standards Act (FLSA). Employees who work Sundays or holidays, typically security officers, receive double overtime, meaning they receive twice their rate for hours worked on that day. Straight time is when employees work additional hours above their contract hours, up to 40 hours per week.

The audit team obtained the payroll registers for fiscal years 2016 and 2017 and noted overtime totals for regular and double overtime pay. Gibson notes the payroll register overtime totals did not equal the general ledger overtime totals located at the beginning of this report. The division was able to reconcile these amounts, noting accrual reversals and other adjustments from both years. According to the payroll registers, in fiscal year 2016, the division's total expenses were \$587,295 for 1.5 overtime and \$58,337 for double overtime. In fiscal year 2017, division expenses totaled \$482,525 for 1.5 overtime and \$65,163 for double overtime, through April 30, 2017.

Table 4 displays the totals by location for regular overtime for both fiscal years. In fiscal year 2016, Pupil Transportation represented 70 percent of overtime expenditures, followed by Educational Facilities which totaled \$56,056 (10 percent). The remaining 20 percent of expenses were spread across 40 other locations making up no more than 3 percent of expenditures individually. In fiscal year 2017, Pupil Transportation represented 67 percent of overtime expenditures totaling \$324,533, followed by Educational Facilities totaling \$43,556 (9%). The remaining 24 percent includes 39 other locations with expenditures totaling no more than 4 percent individually.

**Table 4. 1.5 OT- Fiscal Years 2016 & 2017**

	FY 2016	Percentage Total	FY 2017 (10 mos)	Percentage Total
Pupil Transportation	\$411,408	70%	\$324,533	67%
Educational Facilities	\$56,056	10%	\$43,556	9%
Other	\$119,831	20%	\$114,436	24%
<b>Total Expenditures</b>	<b>\$587,295</b>	<b>100%</b>	<b>\$482,525</b>	<b>100%</b>

Source: ACPS Payroll Earnings and Deductions: 7/1/2015-6/30/2016 & 7/1/2016-4/30/2017

Double overtime for both years is less than regular overtime; however, for fiscal year 2016, Educational Facilities, Samuel Tucker Elementary (Custodian and Building Engineer), and Pupil Transportation represented approximately 65 percent of the double overtime expenditures. In fiscal year 2017, Educational Facilities, Samuel Tucker Elementary (Custodian and Building Engineer) and George Washington Middle School (School Security and Custodian) make up approximately 65 percent of double overtime expenditures.

**Recommendation 2: Conduct an analytical review of all overtime, including historical trends and extra duty hours, to ensure appropriateness.**

The payroll function should conduct a thorough quarterly review of current overtime amounts to ensure appropriateness. This type of analysis can also provide information regarding staffing levels and whether it would be more cost effective for the division to add a position instead of paying for higher levels of overtime and extra hours. Currently, Pupil Transportation and Educational Facilities account for the majority of overtime hours for regular and double overtime expenditures

**Management Response:** *We agree with the above finding and will review our procedures for analyzing trends in our earnings categories. We will provide overtime reports to managers and supervisors on a quarterly basis so that they can analyze overtime trends and determine whether corrective action steps are needed. This may include redistributing work amongst current employees or hiring new staff to mitigate overtime costs. We will also train Managers on how to run overtime reports in TCP.*

**Target Completion Date:** February 2018

**Finding: Not all employees are enrolled in the direct deposit program.**

The audit team obtained an employee listing of all employees that were enrolled in the direct deposit program for fiscal years 2016 and 2017. For both fiscal years, approximately 4 percent of employees did not elect to enroll in direct deposit. When a check is lost or a check goes stale, the payroll staff is required to issue a stop payment, void the original check, and then print an additional check, resulting in additional work for staff.

**Recommendation 3: Require all employees to enroll in direct deposit.**

The division should require all employees to enroll in direct deposit to prevent checks from being lost in the mail, checks going stale, and to help relieve additional duties by the payroll staff. This will help

eliminate many additional off cycle check runs and check voids. Currently payroll staff are tasked with additional duties regarding manual checks. Requiring the remaining employees to enroll in direct deposit will help eliminate most of these tasks.

***Management Response:** We agree with the finding. Our TCP/MUNIS workgroup will review the timeline for implementing this requirement. We plan to make direct deposit enrollment mandatory by June 2018, ahead of the start of FY 2019. We will provide adequate notification to all employees and give sufficient time for them to open accounts, as necessary, and complete all paperwork before the requirement is made mandatory.*

***Target Completion Date:** June 2018*

**Finding: The Payroll Department does not track performance measures to ensure efficient and effective operations.**

There are currently no measures to evaluate performance of the payroll function. Performance measures were requested as part of the initial internal audit data request, and none were provided. Interviews with the Payroll Department corroborated the lack of performance measures.

Similar to student performance measures, operational performance measures are a critical component to improving overall effectiveness and efficiency. These measures can provide insight on how well payroll is functioning and can help reveal the areas that need improvement. Identifying the strengths and weaknesses of a function is the first step to becoming a more efficient and effective operation.

***Recommendation 4: Implement performance measures to monitor the payroll function's efficiency.***

ACPS should implement methods to review the overall performance of the payroll function. This can be accomplished through customer satisfaction surveys to obtain feedback from departments or through other established performance measures.

Some common measures of performance for a payroll function include:

- Number of paychecks per FTE payroll employee
- Overtime hours per payroll employee
- Payroll cost per paycheck
- Number of payroll runs per month
- Number of overpayments issued
- Number of off-cycle payments

Once a historical baseline of performance is established, out-year performance targets can be established and tracked.

***Management Response:** We agree with the finding and will identify key performance measures to monitor the efficiency of our payroll processes. As suggested, the following will be among the specific measures:*



- *Overtime hours per payroll employee.*
- *Number of payroll runs per month/ Number of off-cycle payments.*
- *Number of overpayments/underpayments issued.*

**Target Completion Date:** *November 2017*

**Finding:** *The division’s payroll manual does not reflect all current procedures.*

The current Payroll Procedures Manual does not outline all processes and procedures affecting the payroll function. For example, the manual does not include what department or position is responsible for setting up substitutes in the SAM system. The manual also states that all employees are required to be set up in the TimeClock Plus system; however, during audit testing it was discovered that not all employees have access to the TCP system. The division pay type listing should also be included in this manual describing what positions utilize each pay type.

**Recommendation 5:** *Update the division payroll manual to reflect all current procedures.*

Having an accurate and up to date procedures and processes manual allows a function or department to fully analyze and record all parts of the payroll process, allowing members to analyze any areas that could allow for more efficient or effective practices. The division should consider utilizing process maps (such as those presented in this report) when completing this task. This also prevents any confusion on employee roles and processes if an employee leaves unexpectedly. If a new hire is brought in to fill a role, the employee should be able to refer to the procedures manual and understand their duties and responsibilities within the payroll function. The division should ensure that processes and procedures are thorough and up to date to match the current payroll function. Any procedures and processes that change should subsequently be reflected in the manual. All steps in the payroll process should also be included.

**Management Response:** *We agree with the finding and plan to review the manual on a biannual basis to ensure that it remains current. We recognize that the Payroll Manual will need ongoing updates due to amendments in ACPS policy, State and Federal law and other applicable changes.*

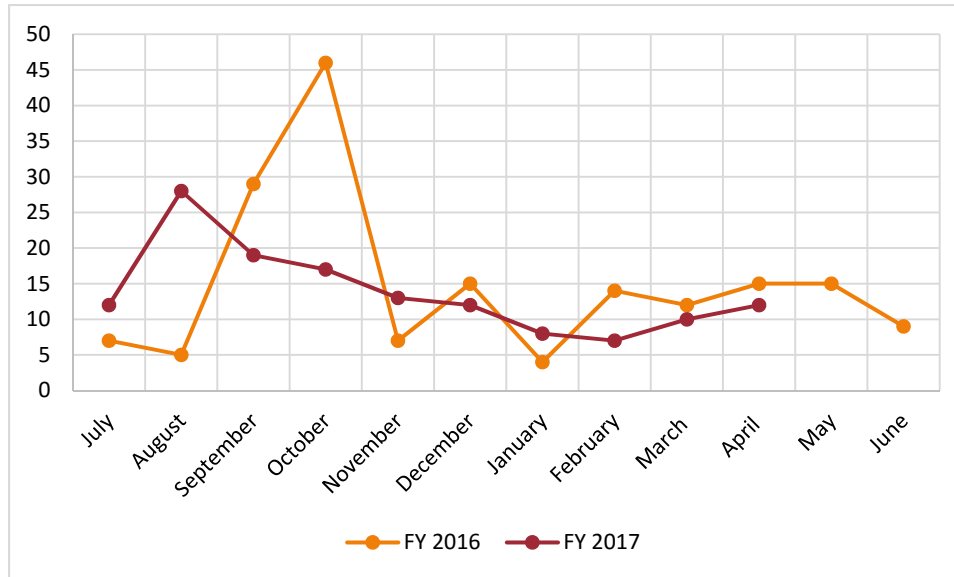
**Target Completion Date:** *Fully implemented by October 2017; Next scheduled biannual update will be April 2018*

**Finding:** *The division processes a large number of off-cycle payroll runs/warrants.*

Supplemental runs are any payroll runs made outside of the division’s established payroll calendar, often called off-cycle payments. These can occur when an employee did not receive their check in the mail, a direct deposit is reversed or denied by the bank, or there is a stale dated check. Each time the payroll staff conducts a payroll run, a unique payroll warrant code is created. Gibson obtained the payroll registers from fiscal years 2016 and 2017 and identified the payroll warrants outside of the established payroll calendar dates. Figure 8 displays the number of warrants outside of the payroll calendar for each fiscal year. The division saw a spike in the number of payroll warrants between the months of August and October, specifically in fiscal year 2016. According to the ACPS, not all payroll warrants mean new checks

were issued. Some of the additional warrant codes include when a payroll entry was made with incorrect coding and the department has to correct the coding. The majority of warrants, however are made up of additional payroll runs and voids. Each warrant can be made up of a few or many individual entries.

**Figure 8. Off-Cycle Payroll Runs Outside of Payroll Calendar, Fiscal Years 2016 and 2017**



Source: ACPS Payroll Registers, Fiscal Years 2016 and 2017

According to the ACPS, the rise in additional payroll warrants between August and October occurs primarily due to missed summer school timesheet submissions, new employees who have moved to the area that forgot to provide their updated addresses (new employee checks are manual during the first payroll period), and leave payoffs, the majority of which are processed from July to September each year.

In fiscal year 2016 there were 178 additional payroll warrants/runs and in fiscal year 2017 (through April 30) there were 138. These additional warrants are made up of voids, miscellaneous warrants (delay in submission of timesheets, etc.) and history transfers which do not include additional checks but a change to the coding of a previous payroll entry.

**Recommendation 6: Reduce the number of off-cycle payroll runs/warrants.**

ACPS should conduct quarterly or monthly reviews of all additional payroll warrants outside of the established payroll calendar dates. These should be reviewed for reasonableness and should include historical trends. The division's high volume of additional warrants make up a large amount of additional tasks required by payroll staff in between each pay period. These additional warrants should be reviewed to reveal any areas where processes can be adjusted to minimize the high volume. The division could also establish a calendar for when additional payroll warrants or runs will be processed to minimize volume instead of completing on an as needed basis.

**Management Response:** We agree with the finding. The TCP/MUNIS work group will review the factors contributing towards the off-cycle warrants and help provide guidelines to minimize them. We plan to create a list of acceptable reasons for Supplemental checks. The list must be approved by the

*Superintendent and communicated to all employees. To increase transparency and accountability, all Supplemental Checks will require approval by department heads. By publishing and adhering to guidelines outlining the circumstances under which supplemental checks are issued, we will reduce the number of off cycle check requests.*

**Target Completion Date: April 2018**



## Section 5 – Audit Testing Results

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### Test One: Payroll Deductions

#### *Audit Test*

The audit team selected five (5) payroll selections from fiscal year 2016 and 2017 payroll registers, ensuring the selection included various employee types and positions. Each selection was then tested to validate that the net pay received by the employee and the deductions taken were calculated correctly. Deduction rates were traced to the IRS and VRS websites and any other additional deductions (403b, health insurance, etc.) were validated by obtaining support from the division.

#### *Audit Results*

The audit team found no exceptions during this test and found that all net pay received and deductions taken were calculated accurately.

### Test Two: Casual Pay

Casual employees mostly include positions within adult education, security guards, substitute teachers, school nutrition, and transportation. Positions include casual hourly, where the employee has an hourly rate and gets paid for the amount of hours worked, or casual daily, where the employee receives a daily rate per days worked (typically 7-8 hours = 1 day). Casual employees are mostly non-exempt employees and are responsible for maintaining time records either through the division's timekeeping system (TCP) or through a manual timesheet. Both methods of timekeeping must be approved by the employee's manager.

During the audit period, the division paid approximately 1,200 casual employees. The majority of these casual employees were substitutes (approximately 70 percent). Though the division implemented TCP four years ago and the payroll manual states all employees are responsible for using TCP to track time, not all departments with casual employees require the use of TCP for clocking in and out. For example, employees with unique positions who work at multiple campuses may utilize manual spreadsheets.

For employees that use the TCP system, time is approved by managers every pay period. This is a schedule set up by payroll and distributed to all departments and campuses. Managers get an alert from the system as a reminder to approve all time for the pay period. They also receive a reminder from the Senior Payroll Analyst every pay period. Once time is approved, the period is closed out in the system and data is then exported in preparation for importing into MUNIS.

Substitute time is recorded within a separate system – SAM. During the pay period, managers must verify all jobs that are logged in the system were filled and accurate. At the end of the pay period, principals must go into the system to confirm all jobs have been verified by the managers.

Employees who manually record time on division timesheets must get approval by their managers. Once approved, the timesheets are turned into either the Human Resources Department or payroll staff, depending on the department or position of the employee. During the school year, all manual timesheets are turned into the Human Resources Department, with the exception of Transportation. During summer school, all employees must manually record time and turn into the payroll staff. Summer school payroll is processed as a separate miscellaneous payroll each pay period.

### *Audit Test*

The audit team selected 15 casual employees, including substitutes, from the FY2016 and FY2017 payroll registers. For each selection, Gibson validated that the proper rate, hours, total pay, and approval were all utilized and obtained, and that the division was able to provide proper supporting documentation and employees received pay timely. The findings from this test are listed below. Note that not all audit testing findings result in recommendations to the division.

### *Audit Results:*

- The division was unable to provide documentation for one employee's hourly rate from December 2015, therefore testing could not be completed.
- Two selections included time from multiple previous pay periods due to employees submitting timesheets late. This resulted in large, untimely checks being issued (approximately \$9,000 and \$14,000).
- One paycheck was calculated based on double hours worked due to employee submitting hours both manually and through TCP. This was caught by the employee.
- One employee's hours were rounded up using the manual timesheet in Excel, resulting in an overpayment of \$3.25.
- One employee did not receive overtime payment for 7 hours of overtime worked. The division stated this was due to the employee submitting multiple late manual timesheets at once during payroll's heaviest processing period.
- Stop check payment documentation was unavailable for one check that was not received by an employee that was later reissued.
- Two employees did not receive manual paychecks in the mail. These were later reissued by the department.

## Findings and Recommendations

### **Finding: Manual timekeeping is adversely affecting the division's ability to monitor hourly employees.**

The ACPS Payroll Procedures Manual states that all employees are required to use the TCP system to record all time and leave. Currently, some employees are submitting manual timesheets and not recording hours through the TCP system. These employees and departments that are submitting manual timesheets are also not consistent.

There are also instances of timesheets being submitted late and in large batches. This limits the ability of supervisors to oversee hours charged, and also creates unnecessary variances in payroll. One of the effective controls for payroll is to compare the current period payroll to the prior period. Late submissions of timesheets and expenses effectively understates payroll for the period the time and expense are incurred, and overstates the period when the time is entered into the payroll system.

### **Recommendation 7: Implement controls to eliminate late time reporting.**

Until the payroll process inefficiencies and integration issues above are addressed, ACPS may need to continue using manual timesheets. However, additional controls should be implemented to ensure that timesheets are submitted timely, and reviewed at the end of the pay period by the supervisor.

In the long-term, requiring all employees to enter time into TCP will allow payroll processing to become more automated, freeing payroll employee time for other duties, as well as allow for real-time tracking of all current payroll costs.

**Management Response:** *We agree with the finding and will review our processes to encourage prompt timesheet submissions. The process changes will be aimed at ensuring that all employees and managers are knowledgeable about the Payroll Schedule and deadlines. Payroll and Human Resources will work collaboratively to explore disciplinary action for employees as well as managers turning in late timesheets.*

**Target Completion Date:** *June 2018*

### **Finding: Stop payment orders for checks not received are not always implemented.**

The division was unable to provide stop payment orders for all checks which were reissued during testing. Without a stop payment on a check, this would allow employee to cash both checks resulting in being double paid for hours worked. Though the check found during testing was stale dated, it is up to the bank's discretion whether to cash the stale check.

**Recommendation 8: Implement controls to ensure that stop payment orders are implemented for all checks that are reissued.**

The division should ensure that stop payment orders are implemented for all checks not received before reissuing a new check. This will ensure that the employee cannot cash both checks that were issued in

their name. During audit testing, the division was unable to provide support that one check, which was reissued, was given a stop payment order.

**Management Response:** *We agree with the finding and plan to change our process for reissue of stale-dated checks. In the past, we accepted bank confirmations that stale dated checks were no longer active. This practice did not result in any erroneous payments. However, we agree that processing a stop payment, in all such instances, is a better practice. Going forward, before we reissue a check, we will process a stop payment order even if the bank has declared the check inactive.*

**Target Completion Date:** *Fully implemented by October 2017*

### ***Test Three: Contract Pay Employees***

Contract pay employees include positions such as teachers, principals, and division/department administrators. Contract employees are exempt employees that receive an annual salary established by the division's pay structure approved annually by the Board. Contract employees' salaries are based on the number of days in their contract, multiplied by their daily rate. Depending on the employee position, the division divides the employee's annual salary by 20, 22, or 24 pays, to arrive at the semi-monthly amount the employee receives. When an employee leaves the division or is promoted before the end of their contract, there is often a payroll adjustment that needs to be made. This is due to how the semi-monthly amount is calculated. When this occurs, the Human Resources Department multiplies the employee's daily rate by the number of days worked, and then subtracts the actual amount the employee has received during that contract. The difference in pay is then given to the employee.

Contract employees that hold positions for less than 40 hours per week are able to be paid straight time. Straight time is any time the employee works over their contracted amount, but not more than 40 hours. For example, an employee with a contracted rate of 35 hours per week that works 39 hours will be paid 4 hours of straight time at their normal hourly rate.

#### ***Audit Test***

The audit team selected 10 contract pay selections from the FY2016 and FY2017 payroll register. For each selection Gibson validated that the employee received proper pay, proper approval was obtained, and proper support was provided by the division. The findings from this test are listed below. Note that not all audit testing findings result in recommendations to the division.

#### ***Audit Results:***

- One employee, who received a promotion mid-contract, did not receive the proper pay adjustment for the first 2.5 months of new position. This was due to an incorrect pay step entered into the system. This mistake was caught by the employee.

## ***Findings and Recommendations***

### **Finding: Not all employee contract payouts are reviewed, only spot checked.**

Currently, it is the responsibility of the Compensation Analyst to calculate all contract payouts. The amount of contract payouts per pay period varies. The Director of Compensation and Benefits spot checks some contract payouts, however this is not done consistently each pay period, like the payroll procedures manual states. During audit testing, one contract payout was completed incorrectly by entering the wrong pay step for a new position, and this mistake was caught by the employee 2.5 months later.

### ***Recommendation 9: Enhance supervisory review procedures for all payout calculations.***

The division should implement review procedures for all contract payout calculations. These calculations are done manually within an Excel spreadsheet, leaving room for error. Currently, when an employee leaves mid-contract or receives a promotion mid-contract, the Compensation Specialist is in charge of calculating how many days the employee has currently worked multiplied by their daily rate, and if there is a difference, the employee receives a contract payout. If the employee received a promotion, they will also receive a payout based on the amount they have already been paid plus the amount they will be paid. If there is a difference between this amount and the daily rate multiplied by the days worked in each position, this results in a contract payout. It is important that all contract payouts are reviewed after calculations are completed, to ensure that all amounts entered are accurate. This will ensure that errors in calculations are not looked over by the department.

***Management Response:*** We agree with the finding. Human Resources and Payroll will work collaboratively to enact additional supervisory review procedures including using the automated contract payout calculation feature in Tyler MUNIS.

***Target Completion Date:*** May 2018

## ***Test Four: Coaching and Stipend Payments***

Employees who are coaches or lead after school student activities receive pay outside their normal salary or hourly wage. These employees receive additional contracts noting their position as well as the compensation or stipend they will be receiving for duties being performed. The contract also states whether they will receive their compensation in one lump sum or over a period of time. Most are paid in equal amounts during the period of the contract. The compensation amount is annually approved by the school board and varies by sport, activity, and position title.

### ***Audit Test***

The audit team selected five (5) coaching compensation and student activity stipend payments. Gibson validated that proper compensation or stipend amount was received, the stipend or coaching compensation was approved, and the division was able to provide supporting documentation. The findings from this test are listed below.



### Audit Results:

- The pay type coding used for coaching compensation were not consistent within the MUNIS system.
- One employee who received a stipend as an intramural sports coach did not have a related contract required by Policy GCBB which states that “a separate contract shall be executed by the School Board with an employee who is receiving monetary supplement for an athletic or extracurricular assignment. “

### Findings and Recommendations

**Finding: The division does not consistently use the same pay type codes in MUNIS to record coaching compensation.**

Currently the division records coaching compensation under both pay types “152- Casual Contract” and “172- Coaching Contract 1”. The division processes state that employee’s first coaching contract should be recorded under pay type 172 and any coaching contracts in addition should be recorded under pay type 152. During audit testing it was revealed that the division does not consistently follow this practice.

**Recommendation 10: Implement controls to consistently record coaching compensation and student activity stipend pay under related pay types within MUNIS.**

The division should ensure that all coaching compensation is being recorded consistently. During audit testing, some employees with only one coaching contract had coaching compensation recorded under pay type “152- Casual Contract”, instead of “172- Coaching Contract”. This does not allow for the division to properly analyze coaching compensation for reporting and forecasting purposes. The division should also implement additional coaching compensation pay types in order to properly track all costs, including those employees with more than one coaching position.

Currently the division uses pay type 152 to record most casual employee regular pay. With the addition of extra duty pay, such as coaching, the division is unable to pull data to properly analyze from the MUNIS system. The division should clearly define each pay type and revoke access to those pay types not in use.

**Management Response:** *We agree with the finding. For clarity and consistency, pay types 172 through 180 will be used for all coaching assignments going forward.*

**Target Completion Date:** *Fully implemented by October 2017*

**Finding: Not all employees who receive monetary supplement for an athletic or extracurricular assignment (middle school and club sports) receive separate contracts executed by the School Board, as stated by Policy GCBB.**

During audit testing it was revealed that not all employees receiving monetary supplements receive a separate executed contract. This is not in compliance with Policy GCBB, which states “a separate contract shall be executed by the School Board with an employee who is receiving monetary supplement for an athletic or extracurricular assignment.” According to the division, coaching contracts are only issued for high school sports; therefore, for the audit selection an intramural stipend report was approved by the division noting each stipend amount.

***Recommendation 11: Implement controls to ensure that all employees who receive a monetary supplement for middle school and club sports assignments receive separate contracts executed by the School Board, as outlined by School Board Policy.***

In order to abide by policy, the division should ensure that all employees receiving additional monetary supplements receive a separate contract executed by the School Board. This should include the supplemental pay amount and approval by the employee. It is imperative that the division abide by all School Board policies. Executing separate contracts for all employees ensures documentation on the amount that was approved for each position as well as an approval from the employee on the amount given.

***Management Response: We agree with the finding that all employees should receive separate contracts/letters for all athletic/coaching assignments, including assignments for middle school club sports. Coaching contracts will be issued for middle club sports going forward.***

***Target Completion Date: Fully implemented by October 2017***

## Appendix A – Interview Roster

Interviewee	Title	Date
Gary Estep	Application Support Specialist	5/24/2017
Dr. Alvin Crawley	Superintendent	5/31/2017
Hourly Employee Focus Group	N/A	5/31/2017
Salaried Employee Focus Group	N/A	5/31/2017
Michael Herbstman	Chief Financial Officer	5/31/2017
Michael Covington	Accounting Services Director	5/31/2017
Mandeep Gill	Payroll Manager	5/31/2017
Ashok Jain	Senior Payroll Analyst	6/1/2017
Jerry Harris and Jacqueline Powell-Smith	Payroll Specialists	6/1/2017
Robert C. Easley	Assistant Director, Budget	6/1/2017
Sarah Rhodes and Daniel Fugar	Assistant Director, Financial Systems and Reporting and Business Systems Analyst	6/1/2017
Joseph Makolandra	Chief Human Resources Officer	6/1/2017
ThuHang Nguyen	Director, Benefits and Compensation	6/1/2017
Jim Loomis	Director of Employment Services	6/1/2017
Elizabeth Hoover and Marya Runkle	Chief Technology Officer and Director, Education and Business Applications	6/1/2017

October  
2017

# Functional Performance Audit of the Educational Facilities Department *for Alexandria City Public Schools*

PREPARED AND SUBMITTED BY:

**GIBSON**

AN EDUCATION CONSULTING & RESEARCH GROUP





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# Introduction

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School facilities should be designed and maintained to provide an effective learning environment that is educationally adequate to deliver the curriculum. Having suitable school facilities requires good planning and communication between facilities planning, design, construction, and operations and maintenance staffs.

Once schools are built, an effective facility maintenance program (i.e., an ongoing plan for addressing preventive and corrective maintenance) and a long-term capital improvement program should be instituted. One of the most important aspects of maintaining facilities in the long-term is preventive maintenance. Through preventive and predictive maintenance, life cycle costs can be reduced and facilities reach their full serviceable life. In addition, adequate custodial and grounds operations are necessary to provide clean, safe, and healthy learning environments.

This report presents the results of an audit of the Alexandria City Public Schools (ACPS) Educational Facilities Department. This audit was conducted by Gibson Consulting Group, Inc. (Gibson) from April 2017 through August 2017.

## Project Objectives, Scope and Approach

The primary objective of this facilities audit was to evaluate ACPS' asset management, budget management, and contract management functions within the School Division's Educational Facilities Department. The scope of the audit included a review and evaluation of:

- Administrative regulations, policies, procedures, and industry standards regarding facilities maintenance;
- The efficiency and effectiveness of Educational Facilities operations by benchmarking key operational statistics and comparing them to school division best practices;
- The processes for creating the Long-range Facilities Plan, Capital Improvement Plan, and facilities budgets for operating and capital improvement funds;
- Departmental processes for managing and monitoring construction and renovation projects, including cost estimation and actual costs tracking; and,
- Organizational structure, job descriptions, and related training requirements.

The audit approach involved the collection and analysis of data; interviews with school division leadership, Educational Facilities staff, school principals, and custodial and maintenance workers; and, school site visits. See Appendix A for a complete list of interviewees and schools visited.



## ACPS School Board Policy Framework

ACPS School Board policies provide guidance for the full cycle of activities related to planning, design, construction, operations, maintenance and retirement of ACPS school facilities. There are eight board policies relevant to the scope of this audit:

- **EA - Support Services** – Requires that the School Board ensure the proper operation, maintenance, and management of school buildings, grounds, vehicles, equipment, and services.
- **EBA - Buildings and Grounds Inspection** – Requires schools to be inspected at reasonably frequent intervals. Inspections required by law will be performed as required by law.
- **EC - Buildings and Grounds Management and Maintenance** – Specifies that the Superintendent will have the general responsibility for the care, custody, and safekeeping of all school property, and will maintain a program of preventive maintenance, and that the principal of each school in coordination with the Department of Educational Facilities will be responsible for the operation, supervision, care, and maintenance of the school plant.
- **FA - Facilities Development** – Outlines the Board’s goals with respect to facilities development and ACPS’ Capital Improvement Program (CIP).
- **FA-R - ACPS Energy Conservation and Building Management Regulations** – Specifies the energy management responsibilities for some positions, and details regulations related to classrooms, air conditioning equipment, heating equipment, lighting, and water.
- **FEA - Educational Facilities Specifications** – Requires that detailed educational specifications be prepared for the design and construction of new buildings.
- **FEG - Supervision of Construction** – Requires supervision and sound financial management of all construction funds.
- **FEG-R - Capital Improvement Program Regulations** – Outlines the procedures for the development, approval, management and payment of projects in the ACPS CIP.

## Key Terms

Throughout this report, terms and acronyms are used that are common to those involved in the facilities management industry but may not be familiar to others. Below is a listing of key terms and their definitions:

- **Maintenance** is the act of keeping fixed assets in acceptable and functional condition. It includes preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the facility asset so that it continues to provide acceptable services and achieve its expected life. Maintenance excludes activities aimed at expanding the

capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, those originally intended.

- **Corrective Maintenance (CM)** are those maintenance activities performed because of equipment or system failure. Activities are directed toward the restoration of an item to a specified level of performance, and sometimes called "breakdown maintenance."
- **Current Replacement Value (CRV)** is the amount required to reproduce a facility in like kind and materials at one time, in accordance with current market prices for materials and labor.
- **Deferred Maintenance (DM)** refers to any maintenance that was not performed when it should have been or was scheduled to be and which, therefore, is put off or delayed for a future period.
- **Preventive Maintenance (PM)** involves planned actions undertaken to retain an item at a specified level of performance by providing repetitive scheduled tasks which prolong system operation and useful life (i.e., inspection, cleaning, lubrication and part replacement).
- **Proactive Maintenance (PrM)** includes activities applied to equipment prior to and during operation to prevent problems, gain greatest reliability, and minimize failure.
- **Computerized Maintenance Management System (CMMS)** provides information about an organization's maintenance operations. Typical components of a CMMS include service call tracking, maintenance work order management, preventive maintenance scheduling, and asset inventory.
- **Facility Condition Index (FCI)** is a standard facility management benchmark that is used to objectively assess the current and projected condition of a building asset. The purpose of the FCI is to provide a means for a relative comparison of facility or building conditions as well as allowing senior decision-makers to understand building renewal funding needs and comparisons. The FCI is defined as the ratio of current year required renewal cost to current building replacement value. Building condition is often defined in terms of the FCI as follows: (Good) 0 to 5 percent FCI, (Fair) 5 to 10 percent FCI, (Poor) 10 to 30 percent FCI, (Critical) greater than 30 percent FCI.
- **Facility Condition Assessment (FCA)** is a systematic approach of identifying, assessing, prioritizing, and maintaining the specific maintenance and repair requirements for all facility assets to provide valid documentation, reporting mechanisms, and budgetary information in a detailed database of facility concerns.
- **Facility Management (FM)** is the profession that encompasses multiple disciplines to ensure functionality of the built environment by integrating people, place, process and technology.
- **Key Performance Indicator (KPI)** is derived from specific measurement of data relating to performance. Indicators can reflect efficiency, effectiveness, and financial return. KPIs are distinguished from common management metrics in that, while they are a type of metric, they

are the most important of an organization's metrics which link specifically to the organization's strategic initiatives.

## Audit Summary

This audit found that enrollment at most schools is at or exceeding capacity, and that ACPS has made progress in addressing those needs by developing a Long Range Educational Facilities Plan which is guiding annual Capital Improvement Plan requests. Funding remains a challenge, as not all capital improvement needs can be met and operations and maintenance expenditures are below national and Virginia averages. ACPS lacks a facilities management plan for addressing non-capacity capital renewal, major repairs, deferred maintenance reduction, and preventive maintenance actions that will preserve the value of ACPS facility assets.

Based on school visits and interviews with school administrators, the Educational Facilities Department generally received negative feedback for their responsiveness, communication, and overall condition of facilities. While this sentiment was not universal, there was a consistent perception that maintenance is reactive, not proactive, and that problems receive attention only when they rise to the level of crisis.

A factor contributing to the negative feedback is that ACPS does not maximize the use of its computerized maintenance management system (*SchoolDude*) to track all maintenance and repair work. The Preventive Maintenance module has not been incorporated into the system, and the system's poor configuration results in insufficient management information to support effective decision-making. Also, Educational Facilities has not dedicated the resources needed to use the system to its full potential for measuring, managing, and reporting on all facilities management actions.

ACPS has adopted a staffing model of employing a small in-house workforce for responding to minor, day-to-day maintenance needs and using outsourced contractors to perform the majority of the preventive and corrective maintenance actions that keep facilities functioning properly. However, there is no formal quality assurance program for oversight of much of the outsourced work.

ACPS performs some activities that relate to energy management, but there is no strategy to organize energy efficiency efforts. The Department does not have a formal energy management program to programmatically plan, implement, and measure results of consumption reductions or energy cost savings nor has anyone been designated to manage such a program.

Custodial services are provided by both ACPS division employees as well as two contracted service providers. This hybrid staffing model has resulted in wide variations across schools in terms of staffing levels, workloads, and custodial expenditures. The grounds maintenance function, on the other hand, is accomplished by a combination of outsourced and shared services with the City of Alexandria and is performing satisfactorily.

To address these findings and to improve the overall efficiency and effectiveness of ACPS facilities management functions, the audit team developed the following 10 recommendations, which are

presented in Table 1 in the order that they appear in the report. The audit team also assigned a priority level to each recommendation.

**Table 1. Summary of Audit Recommendations**

No.	Priority	Recommendation
1	High	Develop a comprehensive, long-term school facilities management plan.
2	Low	Refine and expand key performance indicators (KPIs) and metrics for facilities management.
3	High	Institute a formal quality assurance oversight system for review of contracted facility maintenance and repair services.
4	Medium	Enhance the use of the <i>SchoolDude</i> to improve maintenance management and efficiency.
5	Medium	Establish a Work Controller position (in-house or contracted) dedicated to work management oversight and reporting.
6	High	Implement a system to proactively communicate with school principals about facility maintenance activities and issues.
7	Medium	Designate an Energy Manager and establish an Energy Management Program.
8	Low	Continue with the Department’s long-term plan to reduce in-house custodial operations through attrition, and re-evaluate the cost structures of contracted service providers.
9	Medium	Have ACPS custodians and Building Engineers report centrally to the Building Services Manager rather than to school principals.
10	Medium	Reduce custodial FTE at non-contract schools to bring workloads more in line with industry standards for staffing efficiency at all schools.

The remainder of this report details the audit findings and recommendations for each of the functional areas within the Educational Facilities Department and is organized into the following major sections:

1. Facilities Planning and Management
2. Facilities Maintenance
3. Custodial Services
4. Grounds Management

## Section 1 – Facilities Planning and Management

The ACPS Department of Educational Facilities oversees building infrastructure, custodial services, emergency management, maintenance, safety and security, and the planning, design and construction of school buildings.<sup>1</sup> Specifically, the Department is responsible for operating and maintaining 16 traditional schools and other facilities comprising about 2.2 million square feet of building space. ACPS facilities include 12 elementary schools, one Pre-K-8 school, 2 middle schools, one high school (comprised of two campuses), and four additional facilities. Table 2 presents a summary ACPS facilities.

**Table 2. Summary of ACPS Facilities**

School Level	Number	Area in GSF	Lot Size (Acres)	Average Age of Buildings (Years)	Current Replacement Value (CRV) <sup>2</sup>
Elementary	12	973,817	95	64	\$263,904,407
Pre-K-8	1	124,000	10	3	\$33,604,000
Middle	2	473,457	48	72	\$128,306,847
High	1	591,582	32	37	\$160,318,722
Other Facilities	4	56,479	N/A	N/A	\$15,305,809
<b>Total</b>	<b>20</b>	<b>2,219,335</b>	<b>185</b>	<b>58</b>	<b>\$601,439,785</b>

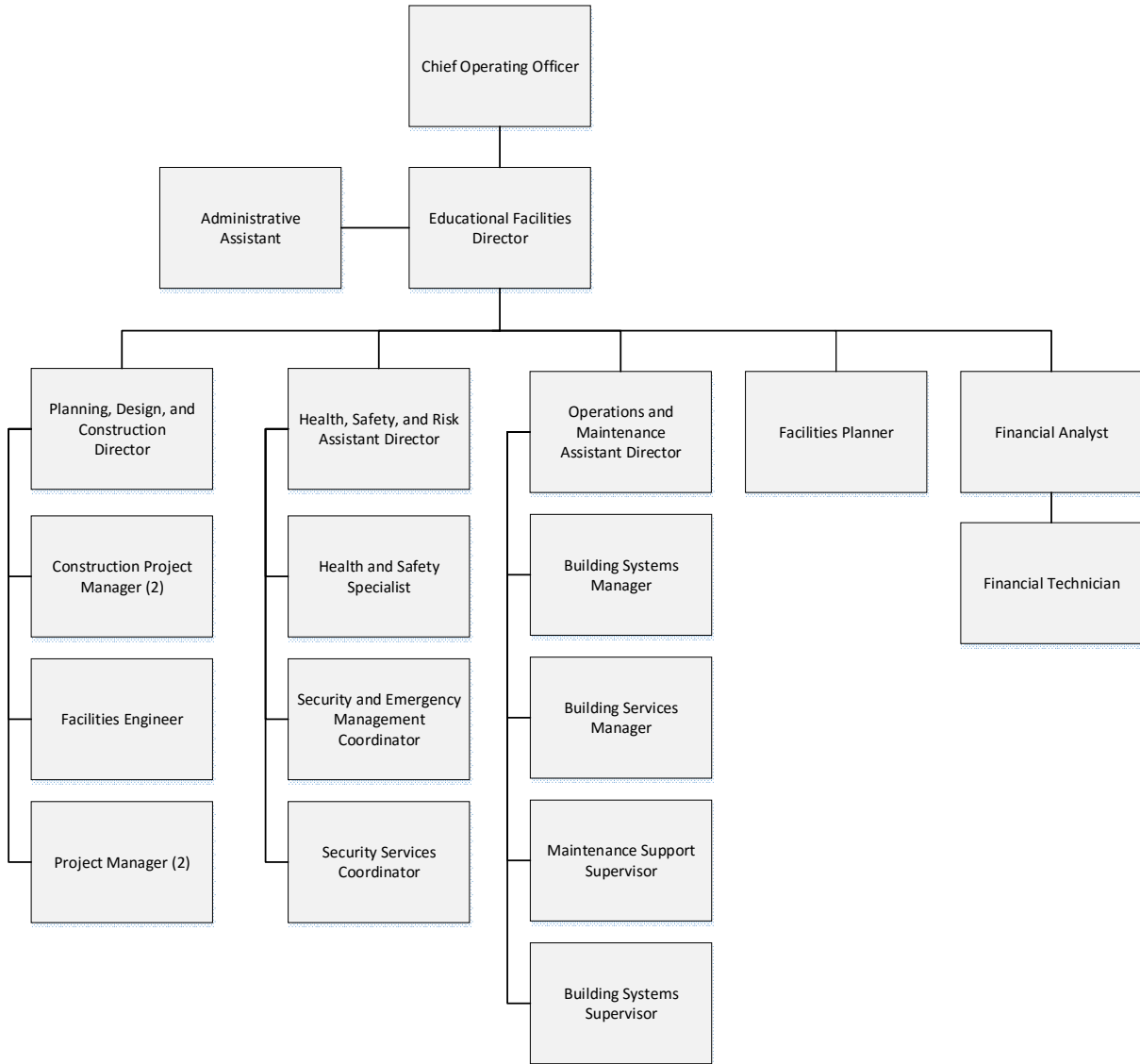
Source: ACPS (Files - EG Building Inventory; Energy Usage 2013-2016; Long Range Educational Facilities Plan).

The Educational Facilities Department is comprised of 32 full-time equivalent (FTE) positions organized under the Chief Operating Officer and led by the Director of Educational Facilities. Custodial and maintenance operations are provided through a combination of in-house and contracted service providers. Grounds upkeep is fully outsourced and is accomplished through a combination of a services provided by a landscaping contractor and the City of Alexandria. Figure 1 provides an overview of the Department's current organizational structure.

<sup>1</sup> The school security function was not within the scope of this audit.

<sup>2</sup> CRV is calculated at \$271/gsf replacement cost estimate, the average for VA schools (State of Our Schools: America's K-12 Facilities 2016).

**Figure 1. Department of Educational Facilities Organizational Chart**



Source: ACPS

### School Capacity and Capital Projects

School capacity issues stemming from steadily growing enrollment were cited by many ACPS officials as the top challenge facing ACPS educational facilities. Table 3 shows that total ACPS school square footage per enrolled student has decreased in each of the past four years and is less than the Commonwealth of Virginia school average in both 2016 and 2017.

**Table 3. ACPS and VA Average Gross Square Feet per Student, 2014-17**

	2014	2015	2016	2017
Gross Square Footage (Schools Only) <sup>1</sup>	2,149,739	2,149,739	2,162,856	2,162,856
Total Enrollment <sup>2</sup>	13,563	14,167	14,670	15,056
<b>ACPS GSF/Student</b>	<b>159</b>	<b>152</b>	<b>147</b>	<b>144</b>
<b>VA Average Area Per Student, 2013<sup>3</sup></b>	<b>151</b>			

Sources: <sup>1</sup>ACPS (Files - EG Building Inventory; Energy Usage 2013-2016)

<sup>2</sup>ACPS iDashboard (<http://idashboard.acps.k12.va.us>)

<sup>3</sup>State of Our Schools: America's K–12 Facilities 2016

The magnitude of this issue is further demonstrated by examining the enrollment capacity for each school. Table 4 shows the current enrollment, student capacity, and percent capacity for each school.<sup>3</sup> All but one ACPS school was at greater than 90 percent capacity and most schools exceeded 100 percent capacity in 2017.

**Table 4. ACPS School Capacity, 2017**

School	FY 2017 Total School Enrollment*	Current Capacity	Capacity
Charles Barrett	485	524	92.6%
Cora Kelly	468	429	109.1%
Douglas MacArthur	704	554	127.1%
George Mason	555	368	150.8%
James K. Polk	773	756	102.3%
Jefferson-Houston	490	535	91.6%
John Adams	1,092	858	127.3%
Lyles-Crouch	436	375	116.3%
Matthew Maury	417	350	119.1%
Mount Vernon	881	755	116.7%
Patrick Henry	713	724	98.5%
Samuel Tucker	790	620	127.4%
William Ramsay	908	748	121.4%
<b>Elementary Total</b>	<b>8,712</b>	<b>7,596</b>	<b>114.7%</b>
Francis C. Hammond	1,409	1,396	100.9%
George Washington	1,333	1,150	115.9%
Jefferson-Houston	144	245	58.8%

<sup>3</sup> The Long Range Educational Facilities Plan for ACPS defines capacity as “a product of the number of classrooms at a school and the number of student stations assigned to each room type. Only classrooms that are 600 square feet or more with a teacher and students regularly assigned to the space are counted toward full time capacity. For elementary schools, small instructional spaces and specialized labs including art, music, or resource are not part of the capacity calculation. It is possible for a school’s capacity to change from year to year based on average class sizes (determined by the budget) or changes in the number and type of programs.”

School	FY 2017 Total School Enrollment*	Current Capacity	Capacity
<b>Middle School Total</b>	<b>2,886</b>	<b>2,791</b>	<b>103.40%</b>
T.C. Williams King Street	2,943	2,766	106.4%
T.C. Williams Minnie Howard	811	883	91.9%
<b>High School Total</b>	<b>3,754</b>	<b>3,649</b>	<b>102.9%</b>

\*Includes all ACPS students as well as the amount of spaces partners have within ACPS facilities.

Source: ACPS (Item 31 Info).

***Commendation 1: The Department has a comprehensive long-range facility plan that addresses ACPS' capacity needs.***

ACPS is addressing its capacity issues through long-range facility planning and capital improvement projects. In June 2015, ACPS adopted a Long Range Educational Facilities Plan (LREFP) that identifies the types of facilities that can best meet the ACPS' educational needs over the next 25 years. The LREFP extensively analyzed and documented city demographics, enrollment projections, educational specifications (ED Specs) for the size and type of elementary and middle schools needed in the future, existing school capacities and configurations, and City of Alexandria planning considerations to develop "Mini Master Plans" for each school. Future efforts are expected to more thoroughly address Ed Specs and school needs for pre-K and high school facilities.

The LREFP was jointly prepared by ACPS in conjunction with the City of Alexandria, adopted by the ACPS School Board, and endorsed by the Alexandria City Council. This high degree of collaboration and alignment should facilitate execution of the LREFP and begin to address the over-capacity challenges at ACPS. It will also help ACPS and the City to prioritize spending as reflected in the Capital Improvement Plan (CIP) budget and guide the development of future schools in a fiscally-constrained environment.<sup>4</sup> It is unlikely that the City of Alexandria will be able to fully fund all ACPS' capacity needs, so the LREFP will remain an essential tool for school development decision-making. Based on Virginia averages of \$271/GSF for new school construction and 151 GSF per new seat added<sup>5</sup>, ACPS would need approximately \$163 million to accommodate its projected enrollment growth of approximately 4,000 students from 2017 to 2026. ACPS has identified in its 2017 CIP budget approximately \$233 million<sup>6</sup> for school modernization and capacity-related capital projects from 2017 to 2026, a figure that is 43 percent higher than the Virginia average.<sup>7</sup> This difference can be explained by the fact that ACPS' new construction needs are based on specifically-identified projects, local construction cost factors, and prior construction experience, not just state averages.

<sup>4</sup> The CIP is a ten-year plan that is updated annually and considers revised enrollment projections and other factors to be addressed by capital funding in the current (budget) year.

<sup>5</sup> State of Our Schools: America's K-12 Facilities 2016

<sup>6</sup> The 2017-2026 CIP Budget identifies approximately \$239 million in capacity and modernization projects; the project for an expansion to the transportation facility (estimated at \$6.1 million) was excluded from this figure.

<sup>7</sup> The City of Alexandria defines a capital project as "one that acquires or improves a physical asset with a useful life of three or more years for greater than \$10,000; not day-to-day maintenance."



To execute the projects approved in the CIP, multiple contracting vehicles are available to select an architect/designer based on the size and type of project anticipated. The approach to acquisition of construction services is selected based on the best fit for project requirements (Design-Bid-Build, Design-Build, Construction Management at Risk, or Job Order Contract), and is not constrained to a “cookie-cutter” solution for all projects. ACPS engages external consultants for large and/or complex projects. For example, ACPS contracted with a cost estimating firm to assist with project budgeting, and a project management firm to coordinate and drive all aspects of design and construction of the Patrick Henry Elementary School.

The Department’s project managers and external consultants and contractors use tools and methods that are common to the design and construction industry for project management tracking and reporting during the execution phase of projects. ACPS also conducts formal, one-year post-occupancy evaluations on major capacity projects (i.e., new footprint or modernization projects) to capture lessons learned and update design and construction standards for future projects. Collectively, these techniques are consistent with a well-managed construction practice.

During the development of major projects, which normally have high visibility because of the underlying educational needs, community impacts, and budget implications, ACPS places special emphasis on communication and stakeholder engagement. As was noted earlier, fiscal constraints force the prioritization of needs when selecting which projects to pursue as well as when determining the scope of individual projects during the planning and design phases. The decision to reduce a project’s scope to meet budget can result in facilities that are acceptable, but less than optimum, in their size, configuration or long-term maintainability. ACPS has undertaken several actions to engage stakeholders when these decisions must be made. Internally, Department staff hold weekly project review meetings with design, construction, and maintenance team members for coordinating project execution details and additional meetings with contracting staff members to ensure procurement tasks remain on track. ACPS also conducts weekly Capital Coordination Committee (CCC) meetings with the Superintendent to provide a briefing on project status, any on-going challenges and potential issues that may be developing. Bi-weekly meetings with City zoning, planning, and real estate officials serve to coordinate the planning efforts that are needed prior to City approval of major construction projects. A monthly meeting of the City Schools Sub-Committee includes the Alexandria City Mayor and Vice Mayor, the ACPS Superintendent and Assistant Superintendent, and respective staff members as appropriate for the topics being discussed. ACPS Educational Facilities staff also provide a quarterly brief to the School Board on the status of CIP projects and any significant updates since the last report. “No surprises” was a repeated theme when it came to communicating about capital projects.

## Facility Asset Management

In addition to addressing ACPS’ capacity needs, the 2017 CIP budget earmarks \$58 million for “non-capacity” capital projects over the ten-year CIP period. These non-capacity capital projects address needs such as school security systems, playground or athletic area improvements, and the deteriorating condition of aging infrastructure. This non-capacity funding is essential for a school division such as ACPS,

where the average building age for schools is 58 years (compared to the average age of public schools across the U.S. of 44 years<sup>8</sup>). As stated in the LREFP, “most of the City’s public schools were constructed prior to 1960 and currently require a relatively high level of maintenance and repair expenses just to keep basic systems operating and structures safe and sound.”

**Finding 1: ACPS spends less on routine maintenance and operations than what is recommended by industry standards to operate healthy, safe, and educationally appropriate facilities.**

In its report, *State of Our Schools: America’s K–12 Facilities 2016*, the National Council on School Facilities recommended that Virginia schools plan to spend an amount equal to at least 4 percent of its facilities’ current replacement value annually in capital funds on building system and component renewals, reducing accumulated deferred maintenance, and making alterations to ensure that its existing facilities support the educational programs and modern health and safety requirements. For 2017, approximately \$6.5 million was identified for CIP projects to correct major deficiencies such as roof repairs and HVAC equipment replacement in ACPS school facilities. This amount represents a reinvestment of only 1.1 percent of the current replacement value of the school facilities, which is well below the industry standard.

Exacerbating this shortfall in spending on capital renewal efforts for correcting system deficiencies, is ACPS’ modest spending on routine maintenance and operations. The August 2016 results of the ACPS 2020 Community Survey showed that only 54 percent of respondents agreed that ACPS provides optimal learning environments within each school, which is reflective of the lack of investment in the maintenance of facilities. The National Council on School Facilities suggests that for Virginia school divisions to operate healthy, safe, and educationally appropriate school facilities, they should plan to spend from annual operating budgets an amount equal to at least 3 percent of the facilities’ current replacement value on maintenance and operations. Table 5 shows that ACPS has consistently fallen below this and other benchmarks that are indicators of the level of funding expected to properly sustain its facilities.

**Table 5. Operations and Maintenance Spending Benchmarks**

Measure	2014	2015	2016
O&M Expenditure Amount <sup>1,2</sup>	\$11,512,432	\$11,460,440	\$12,581,469
CRV (All facilities, not just schools) <sup>3</sup>	\$597,787,518	\$597,787,518	\$601,439,785
<b>O&amp;M Expenditure as a % of CRV</b>	<b>1.9%</b>	<b>1.9%</b>	<b>2.1%</b>
<b>National Council on School Facilities Benchmark<sup>4</sup></b>	<b>3.0%</b>		
Gross Square Footage (All facilities) <sup>5</sup>	2,205,858	2,205,858	2,219,335
<b>O&amp;M Expenditure per GSF</b>	<b>\$5.22</b>	<b>\$5.20</b>	<b>\$5.67</b>
<b>VA Avg. O&amp;M of Plant per GSF<sup>4</sup></b>	<b>\$6.95</b>		
<b>Nat’l Avg. O&amp;M of Plant per GSF<sup>4</sup></b>	<b>\$6.64</b>		

<sup>8</sup> IES. 2014. Condition of America’s Public School Facilities: 2012 –13. Institute of Educational Sciences, U.S. Department of Education.

Measure	2014	2015	2016
IFMA (Education sector) <sup>5 6</sup>	\$6.57		
Total Enrollment <sup>7</sup>	13,563	14,167	14,670
O&M Expenditure per Student	\$849	\$809	\$858
VA Avg. O&M of Plant per Student <sup>4</sup>	\$1,052		
Nat'l Avg. O&M of Plant per Student <sup>4</sup>	\$1,039		

Notes: <sup>1</sup>ACPS (Request No 11\_FY14 FY15 and FY16 Operating Budget and Expenditures)

<sup>2</sup>Includes cleaning, routine and preventive maintenance, minor repairs, utilities, and school security. Utilities and security included to provide an equal basis for comparison, as VA schools' benchmark data do not segregate these costs from the other O&M costs.

<sup>3</sup>Calculated at \$271/gsf replacement cost estimate, the average for VA schools (State of Our Schools: America's K-12 Facilities 2016)

<sup>4</sup>State of Our Schools: America's K-12 Facilities 2016

<sup>5</sup>ACPS (Energy Usage 2013-2016)

<sup>6</sup>International Facility Management Association, Research Report #32, Operations and Maintenance Benchmarks (2009)

<sup>7</sup>ACPS iDashboard (<http://idashboard.acps.k12.va.us>)

CRV: Current Replacement Value

## **Finding 2: The Department's current system for monitoring and adjusting asset condition data is fragmented.**

ACPS engaged the services of an engineering firm in 2015 to perform a facility condition assessment (FCA) of its schools. An FCA provides the data necessary to understand existing facilities condition, identify strategies to meet facility life-cycle needs, and create the foundation for an overall capital renewal plan. However, there are no consistent methods currently in place to perform analyses of the facility condition indexes (FCIs) calculated during this study, update deferred maintenance needs as projects are completed, or develop complete and consistent expected renewal expenditures that are matched to the FCAs. This shortcoming also impacts the ability to implement a rational approach to fair and equitable allocation of funding to various schools. There should be a documented approach to manage the FCA results and translate them into a facility management program that can be used to develop and justify budgets for life-cycle renewal and on-going maintenance needs.

### **Recommendation 1: Develop a comprehensive, long-term school facilities management plan.**

Based on a review of current funding levels, historical capital and operating expenditures, and school conditions, a comprehensive long-term facilities management plan is recommended. The integrated plan should recognize the school utilization and improvement plans described by the LREFP and focus on additional non-capacity capital renewal, major repairs, deferred maintenance reduction, and preventive maintenance actions that will preserve the value of ACPS facility assets. Planning for the maintenance of school facilities in a manner that is compatible with LREFP supports ACPS's goal of providing optimal and equitable learning environments.

ACPS has already completed a key step in defining its long-term maintenance and renewal needs by conducting a Facility Condition Assessment through an external consultant in the 2014-15. The FCA reports describe, by school, the existing facilities conditions, strategies to meet facilities life cycle needs, and a 10-year projection for an overall capital renewal plan by year. Building systems and related components are rated as Good, Fair, or Poor, and deficiencies are recommended for correction as “Immediate Repairs” (current year) or “Capital Reserve” (future years).

The long-term facilities management plan should also document a strategy for a preventive maintenance program. As was noted earlier, most preventive maintenance at ACPS is performed by outsourced contractors. There are no documented preventive maintenance work orders or job plans in the ACPS computerized maintenance management system, *SchoolDude*. ACPS has not set goals for the proportion of its budget that should be dedicated to preventive maintenance nor is it collectively tracking the preventative maintenance work performed by its contractors.

While there is no universally accepted standard for the degree of preventive maintenance needed to care for K-12 facilities, a well-accepted standard is from the Association of Physical Plant Administrators (APPA) Leadership in Educational Facilities, an organization whose focus is facilities in an educational environment. APPA’s Levels of Service help describe the characteristics of a facilities maintenance program on a five-point scale. APPA’s definitions for the degree of preventive maintenance versus corrective maintenance at each level are shown in Table 6.

**Table 6. Preventive Maintenance for APPA Levels of Service**

APPA Levels	Level 1	Level 2	Level 3	Level 4	Level 5
Description	Showpiece Facility	Comprehensive Stewardship	Managed Care	Reactive Management	Crisis Response
Preventive Maintenance Proportion of Work	100%	75-100%	50-75%	25-50%	0%

Source: Becker, T. and Bigger, A. (2011). Operational Guidelines for Educational Facilities: Maintenance (Second Edition), APPA: Leadership in Educational Facilities.

**Management Response:** *Management agrees with the recommendation. Staff from Educational Facilities working with Finance will develop a methodology to address facility asset management plans over the life cycle of the facility including asset renewal/major repairs as well as reduction of deferred maintenance. Preventive Maintenance actions will be addressed as found in the recommendations below.*

**Target Completion Date:** *Action Plan developed; requisite support, staff and resources identified – January 31, 2018*

**Finding 3: Key Performance Indicators (KPIs) currently tracked by the Department are limited.**

Unlike many school systems, ACPS’ Strategic Plan has a goal specifically focused on educational facilities. Including facilities functions in a school division strategic plan provides a direct connection to the broader organization’s mission and emphasizes the importance of facilities in the education process.

The ACPS 2020 Strategic Plan states:

*Goal 4: Facilities and the Learning Environment - ACPS will provide optimal and equitable learning environments.*

*4.1 Optimal Learning Environments and Infrastructure - In collaboration with City partners, ACPS will move aggressively to modernize all learning environments, expand or otherwise adapt facilities to meet projected changes in school enrollment, and ensure equitable application of capital improvements throughout the school division.*

*4.2 Well Maintained Facilities - ACPS will ensure that facilities are maintained at high levels and that repair needs are addressed in a timely and efficient manner to support the educational mission and daily operations of the district.*

*4.3 Sustainable Facilities - ACPS will model sustainable environmental practices.*

*4.4 Safe and Secure Facilities - ACPS will ensure that its facilities are safe and secure.*

*4.5 Information Technology Infrastructure - ACPS will maintain an IT infrastructure within which an equitable distribution of resources provides support to every educational program and learning environment.*

*4.6 Outdoor Learning and Recreational Opportunities - ACPS will ensure its outdoor recreation and learning spaces are accessible and appealing to the community.*

Other objectives in the ACPS 2010 Strategic Plan also connect to the Educational Facilities mission:

*Goal 6: Effective and Efficient Operations: ACPS will be efficient, effective, and transparent in its business operations.*

*6.1 Fiscal Policies and Practices - ACPS will plan, manage, monitor, and report spending to provide decision-makers and the community with a reliable, accurate, and complete view of the financial performance of the educational system at all levels.*

ACPS has established an initial set of Key Performance Indicators (KPIs) for assessing progress in attaining these goals, but they are limited and do not comprehensively address the strategic plan sub-goals.

***Recommendation 2: Refine and expand key performance indicators (KPIs) and metrics for facilities management.***

The Educational Facilities Department should review the current KPIs and consider adopting revised performance measures that more directly and comprehensively address the Strategic Plan sub-goals. In addition, ACPS should develop internal metrics that build to these KPIs and help monitor the performance of Department processes but are not reported at the KPI level.

Organizations at the forefront of their communities have developed best practices by using various approaches to track key performance indicators for measuring results. The audit team recommends instituting processes to track outcomes-based performance measures related to investments in maintenance and repair, including metrics related to compliance, condition, effective operations, and other stakeholder-driven outcomes.

Table 7 describes current ACPS KPIs, suggested revision to these KPIs, and recommendations for additional metrics that would be useful for managing the performance of Educational Facilities functions.

**Table 7. Recommendations for KPIs and Metrics**

Strategic Plan Goal	Current KPI	Recommended KPI	Recommended Metrics
4.1 Optimal Learning Environments and Infrastructure	4.1.1 - % of families and community members reporting that ACPS provides optimal learning environments (annual survey)	Retain 4.1.1  Add 4.1.2 – School capacity (goal of less than 100% at each school)	% building inspections with satisfactory results
4.2 Well Maintained Facilities	4.2.1 - % of projects/repairs addressed within established time-frames	Move 4.2.1 to “Other Metric for Managing Work”  Change 4.2.1 to FCI by school (goal of no school rated as “Poor”)	% of projects/repairs addressed within established time-frames  Maintenance funding (\$/GSF and % of CRV)  PM completion rate (%)  PM / CM mix (%)  Change in FCI (as projects are completed)
4.3 Sustainable Facilities	4.3.1 - % change of energy usage per square foot 4.3.2 - Ratio of amount recycled to total amount of waste at TC Williams High School	Retain 4.3.1  Expand to include all schools in 4.3.2 as data are available	Utility cost/GSF
4.4 Safe and Secure Facilities	4.4.1 - % compliance with state-mandated safety drills (tornado, lock-down, fire, etc.)	Move current 4.4.1 to “Other Metric for Managing Work”  Change 4.4.1 to “% schools with	% compliance with state-mandated safety drills (tornado, lock-down, fire, etc.)

Strategic Plan Goal	Current KPI	Recommended KPI	Recommended Metrics
	4.4.2 - % of students reporting never feeling afraid of being hurt in school as measured by the Developmental Assets Survey 4.4.3 - % of faculty reporting safe school environment on TELL survey	satisfactory external audit results for security”  Retain 4.4.2 and 4.4.3	
4.5 Information Technology Infrastructure	(Not under the purview of the Educational Facilities Department)		
4.6 Outdoor Learning and Recreational Opportunities	4.6.1 - % of families and community members reporting satisfaction with ACPS outdoor recreation and learning spaces (annual survey)	Retain 4.6.1	% grounds inspections with satisfactory results
6.1 Fiscal Policies and Practices	6.1.2 - Accuracy of projections and utilization of fiscal resources: A. Percentage point different (sic) between actual fall enrollment and projected enrollment B. Actual annual expenditures as a percent of the revised operating budget C. Based on the approved budget at the time of contract execution, the number of major CIP projects reaching substantial completion within budget	Retain 6.1.2.A  Move 6.1.2.B to “Other Metric for Managing Work”  Retain 6.1.2.C and add “on time”	

Source: Gibson Consulting Group

**Management Response:** *Management agrees with the recommendations. Staff from the Accountability Office, Educational Facilities and Finance will evaluate revisions to KPI's during the annual KPI review.*

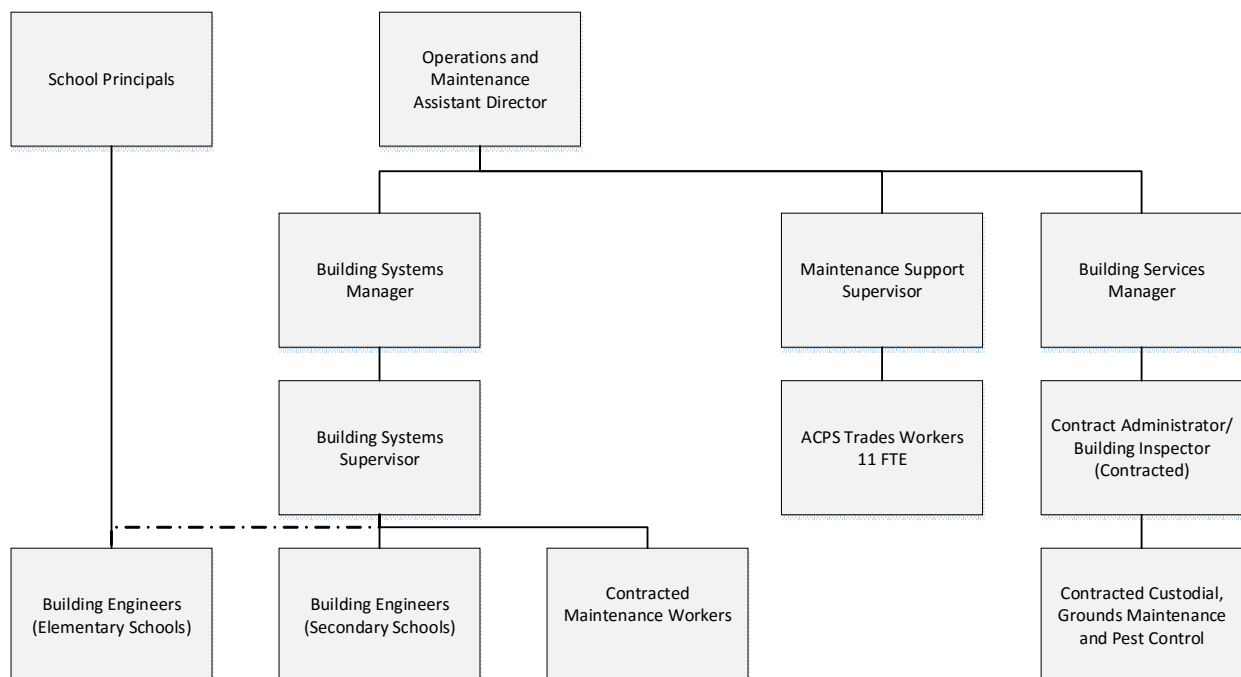
**Target Completion Date:** *Evaluation during annual KPI review, Spring 2018*



## Section 2 – Facilities Maintenance

The facilities maintenance function for all ACPS facilities falls under the purview of the Assistant Director for Operations and Maintenance and is comprised of 16 funded positions, including the Assistant Director, four managers or supervisors, and 11 trades' workers. The in-house workforce is augmented by contractors who perform the majority of the preventive and corrective maintenance actions needed to keep facilities functioning properly. The organizational structure for the ACPS facilities and maintenance function is shown in Figure 2.

**Figure 2. ACPS Operations and Maintenance Function Organizational Structure**



Source: Developed by Gibson Consulting based on departmental interviews

Contracts for operations and maintenance are solicited by trade and include these services:

- HVAC preventive and corrective maintenance
- Emergency generator testing and maintenance
- Elevator testing and maintenance
- Fire prevention system inspection and maintenance
- Roofing inspection and maintenance
- Kitchen hood cleaning
- Electrical services
- Plumbing services

- Trash compactor maintenance
- Pest control
- Landscaping and grounds maintenance
- Custodial services

## Management and Oversight of Contracted Services

ACPS has adopted a maintenance model that uses a combination of building engineers and in-house trades workers for relatively minor maintenance and repair tasks, while outsourced contractors perform most of the preventative and corrective maintenance on its building systems. In 2015-16, *SchoolDude* records show that the total cost of work orders completed in-house was \$619,685, while procurement records showed that total cost of purchase orders issued to vendors for building maintenance and repair services using operations and maintenance funds exceeded \$3 million.<sup>9</sup> These figures illustrate the relatively high reliance on contracts for maintenance services.

### **Finding 4: The Department does not systematically monitor the completion of all maintenance work performed by contractors nor document contractor performance.**

A service delivery model that relies heavily on contracted service providers requires that systems and processes be in place to effectively monitor contractor performance. A review of a sample of the service contracts issued by ACPS for building maintenance and repair services showed that the contracts adequately describe the scope of services and performance expectations of the contractor; however, the Department does not systematically monitor the completion of all contracted services or document contractor performance, particularly if the work is not entered into *SchoolDude*.

ACPS does review some work that is performed by its contractors. For work orders that are requested through the *SchoolDude* system and assigned to a contractor, the Building Systems Supervisor is assigned the responsibility for field verification that the tasks were performed completely and correctly. Given the volume of work orders, only a sample of completed jobs are currently verified for completion. The Building Systems Supervisor or Building Systems Manager will sometimes contact the original requestor of the work or the school's Building Engineer to see if the contractor completed the tasks and corrected the issue. A final check of contractor completion of *SchoolDude* work orders occurs when the Executive Assistant (who oversees the *SchoolDude* system) reviews, on a monthly basis, the invoices submitted by contractors for work they performed. If an invoice is submitted and the work order is shown as "Open" in *SchoolDude* then the Executive Assistant will contact the Building Systems Manager to verify if the work was completed, and if so request that the Building Systems Manager complete and close the ticket in *SchoolDude*.

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<sup>9</sup> Request No 36\_FY16 Operating POs and Expenditures

***Recommendation 3: Institute a formal quality assurance oversight system for review of contracted facility maintenance and repair services.***

ACPS should implement a more formal program for quality assurance and oversight of its contracted maintenance work. ACPS has hired a third-party contractor to perform quality assurance inspections for custodial, pest control, and grounds maintenance services. It is recommended that they also allocate an in-house resource or third-party contractor to provide the same type of oversight of facility maintenance contracts.

The quality assurance system should set clear expectations of roles and responsibilities of those executing the program. Program elements should include a review of all service contracts to capture contractor scope elements and performance standards; development of checklists for each contract to be used to formally document contractor performance; a clear description of acceptable methods for verifying work, such as site visits, phone interviews, or review of building monitoring system operating parameters based on the dollar value and criticality of the work performed; methods for compiling results and providing feedback to contractors for improved services; and, use of documented contractor performance results as a selection factor in future contract solicitations.

***Management Response:*** Management agrees with the recommendation. Staff will explore the feasibility of funding an in-house resource or third-party contractor to provide oversight of facility maintenance contracts. Staff will develop quality assurance protocols addressing the elements identified above.

***Target Completion Date:*** Action Plan developed to create program, necessary staff, support and resources identified -- December 15, 2017

## **Work Order Management System and Processes**

**Finding 5: ACPS is not using the full capabilities of *SchoolDude* to effectively manage all maintenance activities.**

ACPS uses a web-hosted version of the *SchoolDude* computerized maintenance management system (CMMS) to automate and manage its work order processes. The use of *SchoolDude* has helped streamline the work request process, allowing requesters to initiate their own requests. However, as shown below, the configuration of some data fields does not allow for meaningful reporting on the work it is currently tracking in *SchoolDude*. In addition, information needed to fully manage the maintenance program is incomplete because ACPS has not implemented key capabilities available from *SchoolDude* that record the inventory of maintainable assets and capture all types of maintenance activities, such as routine and preventive maintenance. This limits management's ability to effectively oversee and manage the full spectrum of its maintenance work.

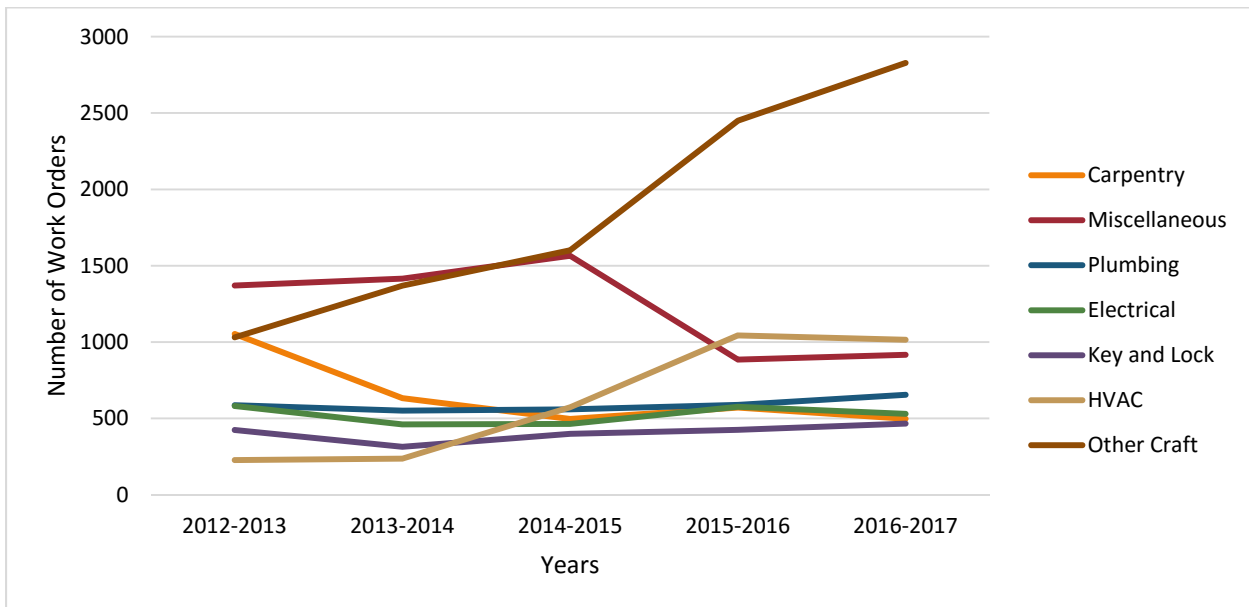
Table 8 shows the total number of work orders entered into *SchoolDude*, and Figure 3 shows the distribution of work order counts for the seven craft categories with the highest number of assigned work orders.<sup>10</sup>

**Table 8. Total Work Orders Entered in *SchoolDude***

Measure	2012-13	2013-14	2014-15	2015-16	2016-17
Total Work Orders	5,282	4,982	5,659	6,541	6,928

Source: ACPS CMMS data.

**Figure 3. Total Work Orders by Craft, 2013-2017**



Source: ACPS CMMS data.

The upward trend in total work orders is a positive indication the system is being increasingly used to capture work as it is reported to Educational Facilities. However, the sharp increase in work attributed to “Other Craft” is concerning because it limits the ability of the Department to track and manage the work for both in-house staff and outsourced contractors.

The data reported above for the “Other Craft” category is an aggregation of the work orders assigned to any “Craft” besides the top six shown. From 2013 to 2015, there was a consistent list of 42 options for “Craft” and the number of tasks attributed to each of those options remained relatively steady over those three years. Beginning in 2016, 32 additional “Craft” options were introduced into *SchoolDude* and as shown in Figure 3 many work orders were assigned to these various new categories (mostly replacing work orders assigned to the Miscellaneous category). Table 9 shows the additional “Craft” options added.

<sup>10</sup> Only partial data for the 2017 school year (through May 2017) was available at the time of the audit, so some analyses may not consider this school year.

**Table 9. New “Craft” Options Added in *SchoolDude***

Craft		
Asbestos	Food Services	Paving
Asphalt	Fuel Delivery	Salt
Bleachers	Furniture	Scissor Lifts
Carpet Cleaning	Grounds Equipment Repair	Security Camera
Carpet Repair	Ice Machine Service	Shades/Blinds
Ceiling Tile	Mold Remediation	Signage
Clocks/Bells	Office Supplies	Smoke Detector
Contractor	Painting	Supplies
Curtain Repair/Cleaning	Parking Lot Striping	Welding
Delivery	Food Services	Kitchen Equipment
Field Trips	Fuel Delivery	Recycling

Source: ACPS CMMS data

The total list of 74 “Craft” options actually encompasses a combination of work trades and work tasks. It is recommended that this field be reconfigured to only allow for a limited number of traditional “Craft” types that align with ACPS maintenance work, such as Carpentry, Plumbing and HVAC. Other *SchoolDude* fields such as “Custom Category” or “Equipment Name” can be configured to provide an additional level of detail if needed for work management purposes.

Similarly, inventory data related to maintainable assets has not been entered into *SchoolDude*. Work orders are attributed to locations, not equipment assets. Without sufficient information related to which assets are being maintained or repaired, ACPS is limited in its ability to develop an accurate long-range equipment replacement plan that would be an essential component of the previously recommended facility management plan.

Another related issue is that the *SchoolDude* system is only being used to capture requested work. ACPS has not implemented the *SchoolDude* preventive maintenance (PM) scheduling module, and the “Purpose Description” field in the Maintenance Direct work management module is not being used to capture PM activities. This lack of PM data can be attributed to the fact that most PM work has been outsourced to specialty trade contractors and, with few exceptions, ACPS does not require contractors to enter this information into the system. ACPS’s contract for HVAC maintenance does require the contractor to enter completed PM work in *SchoolDude*, and ACPS stated its intent to add this requirement to future equipment maintenance contracts as they are renewed. Without reliable information about this total preventive and corrective maintenance workload, ACPS cannot accurately and proactively track or manage workloads.

**Recommendation 4: Enhance the use of the SchoolDude to improve maintenance management and efficiency.**

To improve the use of *SchoolDude*, the following actions should be taken:

1. Evaluate the costs of implementing the PM module of *SchoolDude* to validate that this expenditure will benefit the overall management of maintenance work.
2. Provide appropriate staffing to manage the *SchoolDude* system, either by reallocation of current staff duties or through a Work Controller position (a later recommendation in this report).
3. Develop a protocol to capture and account for contractor work that does not originate from a *SchoolDude* work order.
4. Validate equipment inventories and create records for all major maintainable assets, possibly as part of a facility condition assessment.
5. Identify performance measures to be tracked and reported using data available from *SchoolDude*.
6. Re-configure *SchoolDude* work order codes to enable generation of the desired performance measures (e.g., work order type codes, status codes and priority codes).
7. Document and train staff on consistent procedures to generate work orders, select the appropriate work type and category, track labor and materials, and update equipment records to maintain accurate records.

**Management Response:** *Management agrees with the recommendations. Staff will evaluate the feasibility of creating a more comprehensive work order system including establishing a work flow controller position, upgrades to SchoolDude and performance measures to be tracked and reported using SchoolDude data. Staff from Facilities, Procurement and Budget will explore protocols regarding contractor work. In addition, validation of equipment inventories and records of major maintainable assets will be included in the larger long term Facility Asset Management Plans (Refer to Recommendation #1).*

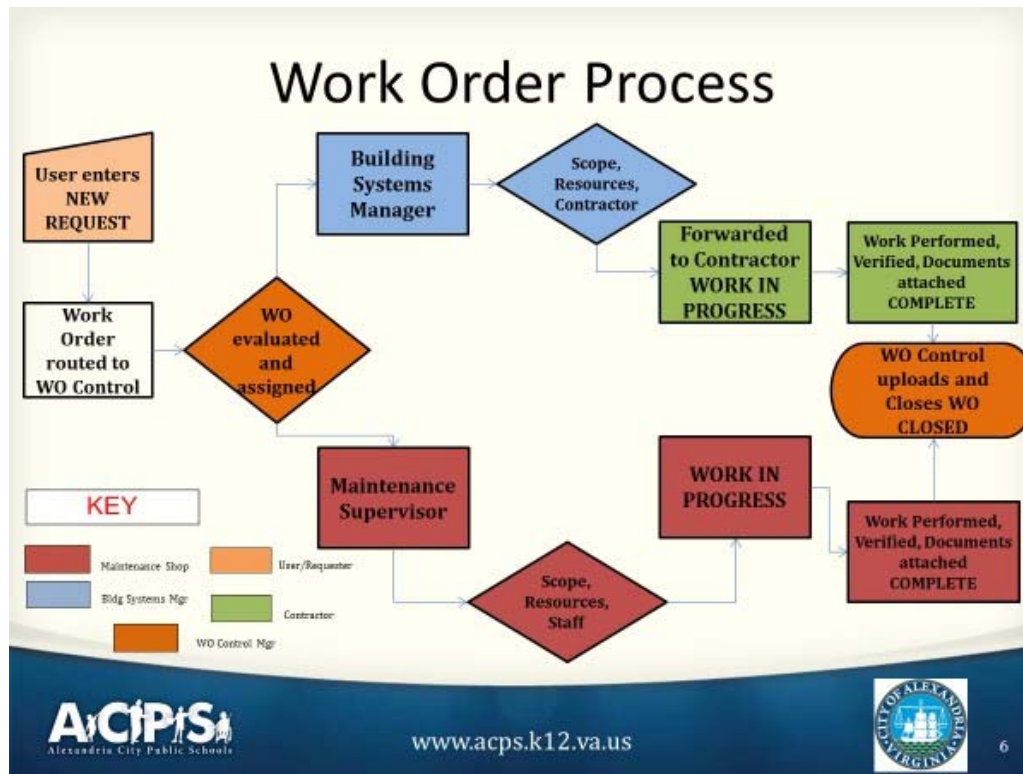
**Target Completion Date:** *Action Plan developed; support, resources, staff and funding identified -- January 31, 2018*

**Finding 6: Educational Facilities tracks requested work, but is not systematically controlling and reporting on its work.**

ACPS is primarily using *SchoolDude* to receive requests from customers for work ranging from minor repairs to moving boxes. Work requests entered by customers into the *SchoolDude* system, and other emails or calls received from customers, are monitored by the Department's Administrative Assistant. This position routes work orders based on a best estimate of the proper work assignment.

Figure 4 illustrates the work order process defined by ACPS for managing work orders.

**Figure 4. Corrective Maintenance Work Order Process**



Source: ACPS

While the Administrative Assistant is properly performing the work routing tasks that have been assigned to him by management, these functions are an adjunct to his principal role as an Administrative Assistant. There is no Work Controller position that is dedicated to the planning, controlling, coordination and reporting of the full ACPS maintenance workload.

The following tables and analyses drawn from ACPS *SchoolDude* work order data are indicative of work management information that would be useful for better managing and reporting on ACPS' work. Table 10 shows the number of *SchoolDude* work orders that were "Assigned To" each Skilled Maintenance Worker, General Maintenance Worker, and Building Engineer for the 2015-16 school year.<sup>11</sup> For these work orders, the audit team calculated the number of hours that were accounted for using the "Actual Hours" field in *SchoolDude* and determined the percentage of the total potential productive hours that were recorded on work orders. To calculate the percentage of productive hours recorded, it was assumed that each FTE staff member worked 2,080 hours per year, and that 65 percent (or 1,352 hours) would be

<sup>11</sup> *SchoolDude* records the "Assigned To" field by name, but names have been removed for reporting purposes. This analysis was conducted based on the position classifications and names shown in the ACPS files "Line 5 Position File.facilities-positon\_roster-april2017" for maintenance worker names and "Detailed List of Custodial Staff and Work Schedule" for Building Engineer names.

a reasonable expectation for productive hours available each year (with the remaining 35 percent attributed to vacation, sick time, training, and other administrative duties).

The data show that the proportion of each employee’s productive work hours that are recorded in *SchoolDude* varied greatly. In general, the Skilled Maintenance Workers recorded a higher proportion of their productive hours in *SchoolDude* than did the General Maintenance Workers, and both groups far exceeded the productive work hours recorded by Building Engineers.



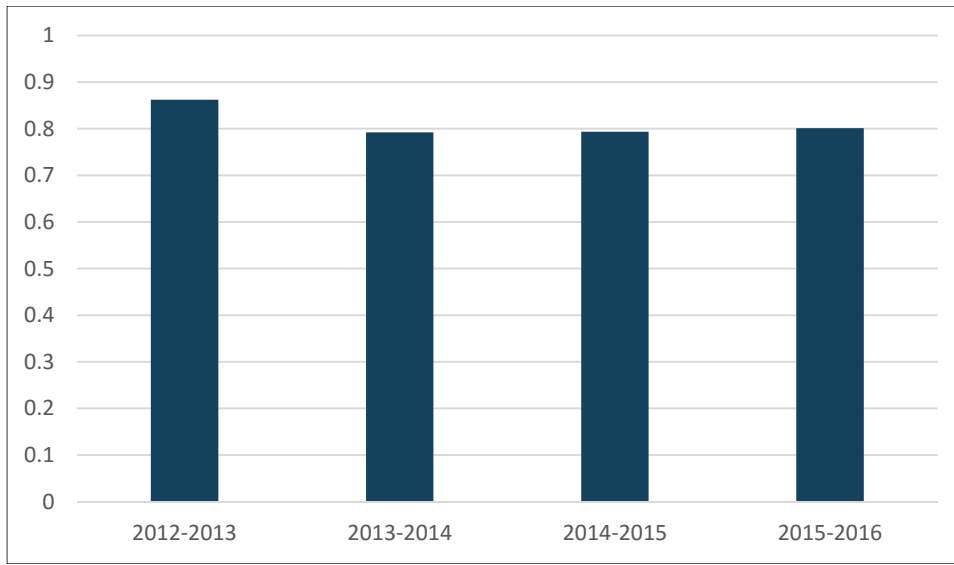
**Table 10. Analysis of Work Orders by Employee, 2015-16**

Classification	Number of Work Orders Shown as "Assigned To"	Hours Accounted for in Work Orders	Percentage of Productive Hours Accounted for in Work Orders <sup>1</sup>
Skilled Maintenance Worker 1	104	439.00	32.5%
Skilled Maintenance Worker 2	9	14.00	1.0%
Skilled Maintenance Worker 3	510	934.15	69.1%
Skilled Maintenance Worker 4	56	69.50	5.1%
Skilled Maintenance Worker 5	516	884.25	65.4%
Skilled Maintenance Worker 6	324	873.25	64.6%
Skilled Maintenance Worker 7	533	1,238.15	91.6%
Skilled Maintenance Worker 8	384	523.50	38.7%
<i>Subtotal Skilled</i>	<i>2,436</i>	<i>4,975.80</i>	<i>46.0%</i>
General Maintenance Worker 1	432	848.05	62.7%
General Maintenance Worker 2	36	78.15	5.8%
General Maintenance Worker 3	277	495.75	36.7%
<i>Subtotal General</i>	<i>745</i>	<i>1,421.95</i>	<i>35.1%</i>
<b>Total Maintenance Workers</b>	<b>3,181</b>	<b>6,397.75</b>	<b>43.0%</b>
Building Engineer 1	4	0.00	0.0%
Building Engineer 2	2	0.00	0.0%
Building Engineer 3	2	0.00	0.0%
Building Engineer 4	208	3.00	0.2%
Building Engineer 5	3	0.00	0.0%
Building Engineer 6	2	0.00	0.0%
Building Engineer 7	2	2.00	0.2%
Building Engineer 8	0	0.00	0.0%
Building Engineer 9	593	761.50	56.3%
Building Engineer 10	0	0.00	0.0%
Building Engineer 11	3	0.00	0.0%
<b>Total Building Engineers</b>	<b>819</b>	<b>766.50</b>	<b>5.2%</b>
<b>Grand Total</b>	<b>4,000</b>	<b>7,164.25</b>	<b>24.1%</b>

<sup>1</sup>Assumes 1352 productive work hours available annually per FTE (2080 total hours, 65% direct productive hours)

Source: FEA analysis of ACPS Data

One reason for the low utilization is that not all in-house work orders have labor hours recorded. Figure 5 shows that for the past four years only about 80 percent of in-house work orders have actual labor hours recorded in *SchoolDude*. As a result, management does not have a complete understanding of how the in-house work force is being deployed or the effective utilization of their available direct labor hours. Ensuring that labor hours are recorded as work tickets should be one task that the Work Controller performs as a quality assurance and oversight of *SchoolDude* data.

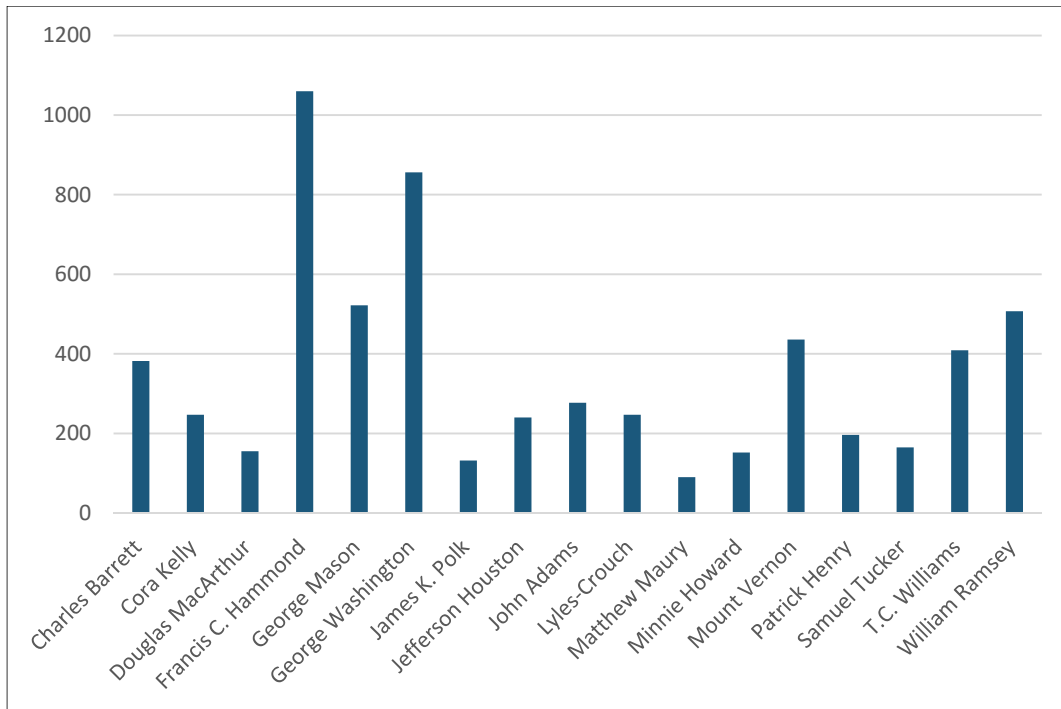
**Figure 5. Percentage of In-House Work Orders with Actual Labor Recorded**

Source: ACPS CMMS data

Building Engineers are rarely assigned to complete their work through the *SchoolDude* system. This reflects the fact that building engineer duties encompass many tasks that are not facility maintenance related, and that they work directly with school officials to receive many of their work assignments rather than using the *SchoolDude* system. The one exception was Building Engineer 9, who recorded over half their available productive hours on *SchoolDude* work orders. Upon closer examination of the work order data, it was shown that 586 of the 593 work orders “Assigned To” Building Engineer 9 had been “Requested By” himself. In other words, as Building Engineer 9 completed tasks at the school he would document the work he had performed by entering a work order assigned to himself. This practice is not one that has been prescribed by Educational Facilities, but it is recommended that it be adopted as a best practice. By capturing the maintenance work performed by Building Engineers, ACPS will increase the visibility of the total workload needed to maintain its schools and can make better decisions to optimize work order assignments by considering both Maintenance Workers, Building Engineers, and contractors as potential resources for completing work.

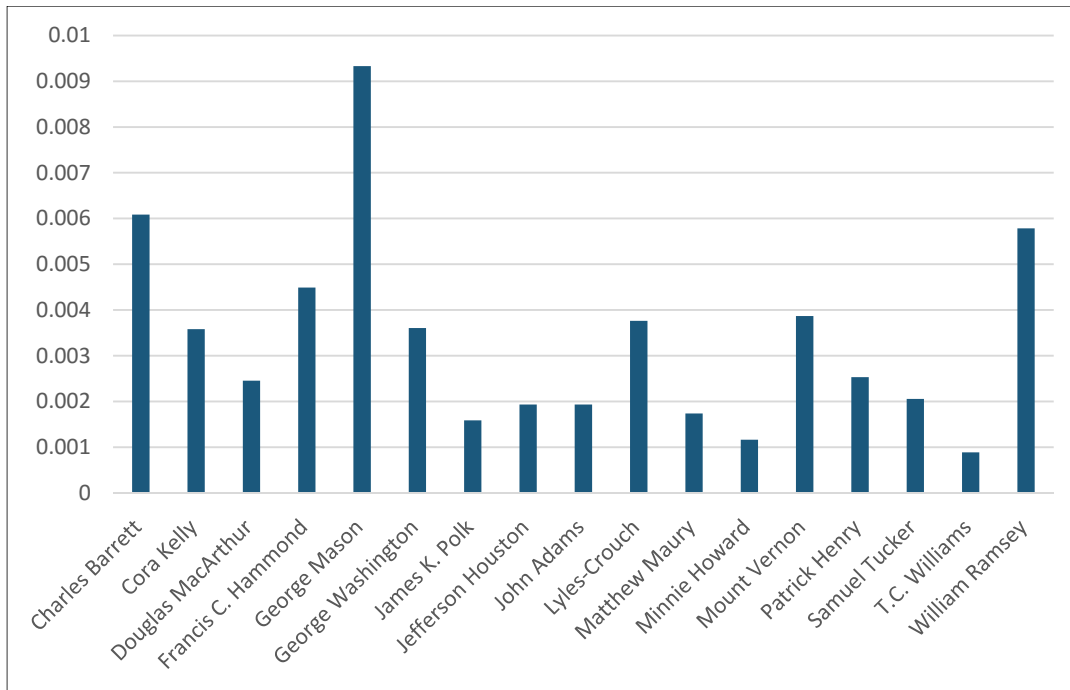
Figure 6 shows the number of work orders by school. Note that Francis Hammond Middle School also has “Building Engineer 9”, which explains why Hammond has so many more work orders than other schools.

**Figure 6. Number of Work Orders by School, 2015-16**



Source: ACPS CMMS data

Because ACPS schools vary greatly by size, the number of work orders per square foot was also analyzed. Figure 7 shows that George Mason Elementary School, Charles Barrett Elementary School, and William Ramsey Elementary have the highest number of work orders per square foot. Again, understanding the nature of the work orders would allow ACPS to proactively manage maintenance and preventative maintenance activities at each school.

**Figure 7. Number of Work Order per Square Foot, 2015-16**

Source: ACPS CMMS data

These are but a few examples of analyses that are available to be mined from *SchoolDude* data and used by Educational Facilities managers and supervisors for managing work.

**Recommendation 5: Establish a Work Controller position (in-house or contracted) dedicated to work management oversight and reporting.**

By dedicating a resource to function as a planner, scheduler, expeditor and proactive communicator on behalf of Educational Facilities, ACPS will improve its customer service, enhance its use of *SchoolDude's* capabilities, and improve work management performance and reporting. In addition to participating in the recommended improvement efforts for communicating with schools and enhancing the use of *SchoolDude*, the Work Controller position should also monitor performance and generate reports or metrics that would help Department supervisors and managers better manage facilities maintenance work.

**Management Response:** Management agrees with the recommendation. Staff will pursue establishing a Work Controller position dedicated to work management oversight and reporting.

**Target Completion Date:** Corollary to above; January 31, 2018

## Customer Satisfaction

### **Finding 7: Customers are generally dissatisfied with the level of communication from the Department related to the status of maintenance requests and repairs.**

As part of this audit, the review team visited schools and conducted interviews with school principals and administrative staff to obtain feedback on the general satisfaction with services provided by ACPS maintenance staff and contractors. The interviews covered topics such as responsiveness, quality of work, service efficiency, condition of school interiors and exteriors, and reliability of building systems, among other things. Several key themes emerged during interviews with school officials.

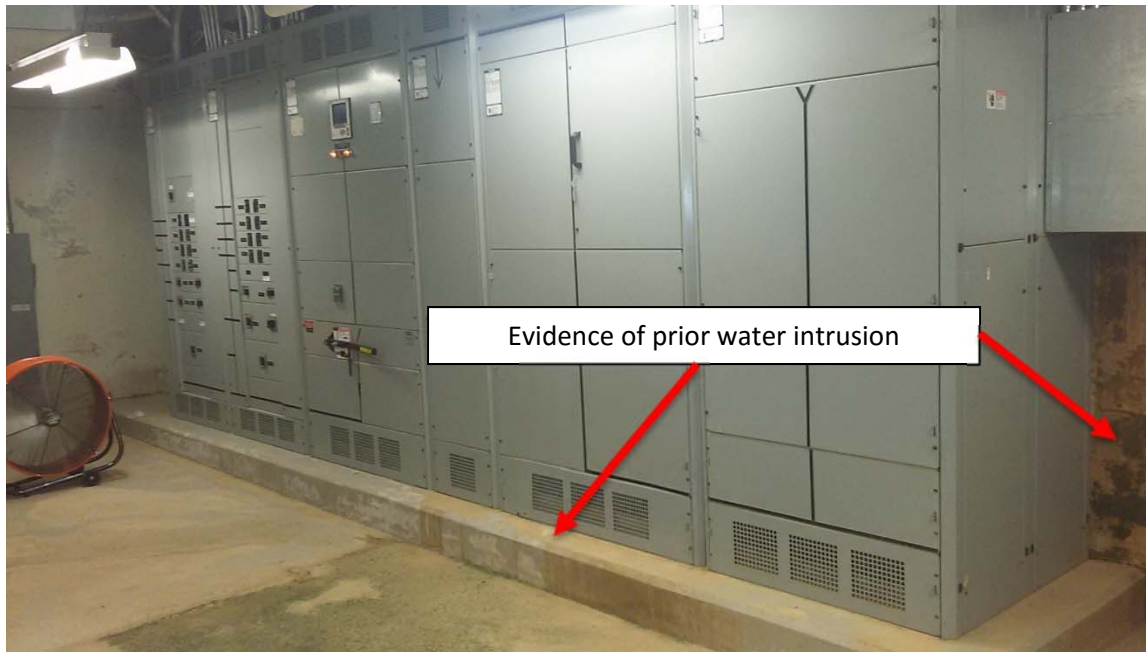
First, there was a general perception that maintenance is reactive rather than proactive. The team heard several anecdotes from school principals of relatively minor problems becoming costly issues that impacted educational services because warning signs appeared to be ignored and problems were not corrected. For example, one principal described a scenario in which a minor roof leak was reported several times, but he wasn't made aware of any actions taken by maintenance staff. The ceiling in the affected area eventually collapsed, causing damage to items in the room and disrupting teaching in that area for several days until a repair corrected the leak and replaced the damaged ceiling. While the Maintenance Staff had actually been working with a roofing contractor to locate the source of the leak and institute a repair, they had difficulty identifying the leak source due to the age and construction of the building. That ongoing work was not proactively communicated to the principal. The result was a perception that nothing was done until the collapse occurred.

Another example of a reactive approach to communicating about facility repairs was the observation of water damage in the basement at George Mason Elementary School. Evidence of water intrusion was seen near the electrical service distribution equipment, and a fan in the room was apparently placed there to maintain ventilation and keep the areas dry (see Photo 1). The principal had not been informed of what steps were planned to be taken to correct the root cause of the problem.<sup>12</sup>

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<sup>12</sup> ACPS staff later informed the audit team that a CIP building envelope project had been completed at this school, but it had not addressed the basement leakage.

**Photo 1. Water Intrusion at George Mason Elementary School Basement**



Source: Gibson Consulting Group

While the scope of this audit did not include engineering investigations or facility condition assessments, the audit team did observe that the basement water intrusion may be connected to a questionable repair outside of the building and directly above the basement wall where water intrusion has occurred. An extension to a roof drain down spout had been placed in an attempt to direct water away from the building, but the drain pipe extension had a hole in it and was routed in such a way that water would have to travel uphill in order to drain (Photos 2 and 3).

**Photos 2 and 3. Drainage Downspout Above Basement Wall**



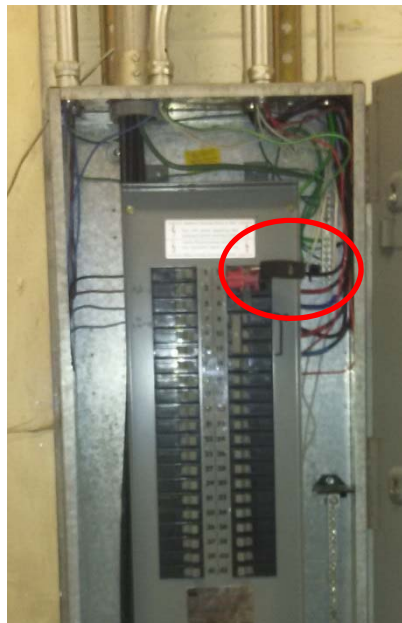
Source: Gibson Consulting Group

At two other schools, the audit team observed electrical circuits that had been “locked out” for an extended period, and neither principal had been informed of what the resolution to the situations would be. According to ACPs’ Standard Operating Procedure Safety Manual, lockout devices are intended to be used to protect employees from injury caused by unexpected start-up or release of stored energy when performing maintenance on certain equipment. Once the maintenance is complete, the lockout device is to be removed and the equipment returned to service. Photo 4 shows a circuit that had been locked out since 2011, and Photo 5 shows a circuit that had been locked out for an unknown amount of time (though the principal believed it had been over three years). In neither case was there any knowledge of a plan to repair the equipment in question or permanently disconnect electrical service so that the lockout devices could safely be removed.

**Photo 4. Lockout Device Applied at Samuel Tucker Elementary School**



**Photo 5. Lockout Device Applied at George Mason Elementary School**



Source: Gibson Consulting Group

In addition to concerns about the lack of communication about correction of known problems, several principals expressed frustration with an over-reliance on the *SchoolDude* work order system as a communication tool. Some were not receiving automated notifications from *SchoolDude* when the status of work orders changes as they moved through the system, which then required them to log in to *SchoolDude* to determine the work order status. There were also several complaints from schools about tickets being closed in *SchoolDude* without the work being completed (as best they could tell), and with no communication from Educational Facilities staff as to why the work order ticket was closed.

***Recommendation 6: Implement a system to proactively communicate with school principals about facility maintenance activities and issues.***

An important part of maintaining customer satisfaction is understanding customer needs, setting clear expectations for performance, and proactively communicating about work in progress. To improve customer satisfaction levels, it is recommended that the Department develop and submit a monthly report to school principals summarizing the status of all open and closed work orders, as well as any upcoming major renovation projects. Further, the Department should annually survey school principals to assess their overall satisfaction with the quality of work performed by both in-house and contracted service providers, as well as Department staff. Satisfaction levels can be measured over time and included in the Departments list of KPIs.

***Management Response: Management agrees with the recommendation. Staff will develop a monthly reporting format to be shared with Principals. Staff will pursue appropriate resources to develop a Customer Satisfaction survey.***

***Target Completion Date: Action Plan developed; requisite resources and staff identified - January 31, 2018***

## Energy Management

**Finding 8: ACPS does not have an organized or measured energy management program.**

The ACPS Energy Conservation and Building Management Regulation (Board Policy FA-R) provides guidelines for building energy and water use (required conservation practices, temperature set points, etc.), but it does not identify who is responsible for managing the ACPS energy program nor does it describe any measurement or compliance mechanisms.

ACPS performs a number of independent activities that relate to energy management, but these individual actions are not organized around any strategy nor are they routinely measured and monitored for effectiveness. For example, one project manager in the Planning, Design & Construction branch is focused on identifying and implementing energy efficiency projects such as LED lighting retrofits. He also analyzes utility bills and rate structures to seek opportunities for cost savings through initiatives with utility providers. Energy consumption and cost data are collected by building, and ACPS has begun using this data to manage energy performance. However, there is no programmatic effort to plan, implement, and measure results of consumption reduction or energy cost savings from these energy efficiency activities.

The ACPS 2020 Strategic Plan includes a KPI of “percent change of energy usage per square foot” as a measure of the goal to model sustainable environmental practices. The baseline for measuring consumption was established in the 2015-16 Scorecard (the most recent published), and a consumption reduction goal of 5 percent by 2020 was set. This reduction goal of 1.25 percent per year is modest, as some organizations target as much as 2 or 3 percent consumption reductions per year. However, without an energy management program in place, a designated position to oversee it, and measurable initiatives



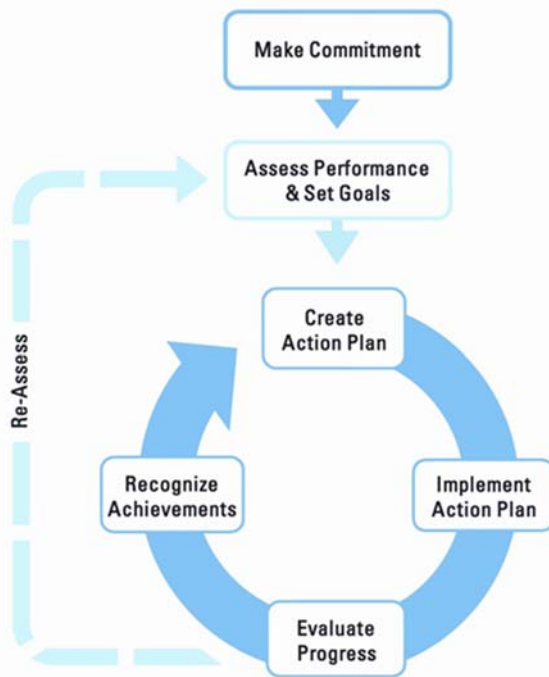
and tactics to achieve program objectives, it is unclear how ACPS expects to reduce its energy usage at any level.

**Recommendation 7: Designate an Energy Manager and establish an Energy Management Program.**

It is recommended that ACPS designate an Energy Manager from within the Department of Educational Facilities with the authority, responsibility and accountability to establish and execute a formal energy management program. This position should lead efforts related to creating action plans, implementing these plans, and monitoring progress toward achieving ACPS energy reduction goals.

The U.S. Environmental Protection Agency (EPA) offers a proven model for starting an energy management program through its ENERGY STAR initiative. Publicly available resources provide the steps for creating an energy management program focused on continuous improvement of energy performance, how to make the business case for investing organizational resources in energy efficiency efforts, and strategies and incentives for financing energy projects.<sup>13</sup> Figure 8 provides an overview of the ENERGY STAR approach to continuous improvement in energy management.

**Figure 8. EPA Roadmap for Strategic Energy Management**

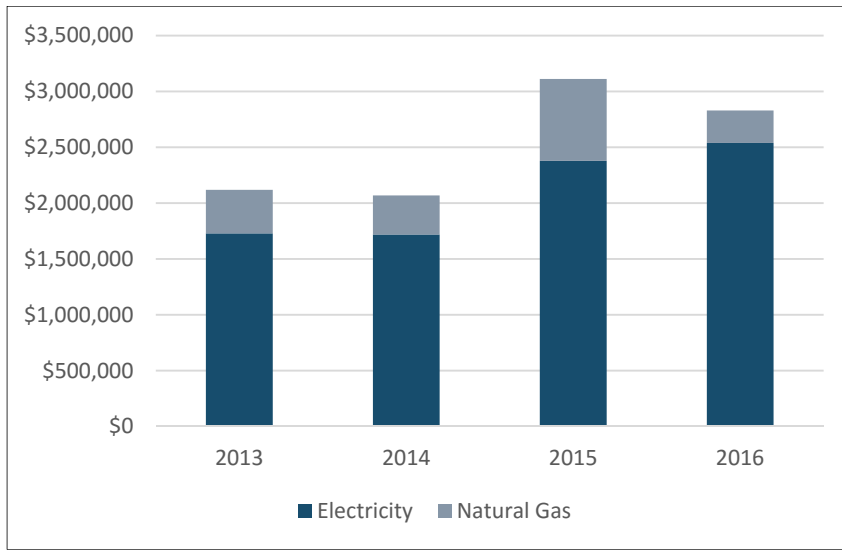


Source: U.S. EPA (<https://www.energystar.gov/buildings/about-us/how-can-we-help-you/build-energy-program/guidelines>)

<sup>13</sup> <https://www.energystar.gov/buildings/about-us/how-can-we-help-you/build-energy-program>

Data provided by ACPS show that from 2013 through 2016 the Department spent between \$2 million to \$3 million per year on electricity and natural gas at schools and other ACPS facilities (see Figure 9).<sup>14</sup> If ACPS implements an energy management program and achieves its consumption reduction goal of 1.25 percent per year, it has the potential to save between \$100,000 and \$150,000 in energy costs by 2020 (assuming relatively steady utility rates). If ACPS were to increase its reduction targets and successfully achieve them, then projected savings would increase proportionally.

**Figure 9. ACPS Purchased Energy Costs**



Source: ACPS (Energy Usage 2013-2016)

**Management Response:** Management agrees with the recommendation. Staff will designate an Energy Manager with the responsibility and authority to establish and execute a formal energy management program.

**Target Completion Date:** Action Plan developed and coordinated with HR – December 15, 2017

<sup>14</sup> Energy consumption and cost data included the 17 buildings that comprise the 16 ACPS schools, plus the Transportation Facility, Rowing Facility, Chance for Change, and Maintenance Facility.

## Section 3 – Custodial Services

The ACPS Department of Educational Facilities custodial services function is responsible for cleaning 2.2 million square feet in 12 elementary schools, 2 middle schools, 1 K-8 school, 1 high school (with 2 campuses), and 3 other non-school facilities. Since 2007, ACPS has increasingly backfilled in-house custodial services with contracted services. Currently, 10 of the school division's 21 facilities are served by two custodial contracts: Associated Building Maintenance (ABM) and Southeast Services Corporation (SSC).

### Custodial Services Expenditures

Table 11 shows the Department of Educational Facilities total expenditures on custodial operations for 2014, 2015, and 2016. Total central office expenditures have increased 5.9 percent over the past 3 years, primarily driven by a 17.8 percent increase in contracted services. ACPS intermittent custodians (i.e., part-time) are reported centrally; however, ACPS full-time custodial staff are reported on school budgets and those expenditures are shown separately in Table 12.

**Table 11. Department of Educational Facilities Custodial Operations Total Expenditures, 2014-2016**

Object	2014	2015	2016	3 Year Δ
Personnel Salaries	\$386,186	\$339,928	\$328,225	-15.0%
Benefits*	\$124,524	\$76,173	\$71,426	-42.6%
Purchased Services	\$1,276,367	\$1,351,457	\$1,503,536	17.8%
Materials and Supplies	\$348,122	\$351,088	\$356,982	2.5%
<b>Total Expenditures</b>	<b>\$2,135,199</b>	<b>\$2,118,646</b>	<b>\$2,260,169</b>	<b>5.9%</b>

Source: ACPS Department of Educational Facilities, Operating Budget and Expenditures. \*Benefits were estimated by multiplying the actual percent of benefit expenditures for Educational Facilities by the Personnel Services costs for custodial operations only for each fiscal year.

**Table 12. ACPS School-Reported Custodial Staff Expenditures, 2014-2016**

Object	2014	2015	2016	3 Year Δ
Salaries	\$1,801,650	\$1,796,466	\$1,711,022	-5.0%
Benefits	\$778,333	\$798,278	\$702,217	-9.8%
<b>Total Expenditures</b>	<b>\$2,579,983</b>	<b>\$2,594,744</b>	<b>\$2,413,239</b>	<b>-6.5%</b>

Source: ACPS Department of Educational Facilities, Custodian FY14-16 Actuals.xlsx.

**Finding 9: The custodial services average cost per square foot and the average cost per student varies widely across schools within school levels, and overall these costs are highest for ACPS non-contract schools.**

Table 13 details the fiscal year (FY) 2016 cost of custodial services for each campus, organized by service provider. Overall, ACPS non-contract schools average cost per square foot (\$2.24) is 32 percent higher than ABM and 44 percent higher than SSC contract schools. Similarly, the average cost per student for

ACPS non-contract schools (\$309.41) is 46 percent higher than ABM and 35 percent higher than SSC contract schools.

Within school levels, the average cost per square foot varies by as much as 56 percent at the 13 elementary schools, 15 percent at the two middle schools, and 43 percent at the two high school campuses. The average cost per square foot also varies even for schools using the same service provider. For example, the average cost per square foot of ACPS non-contract elementary schools varies by as much as 28 percent between John Adams Elementary School (\$2.28) and Samuel Tucker Elementary School (\$2.92). The average cost per square foot at the 4 ABM elementary schools varies by 30 percent between the schools with the highest and lowest cost per square foot. The average cost per square foot at the 3 SSC elementary schools is much more equitable, with just a 4 percent difference between the schools with the highest and lowest cost per square foot schools.

The average cost per student follows a similar pattern, with variation in costs across service providers and within school levels.

**Table 13. Total Expenditures per School on Custodial Services, 2016**

Campus	2016-17 Enrollment	2016 Bldg. SF	FY16 Expenditures	Cost per SF	Cost per Student
<b>ACPS (Non-Contract)</b>					
Charles Barrett ES	485	70,844	\$180,614	\$2.55	\$372.40
Douglas MacArthur ES	704	63,120	\$161,422	\$2.56	\$229.29
John Adams ES	994	143,290	\$326,100	\$2.28	\$328.07
James K. Polk ES	773	83,230	\$192,204	\$2.31	\$248.65
Samuel Tucker ES	790	80,180	\$233,842	\$2.92	\$296.00
Francis C. Hammond MS	1,409	236,125	\$453,774	\$1.92	\$322.05
George Washington MS	1,333	237,332	\$524,796	\$2.21	\$393.70
Minnie Howard HS	1,077	130,435	\$267,897	\$2.05	\$248.74
<b>Total ACPS</b>	<b>7,565</b>	<b>1,044,556</b>	<b>\$2,340,649</b>	<b>\$2.24</b>	<b>\$309.41</b>
<b>Associated Building Maintenance (ABM)</b>					
Cora Kelly ES	410	69,000	\$89,437	\$1.30	\$218.14
George Mason ES	555	55,935	\$94,778	\$1.69	\$170.77
Matthew Maury ES	417	51,800	\$77,447	\$1.50	\$185.72
William Ramsay ES	908	87,650	\$123,198	\$1.41	\$135.68
Chance for Change Alt.*	n/a	10,010	\$35,086	\$3.51	n/a
<b>Total ABM</b>	<b>2,290</b>	<b>274,395</b>	<b>\$419,945</b>	<b>\$1.53</b>	<b>\$168.06</b>
<b>Southeast Services Corporation (SSC)</b>					
Lyles-Crouch ES	436	65,645	\$92,410	\$1.41	\$211.95
Mount Vernon ES	881	112,730	\$159,883	\$1.42	\$181.48
Patrick Henry ES	653	77,400	\$105,575	\$1.36	\$161.68
Jefferson-Houston K-8	554	124,000	\$157,269	\$1.27	\$283.88
T.C. Williams King Street HS	2,677	461,147	\$534,805	\$1.16	\$199.78
<b>Total SSC</b>	<b>5,201</b>	<b>840,922</b>	<b>\$1,049,941</b>	<b>\$1.25</b>	<b>\$201.87</b>

Source: ACPS Department of Educational Facilities, Total Operating Budget and Expenditures, and Custodian FY14-16 Actuals.xlsx. \*Enrollment figures were not available for Chance for Change Academy, as it is an alternative school where enrollment fluctuates monthly.

For the contract period June 30, 2016 through October 1, 2017, ABM has a contract amount of \$457,948.26 for the initial year, then a not-to-exceed amount of \$610,597.68 for every year thereafter. For the same time period, SSC has a contract amount of \$1,181,313.50 for the initial year, then a not-to-exceed amount of \$1,540,174.14 for every year thereafter.

**Recommendation 8: Continue with the Department's long-term plan to reduce in-house custodial operations through attrition, and re-evaluate the cost structures of contracted service providers.**

The Department acknowledges that the cost of in-house custodial operations far exceeds that of contracted service providers, and intends to reduce these positions over the long-term through attrition.

Regarding contracted services, both ABM and SSC have performance-based contracts, which means that contractors must meet certain measurable performance standards and requirements. Although some variations in the cost per square foot are expected due to facility age and structure, grade levels, number of students, and program requirements (to name a few), wide variations in cost per square foot and cost per student (particularly across schools within the same level) indicate a need for further review to better understand the drivers of those cost differences and whether or not they are warranted.

***Management Response:** Management agrees with the recommendation. Staff will continue the long term plan of contracting for custodial services through attrition. Staff will continue to evaluate cost and quality of services in contracted facilities.*

***Target Completion Date:** On-going; Contract 1 additional school for custodial services – December 15, 2017*

## Custodial Services Organizational Structure and Staffing

Custodial services are provided by both ACPS division employees as well as two contracted service providers: Associated Building Maintenance and Southeast Services Corporation. Oversight of all custodial services operations is performed by the Building Services Manager, who reports to the Assistant Director of Operations and Maintenance. The Building Services Manager oversees all in-house and contracted services work relating to efficient and effective building services in all school facilities, including custodial operations, grounds maintenance, pest control, and other services as assigned.

The Building Services Manager is supported by a Contract Administrator/Building Inspector position (a contracted position), who is primarily responsible for supervising and inspecting work performed by outside contractors to verify that work performed is consistent with contract requirements and work standards before authorizing payment of invoices. Per the ACPS contract requirements, both ABM and SSC have a dedicated Custodial Services Supervisor position responsible for hiring, training, and supervising contracted custodial staff, and serving as the primary liaison for all communications to the Contract Administrator/Building Inspector and the Building Services Manager.

All ACPS schools are staffed with full and part-time custodians that work either a daytime or nighttime shift. Daytime custodians are primarily responsible for opening up the school building, cleaning the cafeteria after breakfast and lunch periods, spot cleaning restrooms and other areas as needed, arranging furniture in support of classroom activities and events, clearing snow from sidewalks, and performing light maintenance duties as needed (e.g., changing lightbulbs). Nighttime custodians are responsible for cleaning all areas of the school building, as well as the set-up and tear-down of furniture for after-school events. Head custodians are responsible for overseeing and training assigned custodial staff, maintaining supplies and equipment, preparing reports, and inspecting and securing facilities and grounds to ensure that they are suitable for safe operations.

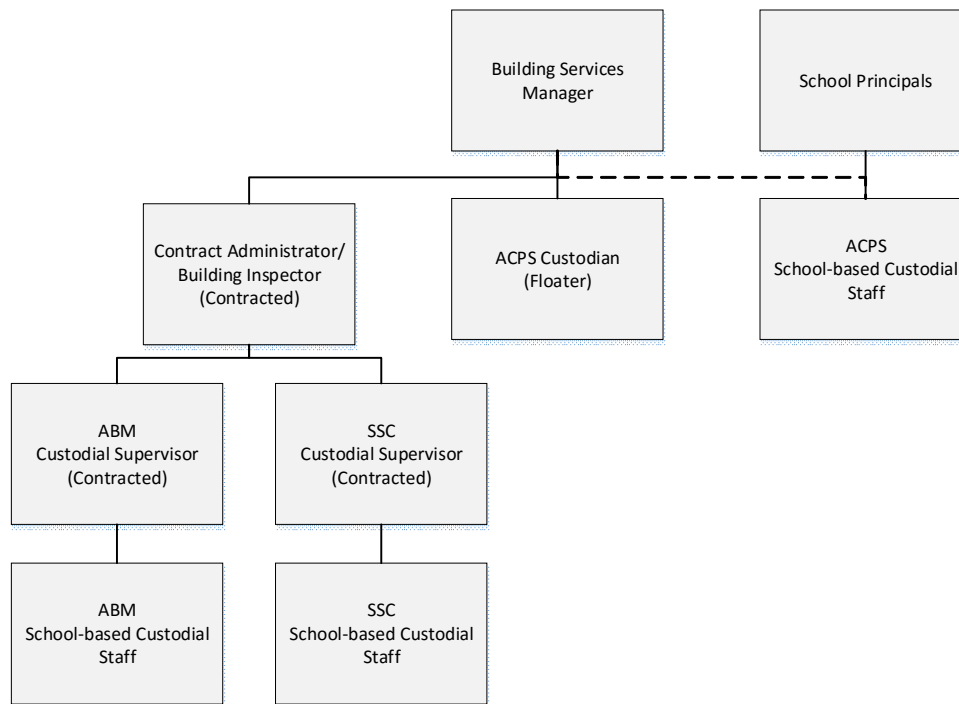
Most schools also have Building Engineers who are primarily responsible for performing routine and preventative maintenance activities, as well as verifying contractor performance. At the elementary

school level, however, Building Engineers function in a similar role as a head custodian (except they work a daytime shift), and are therefore included in the custodial services staffing analysis. Six of the 12 elementary schools have 1 FTE Building Engineer position, 2 elementary schools have .33 FTE Building Engineer positions, and 4 elementary schools do not have a Building Engineer.

ACPS in-house custodial staff report to the school principal, while contracted custodial staff report to their respective Custodial Services Supervisor. ACPS also has one custodian that is centrally reported and is responsible for cleaning the district’s non-school facilities and serving as a “floater” when ACPS custodians are absent.

Figure 10 provides an overview of the custodial services management and reporting structure.

**Figure 10. Educational Facilities Department Custodial Services Organizational Structure**



Source: Developed by Gibson Consulting based on departmental interviews.

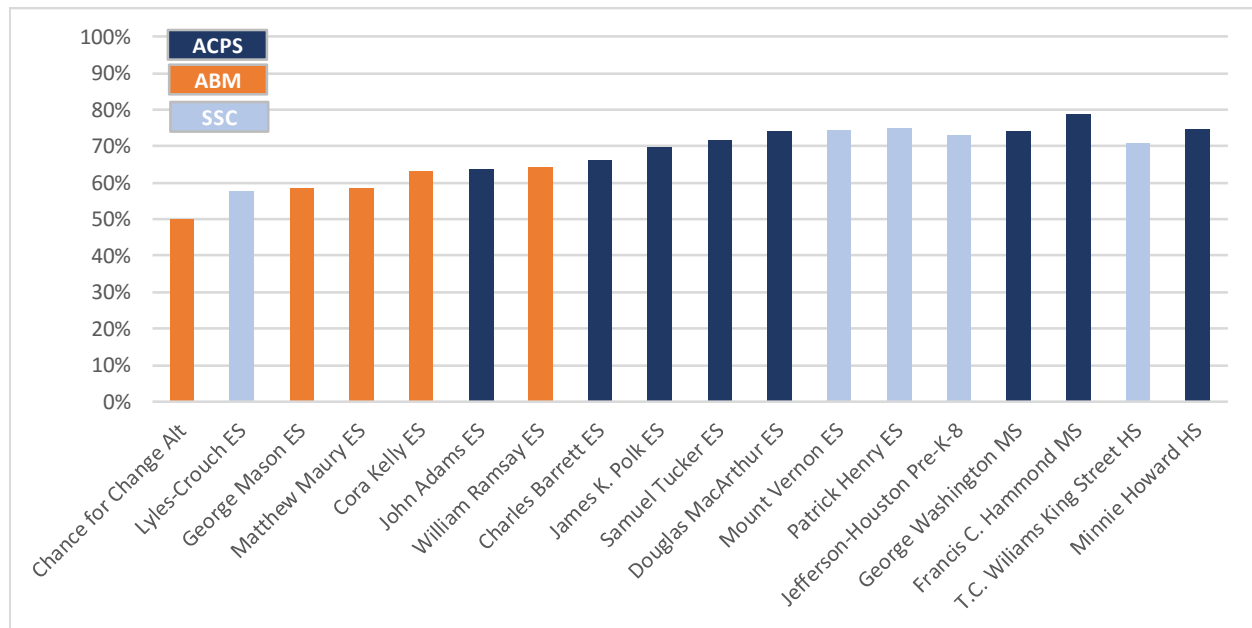
***Commendation 2: ACPS has a dedicated position responsible for the management and oversight of contracted custodial operations.***

Effective oversight and management is essential to ensuring that contracted services are provided in accordance with the provisions specified in the contract. ACPS has a dedicated position, the Contract Administrator/Building Inspector, who is responsible for the management and oversight of all custodial operations, including inspecting the work performed by outside contractors to verify that it is consistent with contract requirements and work standards before authorizing payment of invoices.

**Commendation 3: The majority of custodians are staffed during the nighttime, which is best practice.**

Figure 11 shows the percentage of nighttime custodians at each ACPS school. Although it is essential to have daytime custodial staff at every school to respond to staff and student needs, deep cleaning of a facility is most efficient during non-student hours. Small schools often find it more difficult to staff custodians at nighttime, simply due to the fact that they have fewer custodial positions to allocate. ACPS utilizes part-time custodians to give schools added flexibility to assign custodians to nighttime shifts or in a way that best meets each school’s needs.

**Figure 11. Percent of Nighttime Custodians**



Source: ACPS Department of Educational Facilities, Executed Custodial Services Contracts for ABM and SSC (October 1, 2016 thru June 30, 2017).

**Finding 10: ACPS in-house custodial staffing levels are inefficient and workloads vary widely across schools.**

The number of custodial staff at each building is dictated by expectations for cleanliness and sanitation, the building’s physical layout, student enrollment, program space needs, and community use of schools. According to the Building Services Manager, ACPS strives to maintain a Level 2 standard of cleanliness as described by the Association of Physical Plant Administrators Leadership in Educational Facilities, and has established staffing guidelines of 20,000 to 23,000 building square feet per custodian and 132 students per custodial FTE to meet this standard.

Various national organizations have established guidelines and benchmarks for the number of cleaning staff, usually based on building square footage. The *Planning Guide for Maintaining Public School Facilities*, developed by the Schools Facilities Maintenance Task Force and the Association of School Business Officials, establishes a standard that a nighttime school custodian should be able to clean between 28,000 and 31,000 square feet per each 8-hour shift to keep school areas clean. With day shift and night shift



combined, many school systems are able to achieve an aggregate coverage ratio of 22,500 square feet or more per custodial FTE. The Council of Great City Schools in its *Managing for Results in America's Great City Schools 2016* benchmark report shows a range of 22,512 (lower quartile) to 25,451 (median quartile), to 30,500 (upper quartile) building square feet per custodial FTE.

Table 14 provides a summary of ACPS' custodial FTE (calculated by Gibson based on the number of hours per shift per custodial staff position), the average building square feet per custodial FTE, the average of building square feet per nighttime custodial FTE, and the total number of students per custodial FTE.

**Table 14. ACPS Custodial Staff (Non-contract Schools), 2016-17**

Campus	Custodial FTE*	Nighttime FTE	Bldg. SF per FTE	Bldg. SF per Nighttime FTE	Students per Custodial FTE
Charles Barrett ES	5.4	3.4	13,180	20,991	90
Douglas MacArthur ES	7.2	5.2	8,782	12,168	98
John Adams ES	9.3	5.8	15,387	24,652	107
James K. Polk ES	6.2	4.2	13,451	19,876	125
Samuel Tucker ES	6.6	4.6	12,103	17,336	119
Francis C. Hammond MS	11.3	8.8	20,873	26,794	125
George Washington MS	11.5	8.7	20,638	27,319	116
Minnie Howard HS	7.4	5.4	17,686	24,267	146
<b>Total ACPS</b>	<b>64.9</b>	<b>46.1</b>	<b>16,101</b>	<b>22,677</b>	<b>117</b>

Source: ACPS Department of Educational Facilities, Detailed list of custodial workload and staff.xlsx.

Note: Building Engineer positions are included in staffing analysis at elementary schools only. \*Custodial FTE is calculated based on the number of shift hours per custodian, whereby 8 hours is equal to 1 FTE.

As shown in Table 14, the overall average building square feet per custodial FTE is 16,101, which is well below the of the industry standard and benchmarks previously referenced, including ACPS' established guideline of 20,000 to 23,000 building square feet per custodial FTE. Custodial staffing is most inefficient at elementary schools, where the average building square feet per custodial FTE is just 12,581. The average workload for nighttime custodians is slightly more efficient at 22,677 building square feet, but is still well-below the industry standard of 28,000 to 31,000 building square feet. At the elementary level, nighttime custodial workload varies by as much as 50 percent, from 12,168 building square feet at Douglas MacArthur Elementary School to 24,652 building square feet at John Adams Elementary School.

Because some schools are at or above their enrollment capacity, ACPS also monitors the number of students per custodial FTE, which ranges from a low of 90 at Charles Barrett Elementary School to a high of 146 at Minnie Howard High School—a 60 percent differential. Even within the elementary school level, the number of students per custodial FTE varies by as much as 39 percent.

Together, these two benchmarks suggest that ACPS has an opportunity to increase staffing efficiency and equity, and to reduce costs, particularly at the elementary schools. However, since ACPS custodians and Building Engineers are reported on school budgets, the Department is limited in its ability to reallocate resources across schools.

***Recommendation 9: Have ACPS custodians and Building Engineers report centrally to the Building Services Manager rather than to school principals.***

Centralized oversight of these school-based positions will allow the Educational Facilities Department to have more autonomy and greater flexibility to ensure that staff are allocated efficiently and equitably across schools.

***Management Response:*** Management agrees with the recommendation. Staff will develop a staffing plan as well as additional resources required for ACPS custodians and Building Engineers to report to Educational Facilities.

***Target Completion Date:*** Phased Action Plan developed in conjunction with Finance, HR and Facilities – February 28, 2018

***Recommendation 10: Reduce custodial FTE at non-contract schools to bring workloads more in line with industry standards for staffing efficiency at all schools.***

ACPS staffing guidelines do not represent industry standards and are not consistently applied. The current approach to staffing custodians at ACPS non-contract schools is based on historical levels and does not ensure equity of workloads and optimal utilization of staff across schools. ACPS should continue to pursue its longer-term objective to fully outsource custodial operations (discussed previously). In the short-term, ACPS should continue to reduce the number of custodial positions through attrition, and reallocate positions across schools to balance workloads.

***Management Response:*** Management disagrees with the recommendation in part. Staff believes the current in-house staffing is consistent with the square footage, student population and grade level of schools. Management agrees that the ACPS long-term plan is outsourcing of custodial services.

***Target Completion Date:*** Ongoing. See also Recommendation #8.

## **Management Practices**

***Commendation 4: The Educational Facilities department has established cleanliness standards, cleaning frequency standards, and procedural standards, and routinely monitors schools to ensure that they are adhered to.***

The Department has adopted the Level 2 (Orderly Tidiness) standard of cleanliness prescribed by the APPA. These cleanliness standards, along with cleaning frequency standards and cleaning procedures, are communicated during the Annual Custodian Refresher Training course, which is mandated for all ACPS custodial staff. These standards are also included in the ABM and SSC custodial contracts. All nighttime custodians, regardless of service provider, follow zone cleaning procedures whereby each custodian is responsible for all cleaning activities (e.g., dusting, vacuuming, trash removal, washing floors) in a particular area, or zone. This method of cleaning supports individual accountability.

ACPS also has an established performance monitoring system, whereby weekly inspections are conducted at every school to ensure that cleanliness standards are met. Results are noted on a Weekly Inspection Report Card, which is reviewed with the head custodian at each school so that any deficiencies are addressed in a timely manner.

## Section 4 – Grounds Management

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ACPS grounds are maintained by an outsourced contractor for courtyards, gardens, flower beds, and landscaped areas adjacent to each school. Grounds maintenance activities include mowing, planting, weeding, fertilizing, small tree maintenance, and litter control. The total acreage maintained by the contractor has not been calculated by ACPS and is not defined in the contract documents. However, the contract does include aerial maps (not to scale) that clearly define the service area boundaries and expected services for each of the 17 parcels to be landscaped by either the contractor or the City.

Total ACPS 2016 expenditure on grounds and tree maintenance services were \$77,617. Note that this amount only represents ACPS' portion; the vast majority of the grounds maintenance activities are provided by the City through a Memorandum of Understanding (MOU).

***Commendation 5: Grounds upkeep services operate efficiently and effectively.***

Oversight of the landscaping contractor is performed by the same contracted position responsible for overseeing outsourced custodial and pest management services at each school. In addition to observing the contractor's work, this position is also responsible for discussing any contractor performance issues with the contractor and school officials during school visits. Figure 12 is an example of a monthly report that is compiled to document that the contractor has satisfactorily completed required tasks each month.

Figure 12. Example Landscape Performance Report



Detailed Inspection

## Landscape Performance Report

Date: May 31, 2017

Inspected by: Glods Alberto

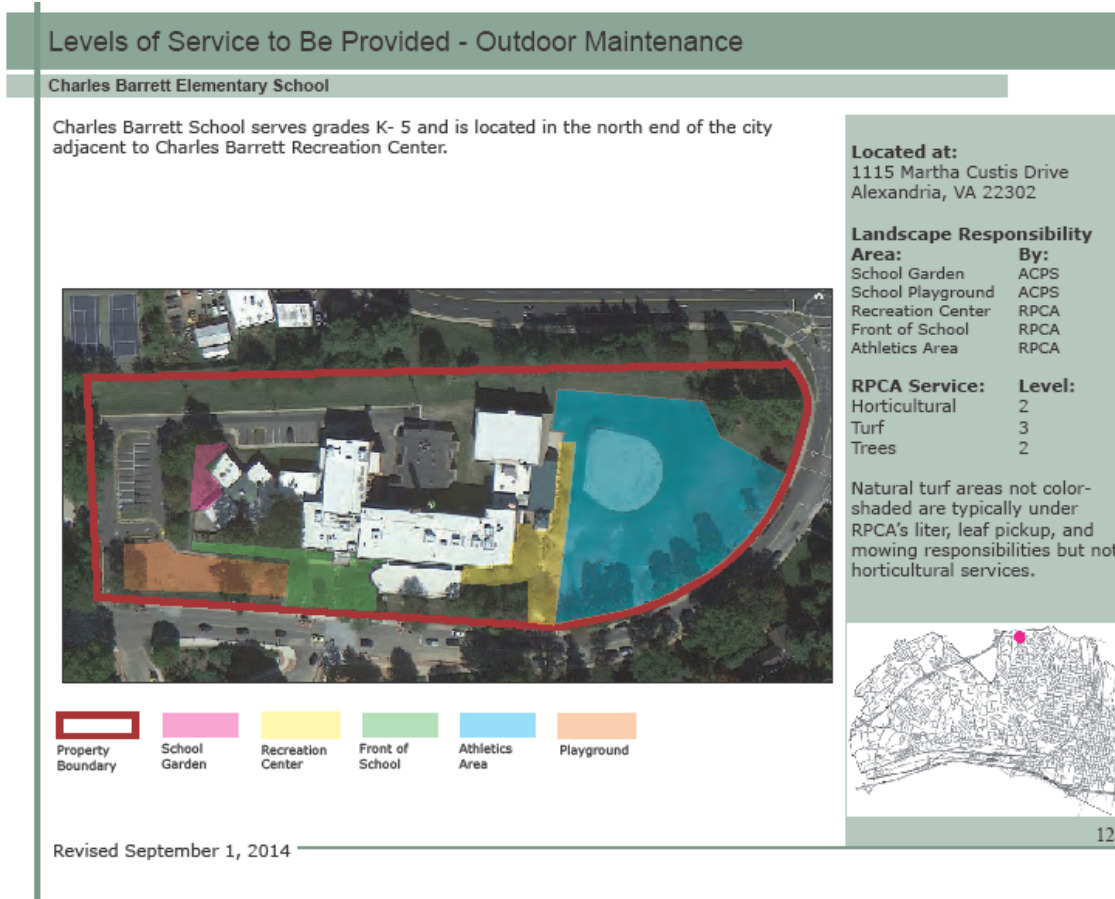
Contractor: Bright View

Schools	Address of site/Location	Weekly Visits (roughly 22visits per growing season)	# Occ completed
John Adams ES	651 Ray bum Ave, 22311	Performed	2
Patrick Henry	4643 Taney Ave, 22304	Performed	2
Cora Kelly	3600 Commonwealth, 22305	Performed	2
Mount Vernon	2601 Commonwealth Ave, 22305	Performed	2
James K Polk	5000 Polk Ave, 22304	Performed	2
Francis Hammond	4646 Seminary Rd, 22304	Performed	2
George Washington	1005 Mt. Vernon Ave, 22301	Performed	2
Minnie Howard	3801 W. Braddock Rd, 22302	Performed	2
Charles Barrett	1115Martha Curtis Dr, 22302	Performed	2
George Mason School	2601 Cameron Mills Rd, 22302	Performed	2
Matthew Maury	600 Russell Rd, 22301	Performed	2
Samuel W. Tucker	435 Ferdinand Day, 22304	Performed	2
William Ramsay	5700 Sanger Ave, 22311	Performed	2
Lyles-Crouch	530 S. Asaph St, 22314	Performed	2
Douglas McArthur	1101 Janney's Lane, 22302	Performed	2

Source: ACPS

Other facility and outdoor maintenance tasks are accomplished by the City of Alexandria through a Facility and Outdoor Maintenance and Use Agreement for Schools and Recreation Centers. The Memorandum of Understanding (MOU) that originally outlined the shared maintenance roles and responsibilities for the two organizations has undergone numerous reviews and updates since its inception in 1997, but the basic principle of creating efficiencies and streamlining work has remained constant. The agreement describes each service to be provided, levels of service expected, and which agency is responsible for maintenance elements required within the delineated spaces. Figure 13 is an example of how the agreement defines the outdoor maintenance service responsibilities at a school.

**Figure 13. Example Outdoor Maintenance Service Description**



This combination of outsourced and shared services for grounds maintenance has allowed ACPS Educational Facilities to divest itself of in-house grounds maintenance staff, landscaping equipment purchases and maintenance, and other associated resources that would be needed to accomplish the work themselves. Organizations often use an outsourcing delivery model for facility functions that require a relatively low skill level to accomplish and which are of low mission risk if not performed. ACPS has appropriately chosen this approach, and it appears to be efficient. Furthermore, school principals are generally satisfied with the landscaping and grounds maintenance service levels currently provided. Moreover, the August 2016 report of the results of the ACPS 2020 Survey showed that 74 percent of the respondents (community members) agreed that playground and outdoor facilities are accessible and appealing to the community.

# Appendix A – Interviews and School Visits

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## Interviews

The audit team conducted interviews with the following staff members:

- Clarence Stukes, Chief Operating Officer
- Richard Jackson, Educational Facilities Director
- Debra Yap, Assistant Director O&M
- Telly Byrd, Administrative Assistant
- Elijah Gross, Director of Planning, Design & Construction
- David Stallings, Building Systems Manager
- Ruth Clark, Building Services Manager
- James Bartlett, Assistant Director of Health, Safety & Risk
- Michael Gaines, Building Systems Supervisor
- Glods Alberto, Contractor Administration and Building Inspections
- Paul May, Construction Project Engineer
- John Finnegan, Construction Project Engineer
- Thomas Bergeron, Building Engineer
- Erika Gulick, Facilities Planner
- Tracy Armah, Financial Analyst
- Leonard Harris, Plumber
- Karl Moritz, City of Alexandria Planning Director

## School Visits

The audit team conducted the following school visits:

- George Mason Elementary School
- Samuel Tucker Elementary School
- George Washington Middle School
- TC Williams High School
- Warehouse



October  
2018

# Internal Audit of the Human Resources Function

*for Alexandria City Public Schools*

PREPARED AND SUBMITTED BY:

# GIBSON

AN EDUCATION CONSULTING & RESEARCH GROUP

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## Section 1 – Introduction

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In May 2016, Gibson Consulting Group, Inc. (Gibson/audit team) was engaged to conduct functional performance audits for the following Alexandria City Public Schools (ACPS/the division) functions: facilities, procurement, and payroll. In January 2018, Gibson's was engaged to conduct a functional performance audit of the human resources function. As such, the scope of this audit did not include the process of paying employees after they have been hired, but rather on the core human resources functions associated with recruiting, hiring, supporting, and retaining employees, including position control and compensation and benefits management.

The audit team wishes to thank the ACPS leadership and staff for their assistance in conducting this audit and the Board Chair and Vice Chair for overseeing this important work.

### Audit Scope and Approach

The primary objective of this human resources audit was to evaluate overall efficiency and effectiveness of ACPS' human resources function, including compliance with applicable board policies and regulations, and to identify opportunities for improvement. Seven major areas of human resource management were analyzed:

1. Organizational Structure, Staffing and Management Practices
2. Information Technology
3. Compliance with Laws and Regulations
4. Recruiting, Hiring and Onboarding
5. Employee Evaluation, Discipline and Separation
6. Compensation and Benefits Management
7. Position Control

As part of the review, the audit team conducted the following activities:

- Conducted a project kick-off meeting to orient the Human Resources Department staff on the project objectives, scope, key activities, and timeline.
- Collected and analyzed data provided by ACPS, as well as publicly available data from the Virginia Department of Education (VDOE) website.
- Conducted 29 individual and small group interviews with department administrators, staff, and other department stakeholders; a complete list of interviewees is contained in Appendix A.

- Benchmarked ACPS to other school divisions using data from the Washington Area Boards of Education (WABE), as well as to industry benchmarks available from the Society of Human Resource Management (SHRM).
- Conducted audit tests to corroborate key HR processes, obtain evidence of documentation maintenance, and validate compliance with ACPS board policy. Table 1 provides a summary of the audit tests that were performed. Gibson utilized a non-statistical approach to determine sample size and guide sample selection for each audit tests. Multiple factors were considered in the determination of sample sizes including perceived risk, population size, expected errors, and required client effort.

**Table 1. Summary of Audit Tests**

Audit Test	Sample Size	Test Description
Test 1: Personnel Files	30	A sample of personnel files was obtained and reviewed to ensure that all key documents (i.e. application, employee recommendation, resume, fingerprint receipt, etc.) were retained within the file.
Test 2: Employee Appraisals	30	A sample of employees was selected and queried in <i>Perform</i> . The audit team performed testing to ensure appraisals were conducted in accordance with board policy.
Test 3: Employee Access	N/A	A listing of employees with access to HR and Payroll menus in MUNIS was obtained to determine the appropriateness of access levels.
Test 4: Workers Compensation Claims	6	The support for a sample of workers' compensation claims was obtained and reviewed to ensure timely reporting of the claims and proper documentation.
Test 5: Timesheet Edits	15	A sample of edits made to timesheets was selected to ascertain the appropriateness and validity of the changes made.

## Executive Summary

Alexandria City Public Schools is a growing school division with a diverse student population of more than 15,800 students. It is the largest employer in the City of Alexandria, with over 2,400 staff, including 1,350 teachers. Employee salaries and benefits account for 83.2 percent of ACPS' \$292.5 million operating budget.

The Human Resources (HR) department within ACPS is responsible for the comprehensive set of managerial activities and tasks related to attracting, developing, and retaining a highly effective and diverse workforce. Most of these tasks are administrative in nature, so the efficiency with which staff are able to perform their day-to-day activities is largely driven by the adequacy of current information systems and processes. Commendably, the school division recently invested in and implemented an on-line applicant tracking system, an employee records management system, and an on-line performance evaluation system. However, the lack of integration with other key systems has resulted in inefficient HR business processes that require manual and/or duplicate data entry, system workarounds using Excel

spreadsheets, and paper-based personnel action forms and approval processes, all of which are time-consuming and error-prone. A lack of standard operating procedures for many business processes further exacerbates this issue.

From a more strategic human resources management perspective, ACPS experiences persistently high teacher turnover—over half of all teachers that terminated in 2016-17 had been employed by the school division for less than three years. Turnover is costly and places excessive demands on the systems and processes for attracting, developing, and retaining a quality workforce. Further, novice teachers who are most at risk of leaving the school system are more heavily concentrated in the most challenging schools serving the highest need students. Enhancing the teacher mentor program and offering a more robust and seamless onboarding program for new employees are some retention strategies that should be considered. Research shows that starting salary is an important variable for teachers new to the profession; commendably, starting salaries for beginning teachers in ACPS with advanced degrees are higher than many neighboring school divisions. The school division also offers incentives such as additional pay step increases and annual bonuses to more effectively recruit and retain some hard to fill positions.

The HR Department is not currently positioned to adequately address these and other challenges because it lacks a long-term operational plan that would serve as a guide for decision-making as well as a tool to evaluate and monitor progress towards departmental goals and objectives, which have not been formally established. The HR Department does not have a performance measurement system to monitor the efficiency and effectiveness of its operations. Lastly, the HR Department does not routinely solicit feedback and assess satisfaction levels with the quality of services provided to its customers, which is critical to any customer service organization.

Table 2 provides a summary of all the recommendations contained in this internal audit report, along with a priority level suggested by Gibson based on perceived risk and/or impact to the organization. Ultimately, the board will need to determine the priority with which recommendations are implemented.

**Table 2. Summary of Audit Recommendations and Risk Assessment**

No.	Priority	Audit Recommendation
1	High	Develop a comprehensive HR plan that establishes departmental goals and objectives aligned to the long-term human capital needs of ACPS.
2	Medium	Enhance a performance measurement system for all core functions of HR.
3	Medium	Develop and maintain operational guidelines and SOPs for all major functions of the Human Resources Department.
4	Medium	Enhance the professional development program to meet the on-going training needs of HR staff.
5	Medium	Expand the use of customer satisfaction surveys and send them to customers after every interaction with the HR Department.
6	High	Streamline HR business processes either through implementation of an integrated time and attendance scheduling software or by developing interfaces between existing systems.
7	Medium	Establish a plan to digitize all personnel files and budget accordingly.

No.	Priority	Audit Recommendation
8	Medium	Implement MUNIS Workflow to automate approval processes.
9	Medium	Implement practices to proactively identify and address the root causes of employee turnover and use this data to inform recruit and retention strategies.
10	Medium	Review teacher assignment strategies that place the most inexperienced teachers in the highest need schools and classrooms.
11	Medium	Implement strategies to more competitively recruit and hire Hispanic teachers.
12	Medium	Establish processes for systematically reviewing and updating job descriptions to ensure that they accurately reflect assigned roles, responsibilities, reporting relationships, and position qualifications.
13	Medium	Ensure that all required forms and relevant documentation and communications are also available in Spanish, Arabic and Amharic.
14	High	Develop and coordinate an employee onboarding program that supports all new employees through their first year on the job.
15	Medium	Enhance the Teacher Mentor Program to more effectively support new teachers and veteran teachers new to the school, school division, or teaching assignment.
16	Low	Establish a schedule for conducting salary surveys for the different classifications of employees.
17	High	Shift responsibility for processing manual time sheets from HR to Payroll.
18	Medium	Continue to routinely monitor benefit programs to manage costs.
19	Low	Update the ACPS Employee Handbook to include the names and contact information of the Compliance Officer and the Alternate Compliance Officer.
20	Medium	Purchase 2018 labor law posters and distribute to all ACPS schools and facilities.
21	High	Ensure all personnel files are complete and implement processes to collect all required documentation that are missing from personnel files.
22	Medium	Improve monitoring of appraisal compliance and hold supervisors accountable.
23	High	Ensure a proper segregation of duties by limiting the access of some HR staff in MUNIS.
24	Low	Implement more robust monitoring of workers compensation claims for compliance.
25	Low	Redesign the process for editing a timesheet by a supervisor.

Each of the above recommendations is discussed in detail throughout the remainder of this report, which is organized into the following sections:

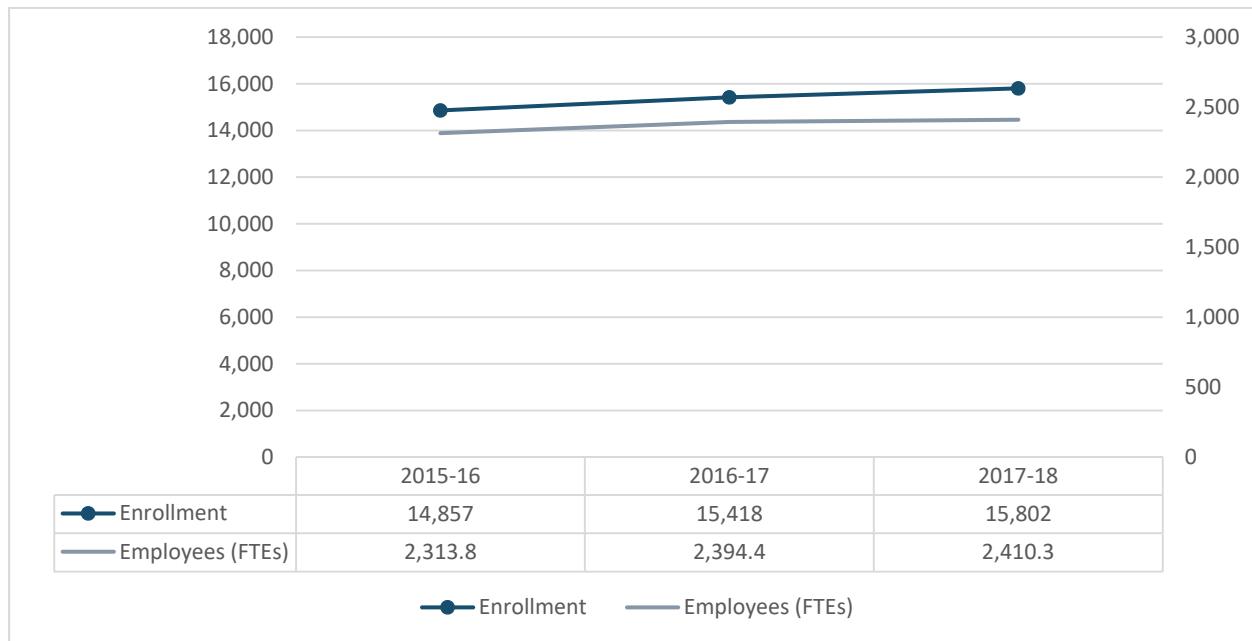
2. HR Department Organization and Management
3. Information Technology and Business Processes
4. Strategic Human Resource Management
5. Compensation and Benefits Management
6. Compliance and Audit Testing

## Section 2 – HR Department Organization and Management

### Background

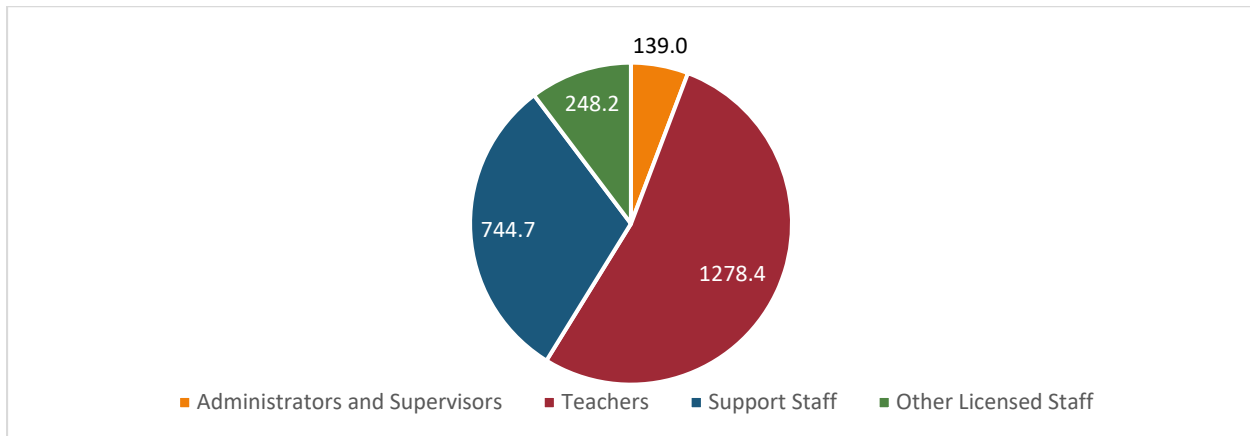
Alexandria City Public Schools (ACPS) serves a diverse student population of more than 15,800 students from 118 different countries speaking 120 languages. ACPS is comprised of 12 elementary schools, 2 middle schools, 1 pre-K through 8 school, and one high school (with two campuses). ACPS is the largest employer in the City of Alexandria, with over 2,400 staff, including 1,350 teachers. Over the past three years, student enrollment increased 6.4 percent, while the total number of division employees increased 4.2 percent (see Figure 1).

**Figure 1. ACPS Student Enrollment and Division Employees, 2016 to 2018**



Source: ACPS Human Resources Department (Data Request #16) and Virginia Department of Education (VADOE) website.

As shown in Figure 2, ACPS teachers account for the largest employee group (53.3 percent) followed by support staff (30.9 percent).

**Figure 2. ACPS Employee FTEs, 2018**

Source: ACPS Human Resources Department (Data Request #16).

In 2017-18, ACPS operated with a total budget of \$292.5 million, which represents a 6.7 percent increase from 2014-15 expenditures; employee salaries and benefits accounted for approximately \$243.4 million, or 83.2 percent of ACPS' total operating budget.

**Table 3. ACPS Operating Expenditures, 2015 to 2018**

Object	2014-15	2015-16	2016-17	2017-18 Budgeted
Salaries	\$154,008,799	\$162,743,752	\$170,059,337	\$176,261,385
Benefits	\$58,774,568	\$56,178,212	\$59,578,967	\$67,124,816
Purchased Services	\$35,078,124	\$38,328,409	\$43,429,661	\$16,340,838
Internal Services	\$11,249	\$14,223	\$23,996	\$99,587
Other Charges	\$10,730,311	\$9,711,607	\$11,877,246	\$10,325,535
Materials and Supplies	\$11,656,631	\$11,990,351	\$12,818,783	\$13,981,991
Capital Outlay	\$3,245,409	\$4,615,020	\$7,197,407	\$6,389,031
Other Uses of Funds	\$484,508	\$240,505	\$(2,692,048)	\$1,959,561
<b>Total Expenditures</b>	<b>\$273,989,599</b>	<b>\$283,822,079</b>	<b>\$302,293,349</b>	<b>\$292,482,744</b>

Source: ACPS Expenditures Report (Data Request #1).



### *Organizational Structure and Staffing*

The ACPS Human Resources Department (HR Department) is “dedicated to selecting, recruiting and retaining exceptional employees who exemplify the vision and goals of ACPS in meeting the educational, emotional, and social needs of the students of the City of Alexandria.”<sup>1</sup> The HR Department is organized into three units, each of whom perform the following functions:

- **Employment Services** – Posting position vacancies; recruiting and initial screening of job applicants; onboarding and processing new employees; conducting background checks; managing employee licensure and certifications; managing student internships; developing and maintaining job descriptions.
- **Employee Relations** – Handling employee complaints and grievances; ensuring ADA accommodations; conducting employment verifications; managing the employee performance evaluation process; maintaining personnel records.
- **Employee Compensation and Benefits** – Determining salaries and maintaining salary schedules; conducting compensation marketability research; managing employee benefit programs; processing employee promotions, transfers, leaves, resignations, retirements, and other life events.

In addition, the HR Department staff are also responsible for:

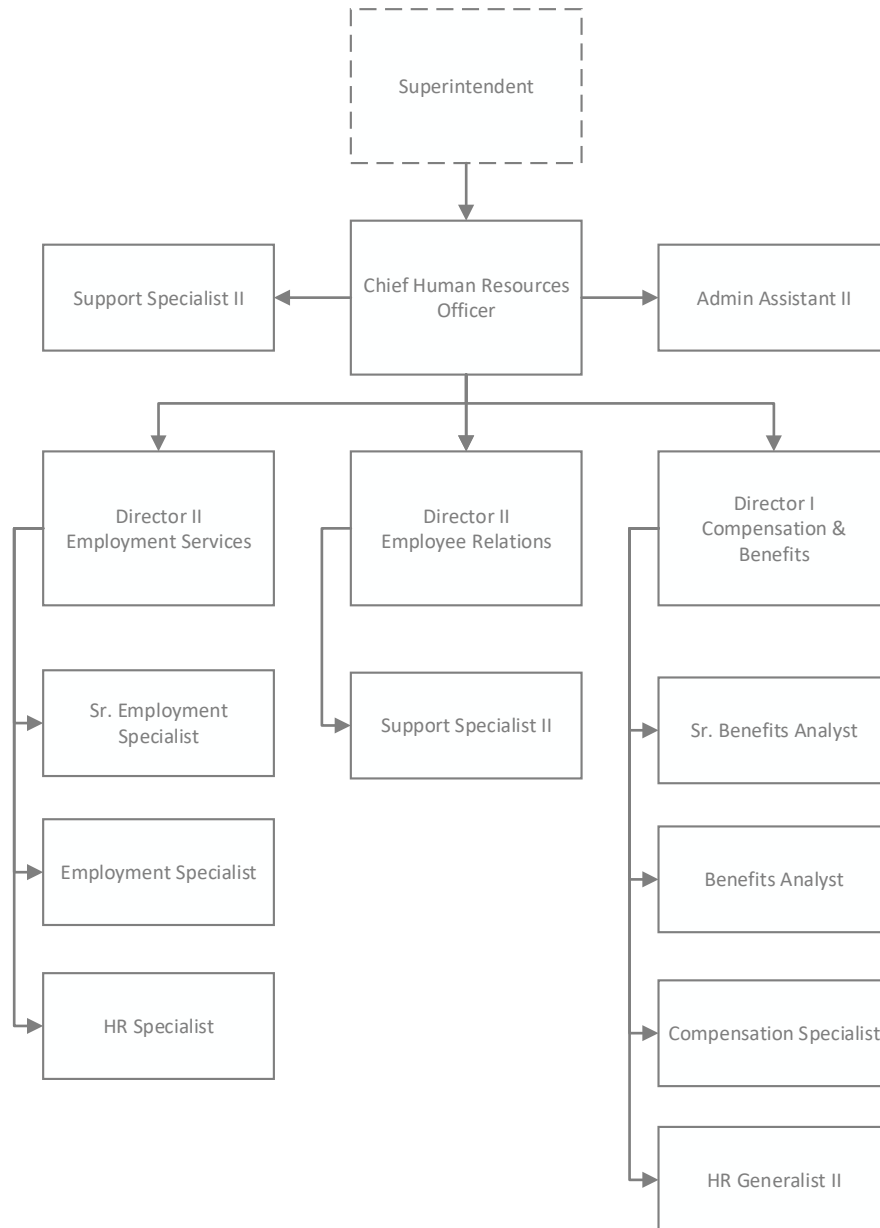
- Recommending personnel policies and developing accompanying procedures for implementation;
- Ensuring compliance to federal, state and local regulations regarding personnel operations;
- Responding to human resources inquiries from ACPS employees; and,
- Preparing materials for human resources recommendations to the School Board.

The HR Department has 14 employees and is led by a Chief Human Resources Officer (CHRO) who reports to the Superintendent. Figure 3 presents the HR Department’s current organizational structure.

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<sup>1</sup> <https://www.acps.k12.va.us/hr/>

**Figure 3. ACPS Human Resources Department Organizational Structure, 2018**



Source: ACPS (Data Request #15). \*Note: The Admin Assistant II position also provides administrative/receptionist support to other ACPS departments located on the 5<sup>th</sup> floor of the central administration building.

Although the HR Department has experienced some employee turnover in recent years, the total number of positions within the department has remained constant at 14 FTEs. Table 4 shows the employee-to-HR ratio, which represents the number of every 100 employee FTEs per HR FTE in the school division.

**Table 4. HR-to-Employee Ratio, 2016 to 2018**

Metric	2015-16	2016-17	2017-18
Division Employees (FTE)	2,313.8	2,394.4	2,410.3
Human Resources FTE	14.0	14.0	14.0
<b>100 Employees-to-HR Ratio</b>	<b>1.65</b>	<b>1.71</b>	<b>1.72</b>

Source: ACPS Staff Rosters (Data Request #16).

The Society of Human Resource Management (SHRM), an internationally recognized membership organization focused on human resource management, released its 2017 Human Capital Benchmarking Report survey findings, which includes formulas for benchmarking the efficiency and effectiveness of an HR operation.<sup>2</sup> For context, the median employee-to-HR ratio reported by SHRM is 1.58 and ACPS' employee-to-HR ratio is within 1 FTE of meeting this benchmark. Additional staffing efficiencies could be achieved through the improved use of technology and business processes, which is discussed further in *Section 3 – Information Technology*.

### *Human Resources Expenditures*

Table 5 shows that HR Department's actual operating expenditures have remained relatively flat from 2014-15 to 2016-17 and are budgeted to increase in 2017-18, mostly driven by an increase in employee benefits (which is consistent with the division-wide average). Purchased Services (which primarily includes expenditures on advertising, other professional services, human resources management services, equipment maintenance and repair, printing, etc.) also increased.

**Table 5. Human Resources Department Operating Expenditures, 2014-15 to 2017-18**

Department 7100	2014-15	2015-16	2016-17	2017-18 Budgeted
Salaries	\$1,086,169	\$ 1,096,700	\$1,133,071	\$1,178,631
Benefits	\$378,875	\$345,051	\$373,619	\$429,267
Purchased Services	\$54,744	\$63,673	\$71,608	\$90,967
Internal Services	\$744	\$1,458	\$441	\$1,450
Other Charges	\$67,024	\$53,938	\$45,084	\$55,802
Materials and Supplies	\$26,560	\$42,683	\$71,693	\$60,096
Capital Outlay	-	-	\$713	\$116
<b>Total HR Expenditures</b>	<b>\$1,614,117</b>	<b>\$1,603,503</b>	<b>\$1,696,228</b>	<b>\$1,816,329</b>

Source: ACPS Expenditures Report (Data Request #1).

The HR expense-to-FTE ratio represents the amount of human resource dollars spent per school division employee FTE. This ratio has increased slightly over the past three years and is below the SHRM median

<sup>2</sup> <https://www.shrm.org/hr-today/trends-and-forecasting/research-and-surveys/Documents/2017-Human-Capital-Benchmarking.pdf>

of \$1,344 and within the SHRM 25<sup>th</sup> percentile ranking of \$758.<sup>3</sup> This metric suggests that ACPS is spending less on the human resources management function than other organizations that are included in the SHRM benchmark.

**Table 6. HR Expense-to-Division FTE Ratio, FY2016 to FY2018**

Metric	2015-16	2016-17	2017-18
Human Resources Expenditures (7100)	\$1,603,503	\$ 1,696,228	\$1,816,329
Division Employees (FTE)	2,313.8	2,394.4	2,410.3
<b>HR Expense-to-FTE Ratio</b>	<b>\$693.02</b>	<b>\$708.41</b>	<b>\$753.57</b>

Source: ACPS Expenditures Report (Data Request #1) and ACPS Staff Rosters (Data Request #16).

In addition to HR Department (Department code 7100) expenditures, there are division-wide human resource expenditures that are captured within Department code 7199. These include substitute salaries, reserve workers' compensation, retiree and other benefits, and temporary employees. Table 7 shows the total division-wide HR operating expenditures for 2015 to 2017, and budgeted expenditures for 2018. There was a large increase in expenditures from 2016 to 2017 primarily due to substitute salaries. Prior to 2017, substitute expenditures were reported at the school or department level, so the dramatic increase shown in Table 7 is attributed to changes in accounting practices.

**Table 7. Division-wide Human Resources Department Operating Expenditures, FY2015 to FY2018**

Department 7199	2014-15	2015-16	2016-17	2017-18 Budgeted
Salaries	\$125,298	\$170,736	\$2,863,010	\$2,733,221
Benefits	\$4,434,926	\$3,201,755	\$4,388,207	\$4,964,067
Purchased Services	\$610,311	\$442,402	\$410,895	\$387,208
Materials and Supplies		-	-	\$10,000
<b>Total Division-wide HR Expenditures</b>	<b>\$5,170,534</b>	<b>\$3,814,893</b>	<b>\$7,662,112</b>	<b>\$8,094,496</b>
<b>Prior Year Percent Δ</b>	-	<b>-26.2%</b>	<b>100.8%</b>	<b>5.6%</b>

Source: ACPS Expenditures Report (Data Request #1).

After adjusting for changes in accounting practices, further analysis does show that substitute expenditures increased 19.1 percent from 2015 to 2017 but are budgeted to decrease 8.9 percent from 2017 to 2018 (see Table 8). Relative to the number of teachers and paraprofessionals, however, total spend on substitutes increased 7.2 percent from 2016 to 2017 and is budgeted to decrease again in 2018.

<sup>3</sup> Ibid.

**Table 8. Substitute Salary Expenditures, 2015 to 2018**

All Schools/Departments	2014-15	2015-16	2016-17	2017-18 Budgeted
Substitute Salaries	\$2,776,392	\$2,999,606	\$3,306,669	\$3,012,228
Teacher/Paraprofessional FTE	n/a*	1549.3	1570.4	1506.7
<b>Substitute \$ per Teacher/Para FTE</b>	<b>n/a</b>	<b>\$1,991</b>	<b>\$2,134</b>	<b>\$1,918</b>

Source: ACPS Expenditures Report (Data Request #1). \*Position data was not available for 2014-15.

An analysis of substitute usage by reason codes shows that the highest percent of substitutes are required for sick days, personal leave, FMLA/other long-term leave, position vacancy, professional leave – other duties, and professional learning. With the exception of FMLA/other long-term leave and position vacancy, all other categories appear to be trending in a positive direction.

**Table 9. Substitute Usage by Reason Code, 2016 to 2018**

Reason Code	2015-16	2016-17	2016-17
Administrative Leave	0.05%	0.05%	0.00%
Annual Leave	0.04%	0.04%	0.08%
Child Study/IEP Meeting	0.18%	0.18%	0.16%
FMLA/Other Long-term Leave	10.75%	10.75%	14.19%
Jury Duty/Court Leave	0.28%	0.28%	0.37%
Leave w/o Pay	0.00%	0.00%	0.04%
Other	0.00%	0.00%	0.01%
Professional - Teachers College Writing Project	0.27%	0.27%	0.00%
Student Support Meeting	0.03%	0.03%	0.00%
Personal Leave	16.08%	16.08%	14.81%
Professional Learning	11.77%	11.77%	9.54%
Professional Leave - Other Duties	10.54%	10.54%	10.30%
Sick	37.47%	37.47%	35.95%
Vacancy	11.32%	11.32%	13.17%
Workers' Compensation	1.22%	1.22%	1.19%

Source: ACPS Substitute Usage Reports, 2015-16 – 2017-18.

The HR Department should better monitor absenteeism trends and implement strategies to reduce absenteeism rates and the associated costs, including paying out unused sick leave annually; rewarding excellent attendance with monetary incentives; restricting leave to days other than Mondays and Fridays; requiring medical certification for leave taken on Mondays and Fridays; and, including absenteeism as part of the employee performance evaluations.

## Audit Findings and Recommendations

**Finding 1: The HR Department does not have a long-term operational plan to serve as a guide for decision-making as well as a tool to evaluate and monitor progress towards department goals and objectives.**

The *ACPS Strategic Plan 2020* is the foundation document for all actions of the school division. It directs the actions that the division takes in meeting the goals and aspirations of the Alexandria community and guides the activities of employees and leaders as well as the expenditure of all funds entrusted to the School Board.<sup>4</sup> The HR Department plays a significant and integral role in helping the school division accomplish *Goal 3: An Exemplary Staff*. This goal includes six objectives, each with a series of key performance indicators which are monitored and tracked annually via the *ACPS 2020 Scorecard*. They are:

- 3.1. Staff Recruitment and Retention: ACPS will hire the best employees possible and create an environment that motivates, competitively compensates, and retains them.
- 3.2. Collaborative Instructional Achievement: ACPS will nurture a school culture in which professionals collaborate closely to share knowledge, skills, and best practices aimed at improving student achievement.
- 3.3. Individual Professional Development Opportunities and Strategic Plan Focus: ACPS will expand professional development opportunities that include self-identified goals and that provide teachers and other staff members with multiple opportunities for improving their individual effectiveness and that respond to Strategic Plan priorities.
- 3.4. Staff Wellness: ACPS will promote the health and wellbeing of all members of the staff.
- 3.5. Leadership Development: ACPS will establish programs to identify talent and provide opportunities for future leadership roles.
- 3.6. Staff Evaluation and Performance Improvement: ACPS will provide multiple opportunities for all employees to receive feedback and coaching on their performance and resources needed to improve and excel.

The HR Department currently has a *Recruit and Retention Plan* for the 2017-18 school year that outlines specific actions for sourcing candidates and retaining employees, including measures of effectiveness for both. However, this plan is limited in that it does not address all aspects of an effective human resources management function, such as HR department staffing and training requirements, HR technology requirements and needs, staffing trends and forecasted needs for non-instructional employees,

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<sup>4</sup> ACPS website <https://www.acps.k12.va.us>

succession planning for key positions, compensation strategies, benefits management, professional development needs, etc. As one of the school division's core support functions, the HR Department should have an operational plan that articulates short and long-term goals and objectives for the department and sets the framework for the human resource activities required to meet the long-term human capital needs of the division.

***Recommendation 1: Develop a comprehensive HR plan that establishes departmental goals and objectives aligned to the long-term human capital needs of ACPS.***

A comprehensive departmental plan should be developed through a collaborative process that includes the HR Department management and staff, with input from division leadership and other stakeholders, and should serve as a link between overall human resource management and the division-wide goals outlined in ACPS' strategic plan.

The plan should address the HR Department's immediate and long-term goals and objectives for all major areas of responsibility, including employee recruitment and retention, compensation and benefits, professional development, management of personnel files, employee relations, use of technology, performance measurement, etc. Departmental initiatives (or actions) for accomplishing each objective, including resource and funding requirements, priority level, and proposed timelines should also be included. Once developed, it is important that management establish a process for reviewing and updating the plan annually. It should be a "living" document that can evolve as needs are forecasted to change.

***Management Response: We agree with the finding. The Human Resources team believes this is a priority and will begin the comprehensive planning process. The objectives will be aligned with the ACPS 2020 Strategic Plan, the Virginia Department of Education's annual Continuous School Improvement Planning and ACPS' newly formed Human Resources Five Year Plan.***

***Target Completion Date: December 01, 2018***

**Finding 2: The performance management system maintained by the HR Department is not sufficient to monitor the efficiency and effectiveness of HR operations and processes.**

Performance measurement is the process of collecting, analyzing, and reporting information regarding the performance of an individual, group, system, or process. In June 2015, the Board adopted the ACPS 2020 strategic goals and objectives and implemented the use of a scorecard to establish key performance indicators (KPIs) for each strategic plan objective. These KPIs (which were updated in April, 2017) are intended to inform division performance in the specific objective area on an annual basis.

As described previously, *Goal 3: Exemplary Staff* includes six objectives and 17 KPIs focused on recruiting, developing, supporting, and retaining a staff that meets the needs of every student. Seven of the 17 KPIs

on the scorecard are based on the results of the TELL Survey, which is administered bi-annually.<sup>5</sup> The remaining 10 KPIs include:

- 3.1.1 % of full-time classroom positions filled with well-qualified teachers on the first day of school.
- 3.1.2 Percentage of new teachers hired before June 30th of each year.
- 3.1.3 Student-teachers placed in ACPS.
- 3.1.4 Beginning teacher salaries at the Master's Level in Northern Virginia.
- 3.1.6 % of teachers retained by ACPS annually.
- 3.4.1 % of staff participating in staff wellness plan.
- 3.5.1 By July 2016, develop and vet leadership development plan; set goals and targets.
- 3.5.2 Identify internal candidates prepared for school leadership roles and increase the number each year of the life of this Strategic Plan.
- 3.6.1 % of eligible licensed staff evaluation processes completed on time.
- 3.6.2 % of eligible support staff employees with documented evaluations completed on time.

Outside of these KPIs, however, the audit team did not find evidence that the HR Department has set performance targets or *routinely* tracks and monitors performance indicators to assess the efficiency and effectiveness of day-to-day operations and functions.

***Recommendation 2: Enhance a performance measurement system for all core functions of HR.***

The CHRO should collaborate with the department directors to define appropriate KPIs and establish performance targets to better enable management to evaluate the efficiency and effectiveness of all HR functions over time. There are literally hundreds of performance indicators that management could monitor and track to evaluate the department's overall efficiency and effectiveness. The key, however, is to monitor, track, and report on only those measures that are most critical to assessing how well the department is meeting its stated goals and objectives (which should be articulated in the departmental plan, as described previously). Below are some commonly tracked and reported HR metrics for consideration:

- Number of school division employees per human resources employee FTE
- HR Department cost per division employee (FTE)
- Number of employment applications processed per year

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<sup>5</sup> The Teaching, Empowering, Leading and Learning (TELL) Survey is an online, anonymous survey administered to all licensed, school-based educators in a district or state.



- Number of applications per hiring source
- Average days from position vacancy posting to offer to hire notification
- Average days from recommendation by hiring manager to employee start date
- Average cost per hire
- Non-certified teachers as a percentage of total teachers
- Novice teacher turnover rate (one year or less)
- Turnover rate for non-licensed employees
- Percent of novice teachers at Title I campuses
- Percent of HR customer survey responses by rating (e.g., satisfied)
- Percentage of teachers by ethnicity compared to percentage of students by ethnicity
- Teacher absentee days per year, by campus
- Substitute costs per teacher, by campus (dollar amount and percentage of salaries and wages)
- Benefits cost as a percentage of total salaries and wages
- Number of Workers Compensation claims processed per claims FTE

In addition to determining which KPI's are most useful, the HR Department will need to ensure that systems and processes are in place to support the collection, validation, and analysis of data.

***Management Response:** We agree with the finding. The Human Resources team will be strategic in targeting those data that are needed to ensure we are measuring the outcomes we are striving to obtain. Additionally, it is important that these data align with the ACPS 2020 Strategic Plan and any new strategic goals set by the school division.*

***Target Completion Date:** July 01, 2019*

**Finding 3: The Department does not have a formalized operations procedures manual.**

A formalized operations procedures manual should include operational guidelines and standard operating procedures (SOPs) for all processes that staff should follow when carrying out their work. According to interviews with department staff and a review of available documentation, detailed processes and procedures have not been formally developed for many important HR functions, such as document filing, employee relations activities, and employee pay adjustments. Having a standard operating procedures manual is critical, not only for employee training purposes and to ensure that staff work efficiency, but also because many of the functions within HR deal with regulatory requirements that could present compliance risks if procedures are not followed and tasks are not performed to a standard.

***Recommendation 3: Develop and maintain operational guidelines and SOPs for all major functions of the Human Resources Department.***

Existing documentation needs to be reviewed, assessed for gaps, and updated and/or developed as needed. All documentation should be thoroughly reviewed and vetted by department management and stored electronically in CANVAS, the school division's learning management system (LMS).

***Management Response:*** *We agree with the finding. The Department of Human Resources has guidelines and manuals for each area of Employment Relations, Employment Services, and Compensation and Benefits. We will ensure that we include in these manuals the operational guidelines and standard operating procedures (SOPs) for all processes that staff should follow when carrying out their daily work.*

***Target Completion Date:*** *July 01, 2019*

**Finding 4: Human Resources staff do not receive sufficient training relevant to their jobs.**

The HR Department provides very few formal professional development opportunities or on-going training for its staff. Other than on-the-job training and the utilization of a subcontractor to provide consulting services and technical expertise to Employment Services staff related to licensure regulations, no other formal training by outside experts in the areas of HR legal matters, HR standards or best practices, or on the human resources information system (HRIS) is regularly scheduled or provided to ACPS HR staff. The lack of professional development was further corroborated during interviews with department staff, who also expressed a desire for more training and collaboration through department-wide meetings (which currently occur three times per year). Based on a review of expenditure data, the audit team noted that the HR Department has not incurred any staff development expenditures since 2014-15 (\$2,000), which appears to validate this finding.

***Recommendation 4: Enhance the professional development program to meet the on-going training needs of HR staff.***

Some of the benefits of an on-going formal training program include maintaining or advancing employee knowledge and skills, increasing job satisfaction, providing internal promotion opportunities, and attracting new talent. The HR Department should identify the training needs of HR staff, determine how those needs can be met, and budget accordingly to ensure allocation of sufficient resources. Staff within the HR Department would also benefit from more frequent (i.e., monthly) department-wide meetings to provide technical or legislative updates, and improve communications, teamwork, and employee morale. This information should be included in the HR Department's operating plan, which is discussed in Recommendation 1.

**Management Response:** *We agree with the finding. The professional development plan will incorporate two separate sections to meet this finding. The first part is the Departmental Goal for training for all Human Resources employees. The second is individual professional development for each employee. The Departmental Goal will align with the ACPS 2020 Strategic Plan. Each employee's job is specialized; the individualized professional development will focus on the employee's area within Human Resources. This focused professional development for the staff will allow the employees to have input on their professional growth while gaining additional knowledge that is relevant to their position.*

**Target Completion Date:** *January 01, 2019*

**Finding 5: The HR Department does not routinely solicit feedback and assess satisfaction levels with the quality of services provided to its customers.**

Soliciting customer feedback is a proactive and important way to ensure that services are meeting the needs of customers. The goal of a customer service survey is to measure customer satisfaction and identify any problems so that they can be corrected. In a human resources department, hiring managers, applicants, current and former employees, substitutes, and retirees are all considered customers. The Employee Relations unit within the HR Department includes a link to a customer feedback survey to anyone that sends an email to the director, but this is limited in scope in that it only references services provided by Employee Relations. The unit reported 64 survey responses from January 2017 to January 2018.

Feedback provided by employees during interviews and focus groups with respect to their satisfaction with the quality of services provided by the HR Department can be characterized as mixed—some employees were extremely pleased with their interactions with department staff while others expressed frustration. A consistent point of frustration expressed by nearly everyone interviewed is one HR employee's voicemail that states “*Due to a high volume of requests, please allow 5 to 10 business days for a response...*”, and then goes on to direct callers to send an email. This was validated by the review team. Whether the feedback is positive or negative, the HR Department does not currently have a process in place to solicit feedback for all services provided by all employees in the department and therefore has no good indicator of customer satisfaction.

**Recommendation 5: Expand the use of customer satisfaction surveys and send them to customers after every interaction with the HR Department.**

The HR Department should modify the existing Employee Relations customer survey so that it is relevant for all services provided by the department. A link to the on-line survey should be automatically emailed to every employee after each interaction with HR staff (whether via email or telephone). The customer satisfaction survey should be researched-based and include, at a minimum, the following elements:

- Customer employee group (e.g., teacher, administrator, support staff)
- Date and reason for contacting the HR

- HR Department employee contacted
- Qualifying questions about the interaction (e.g., did the provider greet you with a friendly, professional manner?)
- Whether or not their issue was resolved
- Time it took to resolve the issue
- Overall satisfaction level with services provided
- Suggestions for improvement (open ended)

Results can be automatically summarized into a management report that should be monitored weekly, or more often if needed. Issues can be addressed timely and customers will appreciate being asked for their feedback.

***Management Response:** We agree with the finding. The Department of Human Resources plans to implement a brief customer satisfaction survey that will provide productive and useful feedback to assist the department in its mission. All Human Resources employees will provide a link to the survey as a part of their signature line in their emails. This survey will also be placed on the Department of Human Resources' homepage on the ACPS website.*

***Target Completion Date:** January 01, 2019*

## Section 3 – Information Technology and Business Processes

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### Background

Information technology plays an important role in human resource management, as most functions are process-based and administrative in nature. The efficiency with which staff are able to perform their day-to-day activities is largely driven by the adequacy of current information systems and processes. As technology improves and systems become more automated and integrated, HR departments have the opportunity to operate more efficiently and move beyond administrative tasks to more *strategic* human resources management.

Below is a detailed description of the systems and software applications used by ACPS' HR Department:

- **MUNIS** (Tyler Technologies): Implemented in 2013, MUNIS is the school division's cloud-based, integrated enterprise resource system (ERP) for the core business functions of finance, payroll, human resources, and budget. The HR Department primarily uses the Human Resources, Payroll, and Employee Self-Service modules in MUNIS. The Employee Self-Service module allows employees to:
  - View pay and pay stubs;
  - Update and change W-4 tax withholding statements when there are changes in personal or financial status;
  - Change address and update contact information, including emergency contacts; and,
  - Change insurance coverage during the open enrollment period.
  
- **PeopleAdmin**, formerly **TalentEd**: Licensing and initial exploratory use of this suite of applications began in 2014 and ultimately resulted in the launch of the Division's online application and tracking system.
  - *Recruit & Hire* is an online platform that HR uses to post job openings and collect electronic applications.
  - *Records*, which was launched in July 2017 and fully functional in April 2018, is an online platform that manages the electronic storage of HR personnel records, including the ability to complete onboarding tasks, contracts, and other forms online.
  - *Perform* is an online platform that the Division uses to facilitate employee performance evaluations. Use of it began in school year 2017-18.

- **Time Clock Plus** (Data Management, Inc.): A computerized time and attendance system (or suite) that all employees use to record their attendance at work. Both exempt and non-exempt employees are required to use TCP, but exempt employees are only required to clock in once daily. The program includes a suite of web applications and optional hardware. *WebClock* allows employees to clock in and out on their computer, while *TimeClock* is a wall-mounted version with a touch screen. *TimeClock Manager* is used for administrators and managers to review hours, enter leave, run reports, and send hours to payroll.
- **Smartfind/Substitute Absence Manager** (eSchool Solutions): Substitute Absence Manager (SAM) automatically schedules substitutes for absent teachers, paraprofessionals, and all other employees authorized for substitute placement. Employee absentee data is also maintained and reported in SAM.
- **LiveScan** (Virginia State Police): ACPS utilizes electronic fingerprinting to capture fingerprints and palm prints without ink and paper so that criminal history background checks of all employees can be conducted through the electronic network of the Virginia State Police (VPS). Having its own secure and dedicated computer, server and router, the system electronically identifies employees and then transmits names, other demographic information and fingerprints captured in the ACPS HR office to the FBI's National Crime Information Center (NCIC).
- **CANVAS** (Instructure): Managed by the IT Department, CANVAS is used as a division-wide intranet learning management system for all full-time ACPS employees and some long-term teacher substitutes. Dashboards within the electronic framework of CANVAS are set up for the Curriculum and Instruction, Financial Services, and HR departments so that each department can post employee information, training videos, forms, directions, templates, etc. HR has created two dashboards or access points specific to HR processes and procedures. One HR dashboard provides instructions, guidelines, and requirements for recruiting and hiring; advertising a vacancy; and screening applicants. It also provides suggested techniques for conducting interviews and provides forms to recommend new hires. The second HR dashboard on CANVAS simply provides the user's specific questions or inquiries to the HR pages on the division's website.
- **Wufoo** (Wufoo.com): An online form builder that provides tools for users to design and build online forms that are attached to the website and electronically routed to receivers.
- **Zimbra** (Synacor): The server system and software used division-wide for email services.
- **Professional Learning Management System** (TrueNorthLogic): Although this software is managed in another ACPS department, HR uses PLMS to track licensed users' accumulation of recertification points earned for completed professional learning activities. PLMS manages registration for professional development workshops, courses, and other learning opportunities. Access to PLMS is given to both licensed and support employees, including substitutes, who can register for courses available.

- **E-Verify** (U.S. Department of Homeland Security): E-Verify is a web-based system required of all public entities in the Commonwealth of Virginia and is used to confirm employment eligibility by comparing information provided on an employee's Form I-9 (Employment Eligibility Verification) to data maintained by U.S. Homeland Security and the Social Security Administration.

## Audit Findings and Recommendations

### Finding 6: Key information systems do not interface which has resulted in inefficient HR business processes.

The lack of integration between MUNIS, TCP, and SAM is well-documented in Gibson's *October 2017 Internal Audit of the Payroll Function* report. Nearly every step in the payroll process, which involves the Finance, HR and IT departments, requires the extensive use of spreadsheets to validate the data and facilitate the transfer of data from one system to another.

Since that report was issued, leadership from each of the three departments meets bi-weekly in TCP/MUNIS workgroup meetings to address problems caused by the lack of systems integration and to discuss opportunities for minimizing manual data entry. One option under consideration is to replace TCP in favor of *ExecuTime*, the MUNIS time and attendance module. Since *ExecuTime*, if purchased, would be fully integrated with the financial modules and has the ability to record and report accumulated leave balances in real time, it would eliminate many manual data entry activities, reduce the need to import and export data using Excel spreadsheets, and address employee concerns with inconsistent leave balances that are reported from different systems.

In addition to the payroll process, there are other HR processes that require manual and/or duplicate data entry because systems do not interface. For example, the same employee data entered into *Recruit & Hire*, the online applicant tracking system, does not automatically populate the same personnel data fields in the MUNIS HR and Payroll modules. These data must be manually keyed in and entered by HR specialists once the applicant has been recommended for hire. After that, the same data is again manually entered by HR in both *TCP* and *SAM*. Similarly, personnel data required by *LiveScan* for fingerprinting and *E-Verify* to confirm eligibility for employment is also manually entered. Not only are these processes inefficient, each time data is manually keyed into a system or otherwise manipulated, the probability for error or oversights increases.

### **Recommendation 6: Streamline HR business processes either through implementation of an integrated time and attendance scheduling software or by developing interfaces between existing systems.**

ACPS, through the work of the TCP/MUNIS workgroup, should continue to evaluate whether or not the *ExecuTime* software application will meet the business requirements of the Finance and HR departments. The workgroup should also evaluate the feasibility and cost of developing interfaces between existing systems and then determine which approach would be the best solution. Because these activities are technical in nature, they need to be initiated and led by the IT Department with input from both HR and Finance.

**Management Response:** *We agree with the finding. The Department of Human Resources will collaborate with the Finance and Technology departments to implement ExecuTime, which will replace our current time management system, Time Clock Plus. The ExecuTime program is an integrated system that works with MUNISs.*

**Target Completion Date:** *December 01, 2019*

**Finding 7: Employee files are not fully digitized.**

Maintaining employee documents in electronic form has obvious benefits, including cost, ease of accessibility, storage efficiency, and security, and best practice HR organizations operate in a paperless environment. The HR Department is moving in this direction with the very recent implementation of *Records*, the on-line platform that manages the electronic storage of HR personnel records. At present, all personnel and employment files, forms, contracts, and related documents of all employees hired since April 2018 are maintained electronically in *Records*. Personnel files for other current and former employees are still in paper form and stored in filing cabinets in the HR Department or in an off-site storage facility in either paper or microfiche. Management does not have plans to digitize these files but rather intends to move to a paperless environment over time through employee attrition.

**Recommendation 7: Establish a plan to digitize all personnel files and budget accordingly.**

Employee files are subject to audits, regulations, controls, and specific retention periods, and relying on digital files instead of paper files dramatically reduces the burden of compliance. The rationale and benefits of moving to a paperless system should also be considered for *all* employee files:

- Security
- Disaster preparedness/recovery
- Cost reduction
- Easy storage and access
- Improved customer service
- Time-saving

Scanning and archiving all the individual papers within current personnel folders can be both time consuming and costly, but it can be implemented in phases that are manageable in terms of resources and budget. Eliminating the archaic paper filing system should be articulated as a goal in the departmental plan, as discussed in Recommendation 1 in *Section 2 – HR Department Organization and Management*.

**Management Response:** *We agree with this finding. Replacing our paper files with electronic files will allow the Human Resources department to efficiently and effectively keep and retain employee information. The initial estimated cost of scanning these files is \$40,000, followed by the cost of hiring a temporary employee to prepare files by ensuring all essential elements are a part of the file, and then*



*preparing the files for scanning (\$50,000 - \$60,000.) Finally, an approximate cost of \$5,000 will be needed for the batch upload of scanned personnel files into "Records" The approximate total cost of the project is \$105,000.*

**Target Completion Date:** July 01, 2020

**Finding 8: ACPS is not maximizing workflow functionality within MUNIS for position change requests and other approval processes.**

Position management is the process of how positions are created and maintained within an organization, and position control refers to a system of electronically tracking personnel and budget information based on positions rather than employees. An effective position control system improves budget management and control processes throughout the organization, while strengthening accountability and enhancing fiscal responsibility. In ACPS, the HR Department is responsible for controlling a position while the Budget Office is responsible for controlling the dollars associated with a position.

If at any time during the fiscal year there is a need to request a new position, move an existing position to a new program, eliminate a position, or change any components attached to an individual position (e.g., location, funding source, G/L number), the requestor completes a position control personnel action form, which is available on CANVAS, and emails it to HR where the form is printed, approved or rejected, and if approved, signed by the CHRO or Employee Relations Director. The form is then sent to the Budget Office for review. If there is no impact on the budget, the request is approved, signed, and returned to HR. The CHRO or HR representative takes the form with approval signatures from both HR and Budget to the Superintendent and/or executive leadership team for discussion and final approval by the superintendent. With final approval, the signed form is emailed back to the requestor, HR, and Budget. The approved changes are then entered into MUNIS by the Budget Office. Although parts of the position control process are managed outside of the system, ACPS does maintain position control. However, reliance on paper and/or email transmittals between departments for approvals is not necessary since automated workflow functionality currently exists within MUNIS.

**Recommendation 8: Implement MUNIS Workflow to automate approval processes.**

Automated routing of approvals within the position management module will improve communications, streamline processes, and increase productivity. Approval processes should be reviewed and documented, and then the system can be configured accordingly. Staff will need to be trained on this new functionality before it is fully implemented.

**Management Response:** *We agree with the finding. The workflow process is in place for the new-hire process. Other workflow processes will take the cooperation of finance and technology to complete. The collaboration between these departments has been productive in the MUNIS-TCP bi-weekly meetings.*

**Target Completion Date:** July 01, 2019

## Section 4 – Strategic Human Resources Management

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### Background

Human resources management (HRM) refers to the comprehensive set of managerial activities and tasks related to recruiting, selecting, developing, supporting, rewarding, and retaining a high quality and diverse workforce. HR departments that practice *strategic* human resources management perform these activities in support of the long-term goals and objectives of individual departments and within the context of the school division's strategic framework. The *ACPS Strategic Plan 2020* emphasizes the value of recruiting, developing, supporting, and retaining staff (Strategic Plan Objective 3.1 and Objective 3.5).

The HR Department developed a *Recruit and Retention Plan* for the 2017-18 school year that outlines specific actions for sourcing candidates and retaining employees, including measures of effectiveness for both. However, there are some limitations to the current plan in that it does not adequately address all aspects of *strategic* human resource management, which would include initiatives for developing, supporting, and rewarding employees, among other things. The need to develop a comprehensive HR plan was discussed in *Section 2 – HR Department Organization and Management*. Some of the specific elements that need to be addressed related to recruitment and retention are discussed further in some of the recommendations below.

### Audit Findings and Recommendations

**Finding 9: ACPS' high teacher turnover rate is attributed to teachers who have been employed at ACPS less than 3 years.**

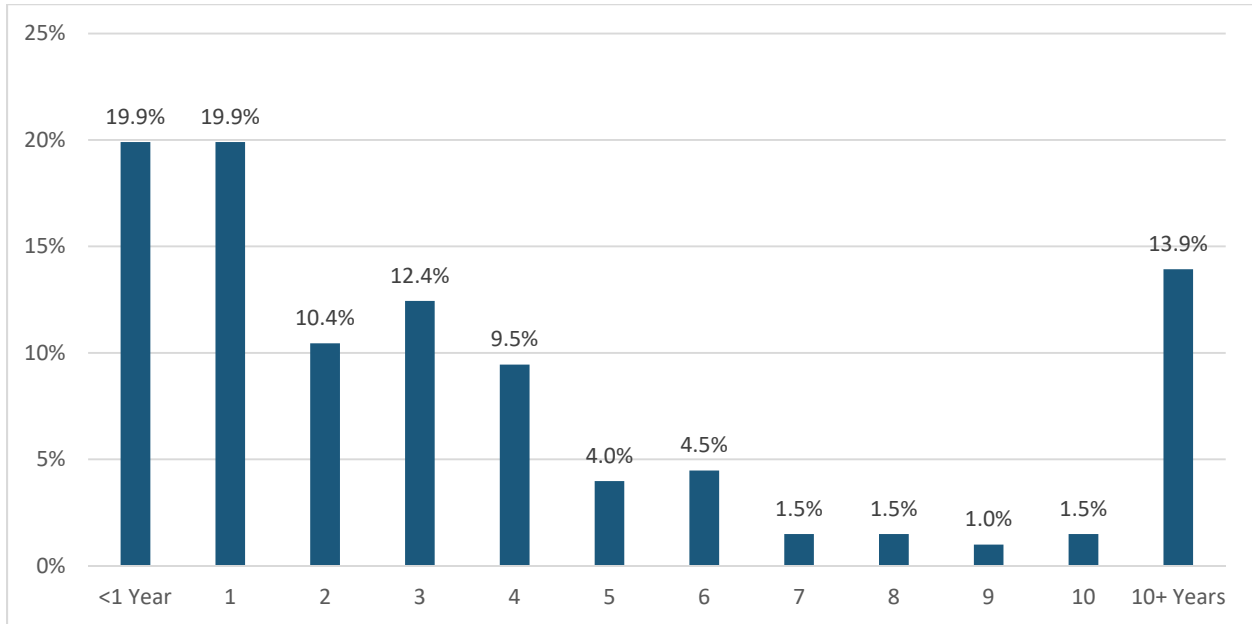
Persistently high staff turnover is costly and places excessive demands on the systems and processes for attracting, developing, and retaining a quality workforce. In 2016-17, the turnover rate (including retirements) for all licensed staff was 15 percent, which ranged from 4 percent at Charles Barrett Elementary School to 24 percent at the Jefferson Houston K-8 School. This is 2 percent higher than the previous year but is one percent lower than the 16 percent historical average.<sup>6</sup>

A more detailed analysis of employee data showed that 19.9 percent of the 201 teachers that terminated last year did so within their first year of teaching at ACPS; 50.2 percent of all teachers that terminated last year did so within their first 3 years of teaching at ACPS; and, 72.1 percent of teachers that terminated had been employed at ACPS less than 5 years (see Figure 4).

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<sup>6</sup> Source: ACPS School Board Turnover Report, December 2017 (Data Request #26).

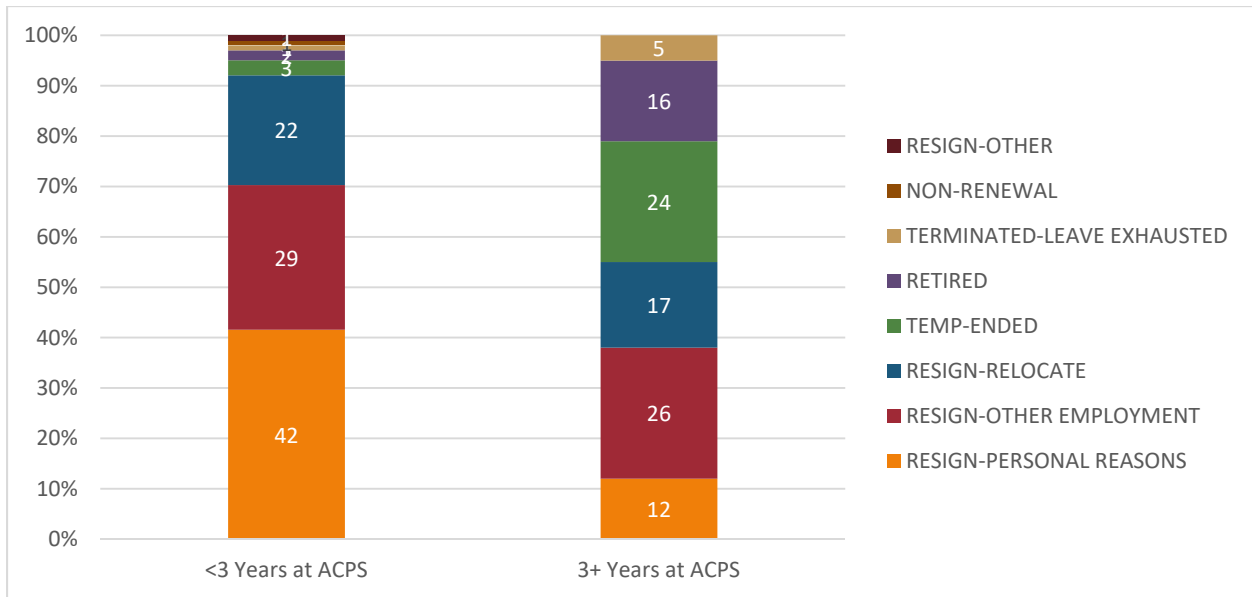
**Figure 4. Percent of Teacher Terminations by Years Teaching in ACPS, July 2016 to June 2017**



Source: ACPS Termination Report, Data Request #25.

Further analysis of data shows that 70.2 percent of teachers that terminated within the first three years of teaching at ACPS resigned for personal reasons (41.6 percent) or other employment (28.7 percent). This data indicates a need to better understand the key drivers for teachers leaving the school division at different points in their career and what differentiated strategies ACPS could implement to improve retention.

**Figure 5. Teacher Terminations by Termination Code and Years at ACPS, July 2016 to June 2017**



Source: ACPS Termination Report, Data Request #25.

The HR Department, with the assistance of a third-party contractor, administers employee exit surveys to all employees voluntarily separating from ACPS to gain better insight as to the reasons for position turnover. According to the 2016-17 exit survey results (which had an 80 percent response rate), 27 percent of licensed staff that left ACPS cited “reasons unrelated to ACPS” as the primary contributing factor, while just 6 percent cited “compensation/pay” and “employee benefits” as contributing factors. Interestingly, 67 percent of survey respondents cited a variety of other contributing factors such as “school division policies and practices”, “lack of recognition, appreciation, and respect”, “principal or manager” and “excessive workload or hours”—all of which are variables related to an employee’s working conditions, which ACPS has the ability to manage and control. Addressing unsatisfactory working conditions is necessary to improving employee retention and therefore warrants further review. The HR Department provided anecdotal information that suggest that some employees may leave the school division due to the high cost of living in Alexandria or the long commute for those living outside of the city.

The Teaching, Empowering, Leading and Learning (TELL) survey is also administered every two years to all licensed, school-based educators by the Virginia Department of Education (VADOE) to analyze educator perceptions of teaching and learning conditions in ACPS schools. Although the survey is not specifically focused on the Human Resources Department, teaching conditions are an important variable in teacher retention. ACPS reports a 76 percent response rate.

***Recommendation 9: Implement practices to proactively identify and address the root causes of employee turnover and use this data to inform recruit and retention strategies.***

The HR Department should seek to further disaggregate exit survey response data in ways that would give a clearer picture of employee turnover and mobility. For example, exit survey results are currently reported by employee group: licensed staff (overall and by school), support staff, administrators, and all ACPS staff. However, all employees (but particularly teachers) need different types of supports at different phases in their career path. Isolating first-year teacher responses from more experienced teacher responses, as an example, could yield new insights about teacher turnover. Additionally, the exit survey should include a final question that asks “Is there anything that would have persuaded you to stay at this school/school division?”

In addition to understanding why employees leave, it is equally important to understand why employees choose to stay and what might cause them to leave. For example, recent research indicates that teachers with positive perceptions about their working conditions are much more likely to stay at their current school than teachers who are more negative about their working conditions.<sup>7</sup> “Stay” interviews are a more positive approach to soliciting feedback from employees and are designed to engage valuable employees *before* they leave. Knowing that new or inexperienced teachers are at-risk of voluntarily terminating, for example, ACPS should conduct stay interviews with all teachers within their first 6 months of employment. ACPS can proactively address unsatisfactory working conditions for all employees by asking them what they want/need to be successful, which may change based on where they are at in their career lifecycle.

<sup>7</sup> <https://files.eric.ed.gov/fulltext/ED509680.pdf>

Again, presenting a clear picture of why employees choose to stay is essential to developing effective strategies for attracting and retaining top talent. Finally, ensuring that there is a process in place for ACPS management to review and address the results of both types of interviews/surveys is essential.

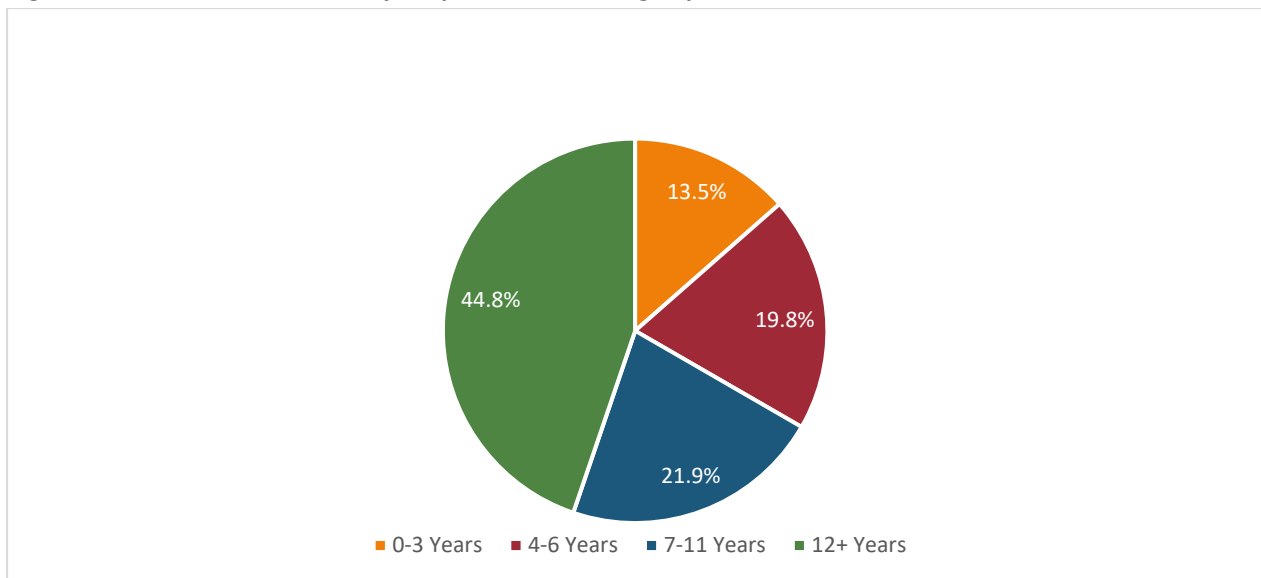
**Management Response:** *We agree with the finding. The Department of Human Resources will work collaboratively with the Department of Curriculum and Instruction's Talent Development Team to discuss the actions needed to implement retention and mentoring plans for our teachers.*

**Target Completion Date:** August 01, 2020

**Finding 10: Novice teachers are more heavily concentrated in the most challenging schools serving the highest need students.**

Research has clearly shown that quality teaching matters to student learning, and that teacher quality has been consistently identified as the most important school-based factor in student achievement.<sup>8</sup> There is also extensive research that demonstrates that teaching experience is associated with student achievement gains and other measures of success, such as school attendance, and experienced teachers have a positive impact on the performance of their peers and are more likely to confer benefits to their colleagues, their students, and the school as a whole.<sup>9</sup> Figure 6 shows that ACPS appears to have a healthy mix of both new and experienced teachers.

**Figure 6. Percent of Teachers by Step/Years Teaching Experience, 2017**



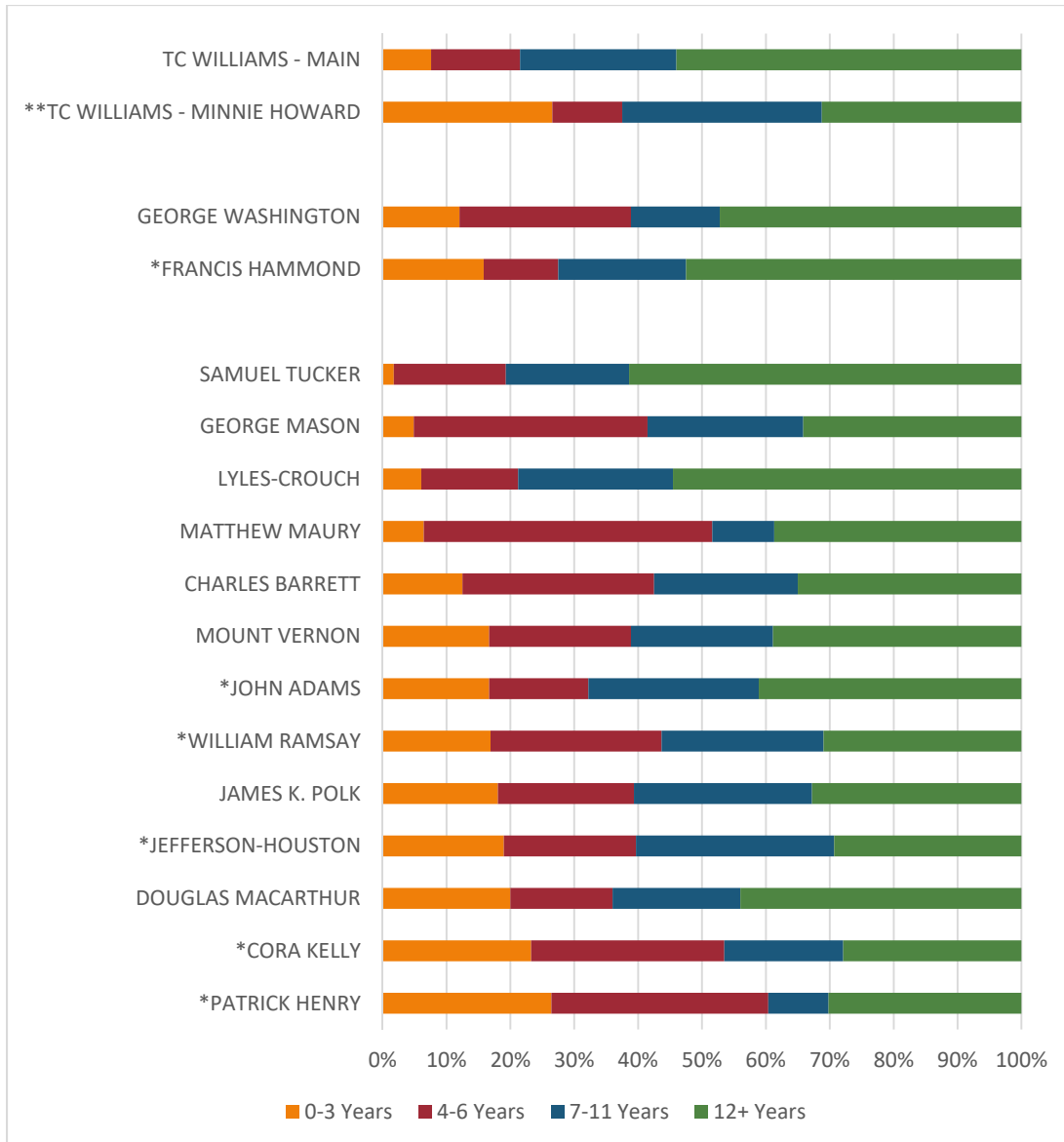
Source: ACPS Position Data, Data Request #16. \*A teacher's step on ACPS salary schedule is used as a proxy for teaching experience.

<sup>8</sup> [https://www.edweek.org/media/eperc\\_qualityteaching\\_12.11.pdf](https://www.edweek.org/media/eperc_qualityteaching_12.11.pdf)

<sup>9</sup> <https://www.edweek.org/ew/articles/2015/03/25/new-studies-find-that-for-teachers-experience.html>

As shown in Figure 7, the distribution of novice teachers (i.e., less than 3 years of teaching experience) varies across schools, with higher concentrations of inexperienced teachers in schools serving the highest percentage of economically disadvantaged students (i.e., Title 1 schools) and 9<sup>th</sup> grade students (i.e., Minnie Howard is 9<sup>th</sup> grade only), which is a critical transition year. Disparities in teacher experience and credentials put low-income students at a disadvantage and can perpetuate achievement gaps.

**Figure 7. Percent of Teachers by Step/Years Teaching Experience by Campus, 2017**



Source: ACPS Position Data, Data Request #16.

Note: \*Indicates a Title I campus. \*\*Minnie Howard serves 9<sup>th</sup> grade only.

**Recommendation 10: Review teacher assignment strategies that place the most inexperienced teachers in the highest need schools and classrooms.**

To address this issue, ACPS should:

- Create incentives (e.g., stipends) to attract and retain highly effective teachers (and principals) in the neediest schools.
- Give preferential treatment to Title I schools during the recruiting and hiring process.
- Ensure that recruits are the right fit for the school by requiring demonstration or sample performance lessons with students to better evaluate teacher candidates. It is estimated by HR that approximately half of ACPS principals include a demonstration lesson as part of their hiring process.
- Prioritize teacher assignment strategies that match teachers' knowledge, skills, and attitudes with the population of students that they will teach.
- Address teacher assignment strategies in the *Recruit and Retention Plan*.

**Management Response:** *We agree with the finding. The Department of Human Resources is working with the Department of Curriculum and Instruction's Title I Team to develop strategies to increase the number of experienced teachers in high need schools.*

**Target Completion Date:** *March 01, 2019*

**Commendation 1: ACPS has a more diverse teaching force than the State average particularly with respect to African American teachers.**

A growing body of research suggests children benefit in many ways from having a teacher of the same race or ethnicity. Published studies, for example, suggest black students do better in reading and math and are less likely to be suspended from school when they have black teachers.<sup>10</sup> ACPS, like many school systems, seeks to have a workforce that reflects the diversity of its student population. This priority is clearly stated on the division website: *"We must seek to reflect in our workforce the diversity of our community and meet the diverse needs of a multicultural student body."*<sup>11</sup> Commendably, the percentage of teachers that are black or African American closely mirrors the student population (see Figure 8 below), and the percentage of principals and assistant principals that are black or African American exceeds the student population by 13.7 percentage points. Further, ACPS also appears to have a more diverse teaching workforce than the State average where 85 percent of teachers are White, 10 percent are Black, 2 percent

<sup>10</sup> <https://journalistsresource.org/studies/society/education/minority-teachers-students-same-race-research>.

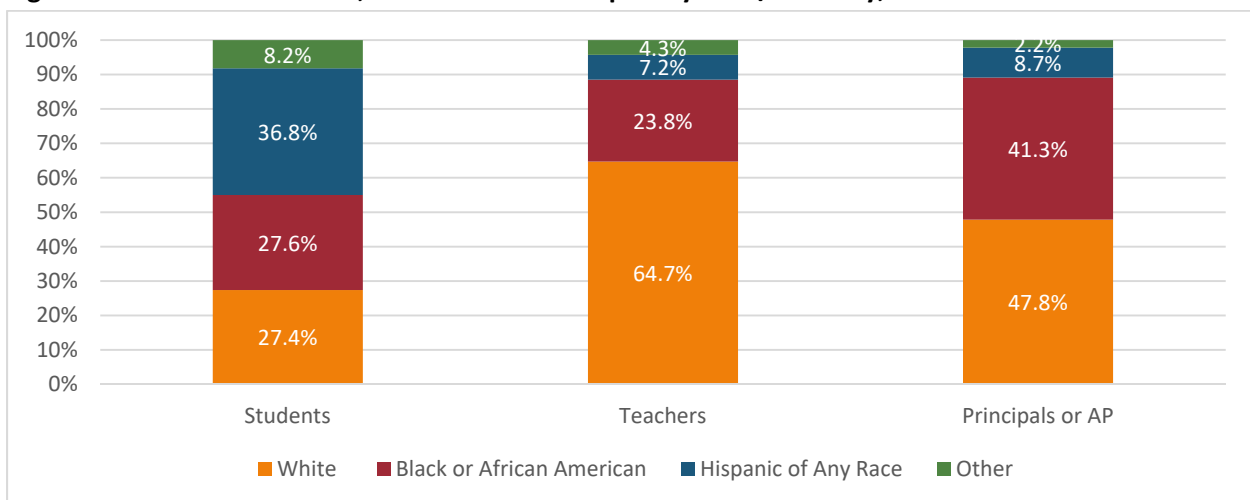
<sup>11</sup> <https://www.acps.k12.va.us/Page/1664>

are Hispanic, 3 percent are represented by two or more races, and 2 percent represent all other races combined.<sup>12</sup>

**Finding 11: ACPS has significant differences between student and teacher demographics for Hispanics and other minorities.**

Seventy-two percent of students in ACPS are minority, while 35.3 percent of teachers are minority. Hispanic and other minorities are particularly underrepresented in the teaching population, as only 11.5 percent of teachers are from these groups compared to 45 percent of students (see Figure 8). Alternatively, school leadership reflects a more diverse population, with 52.2 percent of principals and assistant principals being minority.

**Figure 8. Percent of Students, Teachers and Principals by Race/Ethnicity, 2017-18**



Source: ACPS Data Request #16 and VADOE Division Summary by Ethnicity Report, 2017-18.

Attracting a diverse candidate pool is challenging and school systems actively compete for these limited resources. In 2016-17, ACPS representatives actively recruited at 33 colleges and universities. Of these, however, only three are considered historically black colleges or universities (HCBUs)—Howard University (Washington, DC), Spelman College (Atlanta, Georgia), and Virginia State University (Petersburg, Virginia). The Department also sent representatives to Puerto Rico and to the University of Central Florida, both of which have large Hispanic populations.

<sup>12</sup> <https://cdn.americanprogress.org/wp-content/uploads/2014/05/TeacherDiversity.pdf>



**Recommendation 11: Implement strategies to more effectively recruit, hire and retain Hispanic teachers.**

Increasing the diversity of ACPS' teaching workforce will require adjustments to its current recruitment and retention strategy to focus on a more diverse talent pool. Just as technology influences innovation in the private sector, so too must it influence innovation in ACPS' human capital system. In order to attract quality talent, ACPS must use strategic recruitment systems that engage top candidates through targeted outreach and technology. For example, ACPS currently utilizes Facebook and Twitter social media platforms, which is good, but they also happen to be the most popular social media platforms and are used by all of ACPS' competition. To effectively compete for highly sought-after resources, ACPS should seek to better understand the behavior and norms of today's workforce and apply a different approach. Some trending social media platforms that are popular with teachers, for example, include Instagram, edConnect, Edmodo, TedEd, Vimeo, YouTube, TeacherTube, and LinkedIn, just to name a few.

The HR Department should also collaborate with the Department of Student Services, Alternative Programs, and Equity (who oversees the Equity and Cultural Competence Program) to review interviewing and hiring procedures and protocols to ensure racial and cultural sensitivity. The HR Department should ensure that hiring managers throughout the division are trained on these issues.

The HR Department should increase attendance at diversity job fairs that have high percentages of Hispanic teachers to help address the 29.6 percentage point gap in Hispanic student and teacher representation. Attending job fairs in New York City is currently being explored.

Research shows that individuals are more likely to recruit those with experiences and backgrounds similar to their own.<sup>13</sup> According to the *2017-18 Recruit and Retention Plan*, the HR Department plans to create and implement a "Refer a Teacher" program. While the benefits of this program should be available to all teachers, the HR Department should specifically market this program to high performing minority teachers in the school division to increase the diversity in the teacher talent pool.

Finally, statistics regarding the effectiveness of each hiring source should be tracked and monitored.

**Management Response:** *We agree with the finding. The Department of Human Resources agrees that ACPS needs to continue to actively recruit minority teachers. We will maintain our efforts to recruit black and other minority candidates. As our division data suggest, increased focus needs to be given to hiring Hispanic teachers. The ratio of Hispanic teachers to students is our most disproportionate minority category of teacher ratios.*

**Target Completion Date:** *February 01, 2019*

<sup>13</sup> <http://www.businessinsider.com/managers-hire-people-who-remind-them-of-themselves-2014-5>.

**Commendation 2: ACPS offers incentives such as additional pay step increases to recruit and retain hard to fill special education teacher positions.**

For salary placement of licensed staff, ACPS recognizes every year of work applicable to the position being filled up to 12 years, and special education teachers qualify for an additional step. Additional pay step increases and signing bonuses (which are currently under consideration) can be an effective strategy for addressing teacher recruitment and retention challenges.

**Commendation 3: Recent implementation of a new on-line applicant tracking system has streamlined the hiring process, reduced paper, and improved communications to hiring managers and applicants.**

*Recruit and Hire*, which is part of the *People Admin* suite of Talent Management products, is an online platform that ACPS uses to post job openings, collect applications, set up interviews, send notifications to applicants and make request to hire. The new system replaced *WinOcular* and was fully implemented during the 2016-17 school year. Feedback with hiring managers during interviews and focus groups suggests a high level of satisfaction with the new applicant tracking system in terms of efficiency in job postings, communications, and applicant processing.

Moving forward, it is important that HR management utilize system reports to closely monitor and track the status of applicants throughout the hire process to ensure that the process continues to operate efficiently and all communications with hiring managers and applicants are relevant and timely.

**Finding 12: The HR Department does not have a clearly-defined process or schedule for reviewing and updating job descriptions.**

One of the primary responsibilities of the HR Department is the maintenance of job descriptions for all positions within the school division. However, a review of more than 350 job descriptions found that many had not been updated in more than 5 years, some longer. At present, job descriptions are reviewed updated ad hoc by administrators when posting positions or as part of the reclassification process of individual employees.

Well-written and updated job descriptions can be a highly effective tool for managing the school division's recruiting, hiring, and performance evaluation processes. Job descriptions help employees get a sense of their job responsibilities, what is expected of them, and the standards by which they will be evaluated and rewarded. They can also be useful in developing recruiting materials, orientation and training programs, and ensuring consistency and equity among positions. Job descriptions are also helpful in ensuring compliance with the Americans with Disabilities Act (ADA) and the Fair Labor Standards Act (FLSA) and can help to mitigate employee complaints related to compensation or EEOC charges, among other things.

**Recommendation 12:** *Establish processes for systematically reviewing and updating job descriptions to ensure that they accurately reflect assigned roles, responsibilities, reporting relationships, and position qualifications.*

In collaboration with other departments, the HR Department should establish a plan to review and revise job descriptions every two years, or more often and as needed when working conditions change or when a key position becomes vacant. The HR Department should also ensure that position descriptions are integrated with the recruiting, hiring, performance, and compensation processes.

**Management Response:** *We agree with the finding. The Department of Human Resources will begin a process of having all departments review and update the job descriptions for their respective departments. Additionally, this will include an annual process of updating any positions that have changed during that year.*

**Target Completion Date:** *July 01, 2019*

**Finding 13:** *Some personnel forms and other ACPS benefits provided to employees during recruiting and new employee orientation are not readily available in languages other than English.*

As more and more non-English speakers and those with limited English skills apply for and accept jobs in ACPS, such as in custodial and student nutrition positions, the need for bilingual communications, applications, and personnel forms (especially in Spanish, Arabic and Amharic) increases.

Employment forms required by the federal government, such as W-2 Standard Deductions and Form I-9 Immigration, are already available in Spanish. ACPS benefits documents from health insurance carriers typically include the standard foreign language assistance notice. For example, the ACPS Summary of Benefits and Coverage from its health insurance providers states "*We provide free services to help you communicate with us. Such as, letters in other languages or large print. Or, you can ask for an interpreter. To ask for help, please call the number contained within this Summary of Benefits and Coverage (SBC).*" However, this message itself is only written in English.

**Recommendation 13:** *Ensure that all required forms and relevant documentation and communications are also available in Spanish, Arabic and Amharic.*

ACPS already provides a significant amount of documentation and information for families on its website in English, Spanish, Arabic, and Amharic. The employee handbook, safety manuals, and other required personnel forms should also be available in these languages.

**Management Response:** *We agree that all forms should be translated. The translation of these forms should include budgetary support initially and annually.*

**Target Completion Date:** *July 01, 2019*

**Finding 14: ACPS does not have an effective employee onboarding program that is consistently implemented across departments.**

The HR Department currently implements an employee new hire orientation (NHO) program that typically occurs within the first week of employment, is transactional in nature, and is focused on completing the required paperwork for employment. NHO for benefit-eligible employees is coordinated by the Compensation and Benefits unit (offered as group session) and NHO for casual employees is coordinated by the Employee Services unit (scheduled individually by appointment).

During NHO, employees are fingerprinted, issued ID badges, and provided with an overview of the school division's tools and resources, school board and other policies, and information systems, including TCP, SAM, Zimbra, and CANVAS; benefit-eligible employees are also provided with additional information on the school division's benefit programs. In response to a personnel action in MUNIS, the Information Technology Department sends an email to all new hires with their log-in credentials to TCP, SAM, Zimbra, and others as required.

The HR Department does not collaborate with other departments to ensure that orientation for all new employees is effective and seamless—this is left at the discretion of other departments or school administrators. For example, new teachers attend a new teacher orientation that is coordinated by the Curriculum and Instruction Department; other orientation activities are at the discretion of the principal or department management.

Different from an orientation, onboarding is the process of helping new hires adjust to the social and performance aspects of their new jobs by ensuring they have what they need to be successful. It typically starts from their first day of employment and lasts through their first year. Research shows that organizations that have an effective onboarding program retained 91 percent of their first-year employees.<sup>14</sup> The fact that 20 percent of teachers that left ACPS in 2016-17 did so within their first year of employment suggests that a more effective approach to onboarding and supporting new employees is needed. While other departments will need to be involved in developing an effective onboarding program, HR should take the lead in coordinating and monitoring division efforts.

***Recommendation 14: Develop and coordinate an employee onboarding program that supports all new employees through their first year on the job.***

Successful onboarding should be a key component to ACPS' strategic human resource management strategy. With the high cost of employee turnover, effectively integrating new employees into the school division and culture is important to ensuring their success. The HR Department should be responsible for developing and coordinating a comprehensive onboarding program that is coordinated and seamlessly integrated with the goals and objectives of all departments. In collaboration with other central office departments, the HR Department should develop a formal onboarding plan (similar to the *Recruit and*

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<sup>14</sup> Society of Human Resources Management.

*Retention* plan) that outlines the specific goals, responsibilities, timeline, and supports that should be available to all new employees. This process could be developed and refined based on the results of the “Stay” interviews discussed previously in Recommendation 9. By setting a standard for onboarding, ACPS can improve retention rates by helping to ensure that *all* new employees are properly introduced to the important aspects of ACPS’ values, culture and people.

**Management Response:** *The Department of Human Resources will work collaboratively with the Department of Curriculum and Instruction's Talent Development Team to discuss how it can reach out to all departments to ensure that it includes all necessary components of a successful employee on-boarding program.*

**Target Completion Date:** *July 01, 2020*

**Finding 15: The Teacher Mentor program is not implemented with consistency or fidelity.**

Teacher induction programs are essential for helping beginning teachers successfully transition to the classroom and remain in teaching. In fact, research shows that it is more cost effective to provide teacher induction programs that reduce teacher attrition than to fund recruitment and hiring initiatives to replace departing teachers.<sup>15</sup>

Through the Office of Talent Development, ACPS offers a Teacher Mentoring Program aimed at supporting first-year teachers and teachers new to the school division so that they can successfully integrate into the work of ACPS. The goals of the program are to:<sup>16</sup>

- Integrate new teachers into the culture and climate of schools and school division.
- Continue to develop and practice effective teaching strategies to meet the needs of all learners.
- Enhance teachers’ practice through professional learning and reflection on their practice and on student learning.
- Increase and improve recruitment, success, and retention of new teachers to ACPS.
- Promote and develop teacher leadership in the division.
- Improve student outcomes across all schools and ensure that every student succeeds.

Each new teacher is provided a mentor and each mentor has a mentor coordinator. Mentors are required to be a certified teacher or administrator who have at least three years of teaching experience. They are paid a stipend, which ranges from \$600 to \$900 per year, depending on whether their mentee teacher is novice or just new to the division. Mentors are responsible for providing instructional support,

<sup>15</sup> <https://eric.ed.gov/?id=ED467748>

<sup>16</sup> ACPS 2017-18 Mentoring Handbook.

professional support, and personal support to mentees and are encouraged to spend 60 to 90 minutes per week mentoring.

Mentor coordinators work with the school principal to assign mentors to mentees and generally monitor the implementation of the program at their school to assure that new teachers receive the support they need. Mentor coordinator stipends are paid based on the number of mentors at the school and range from \$700 if there is just one mentor to \$1,600 for more than 20 mentors at a school.

Although the Teacher Mentor program has been in place for several years, recent changes were made to correct some of the deficiencies with implementation. For example, time and effort logs were introduced to mitigate some mentors and mentor coordinators from being paid a stipend without having fulfilled their required obligations. In addition, training began this past year on the Santa Cruz model for effective mentoring program, which focuses on the details of successful mentoring through providing a focus on the teacher improving their instructional practices, clarifying ACPS and their school expectations, and providing social and emotional support. However, training is not mandatory and it is estimated by Talent Development that only one-third of mentor coordinators attended training last year.

***Recommendation 15: Enhance the Teacher Mentor Program to more effectively support new teachers and veteran teachers new to the school, school division, or teaching assignment.***

Although recent changes to the Teacher Mentor Program are positive, some additional enhancements should be considered:

- Extend the mentor-mentee partnership beyond one year, ideally up to three years, when teachers are most at risk of leaving the profession and need the most support.
- Solicit feedback from mentor coordinators, mentors and mentees to assess the effectiveness of the program.
- Require mentor coordinators to attend training sessions as a prerequisite for the stipend.
- Review mentor-teacher assignment strategies to ensure that they are appropriately paired. Ensure that all principals are involved in this process and monitor the success of the partnership.

***Management Response:*** *The Department of Human Resources will work collaboratively with the Department of Curriculum and Instruction's Talent Development Team to institute some of the recommendations presented by Gibson. The mentor program will continue to focus on first year teachers in ACPS and the program providing additional supports beyond the first year of teaching.*

***Target Completion Date:*** *July 01, 2020*

**Commendation 4: ACPS offers a tuition assistance program for licensed staff in the priority areas of ELL, Special Education, Math, Reading, Honors/Talented and Gifted, and Educational Leadership.**

In 2017-18, ACPS spent \$313,241 on employee education and tuition assistance programs (object 528025). Tuition assistance is available to licensed employees that request reimbursement for coursework that meets the instructional and program goals and priorities aligned to the *ACPS 2020 Strategic Plan*, Characteristics of High Performing School Districts, and the 12 Priorities of the Curriculum and Instruction Office. Tuition assistance is also available to support non-licensed staff who are seeking academic credits, continuing education updates, or attending workshops/seminars outside of the work place to update their job skills or enhance their job expertise.

**Commendation 5: ACPS supports teachers pursuing National Board Certification.**

The National Board Certification (NBC) program offers support to accomplished teachers who want to pursue this advanced certification. This program offers a monthly support course that assists the teachers through this process. A teacher can receive from 45 to 180 recertification points by completing this process. After completion, a teacher is eligible for Department of Education sponsored stipends that include a first year of \$5,000 and \$2,500 for years 2 through 10. Additionally, ACPS provides a \$2,200 Bonus for years 1 to 10. In 2017-18, ACPS spent \$32,075 on supporting teachers pursuing National Board Certification.

**Commendation 6: The HR Department recently implemented an on-line performance evaluation system, *Perform*, and is currently implementing evaluation processes for non-licensed staff.**

The Virginia Board of Education, in the *Guidelines for Uniform Performance Standards and Evaluation Criteria for Teachers* and the *Virginia Standards for the Professional Practice of Teachers*, establishes guidelines for teacher, principal and superintendent performance standards and evaluation criteria to assist school divisions in implementing educator evaluation systems.<sup>17</sup> There are no established State guidelines or standards for non-licensed staff.

In 2015-16, ACPS implemented *Perform*, an on-line platform that is part of the *PeopleAdmin* suite of products used to facilitate employee performance evaluations. Prior to implementation, performance evaluations for licensed staff was a paper-based process. In 2017-18, the HR Department began implementing on-line evaluations for non-licensed staff, using a modified version of the teacher evaluation tool. Compliance with required evaluation timelines is discussed further in *Section 6 – Compliance and Audit Testing*. This was the first time that a support evaluation process is fully automated through electronic verification, which should allow for better tracking the completion of these evaluations. The 2018-19 school year will be the first year that performance evaluations for non-licensed staff will be mandatory.

<sup>17</sup> [http://www.doe.virginia.gov/teaching/performance\\_evaluation/index.shtml](http://www.doe.virginia.gov/teaching/performance_evaluation/index.shtml)

## Section 5 – Compensation and Benefits Management

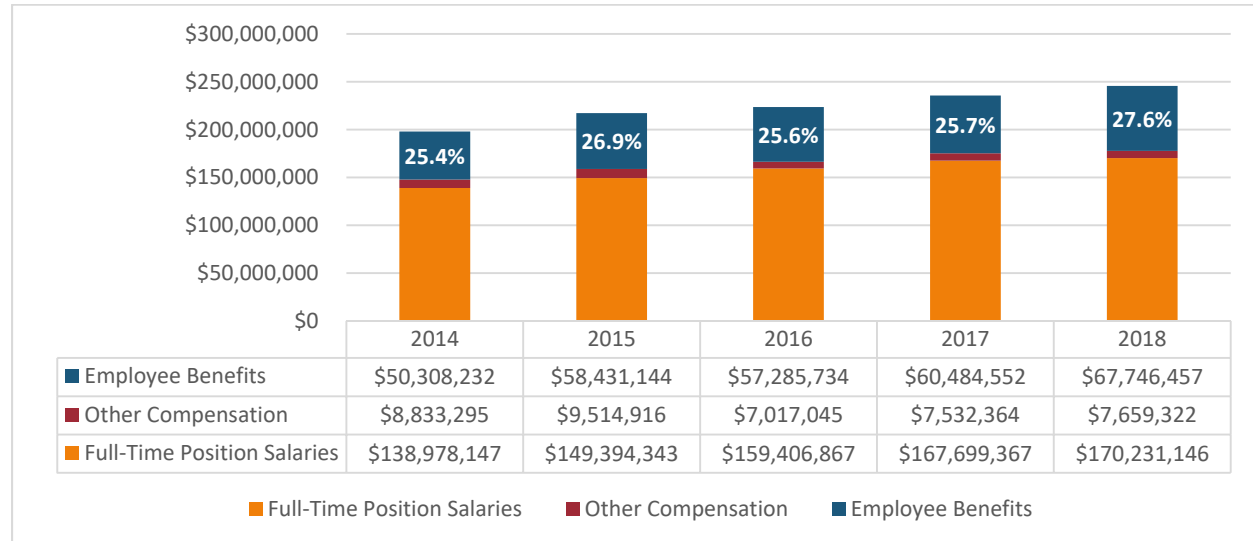
### Background

The Human Resources Department manages the division's various forms of compensation (e.g., contract pay, base pay, stipends) to ensure competitive and equitable salary and classification. The Compensation and Benefits unit within HR is responsible for administering salary notifications and adjustments, including step and/or market rate increases; managing employee leave and disability programs, benefit and wellness programs, employee assistance programs, retirement programs, and tuition reimbursement programs; overseeing the position classification review process; and, ensuring compliance with respect to all federal, state and local laws governing wages and work hours.

### Employee Compensation

The Division's total compensation and benefits has steadily increased over the past five years, which is illustrated in Figure 9. Benefits as a percent of total compensation remained relatively constant from 2014 to 2017 but increased almost 2 percent from 2017 to 2018.

**Figure 9. ACPS Expenditures for Compensation Accounts, 2014 to 2018**



Source: WABE Guides FY2014-2018, Washington Area Boards of Education (WABE). \*Other Compensation includes hourly and part-time accounts.



There are four Board-approved salary schedules that assign all full-time employee positions to pay grades and their accompanying experience steps:

- *Administrator – Licensed (LAS)*: 9 pay grades, 10 Steps – Principals, assistant principals, other school-based supervisors, and central-office licensed professionals (coordinators, directors, executive directors, licensed chief officers, etc.)
- *Administrator – Support (SAS)*: 14 pay grades, 18 steps – Non-instructional program supervisors, analysts, managers, technicians, coordinators, directors, assistant directors, non-licensed chief officers, etc.
- *Teachers*: Teachers, counselors, librarians, instructional coaches, other licensed instructional staff
  - Bachelor’s Degree – 23 Steps
  - Master’s Degree – 24 Steps
  - Master’s + 30 Semester Hours and/or Doctorate – 24 Steps
- *Support Staff*: 35 pay grades, 21 steps - Administrative assistants, clerks, paraprofessionals, custodial, school nutrition, bus drivers, skilled maintenance, coordinators of support programs, etc.

Each year, after an informal analysis of how ACPS salaries compare with other school divisions and the local market, the CHRO and the Chief Financial Officer (CFO) collaborate to determine any potential salary adjustments, which are then recommended to the Board by the Superintendent and the CFO. In addition, the rates of pay for casual employees are also established, maintained, and monitored by HR. Casual employees are hired on a non-contractual part-time basis, and include positions such as teacher substitutes, bus driver substitutes, school nutrition substitutes, interns, after-school tutors, security monitors, and Standards of Learning (SOL) testing monitors. In 2018, a 2.6 percent step increase for all employees was approved by the ACPS Board.

## Audit Findings and Recommendations

**Commendation 7: ACPS’ average teacher and principal salaries are competitive with neighboring school systems.**

Table 10 shows the 2017-18 average teacher and principal salaries for ACPS compared to 14 other school divisions and districts. ACPS ranks near the top of the list for both teacher and principal salaries; only Arlington County and Falls Church City (teachers only) have higher average salaries. Although not shown in the table below, ACPS is the only WABE school division to have 7.25 teacher contract hours per day (compared to 7.5 hours per day for other school divisions), which can be seen as a competitive

advantage.<sup>18</sup>

**Table 10. Average Teacher and Principal Salaries, 2017-18**

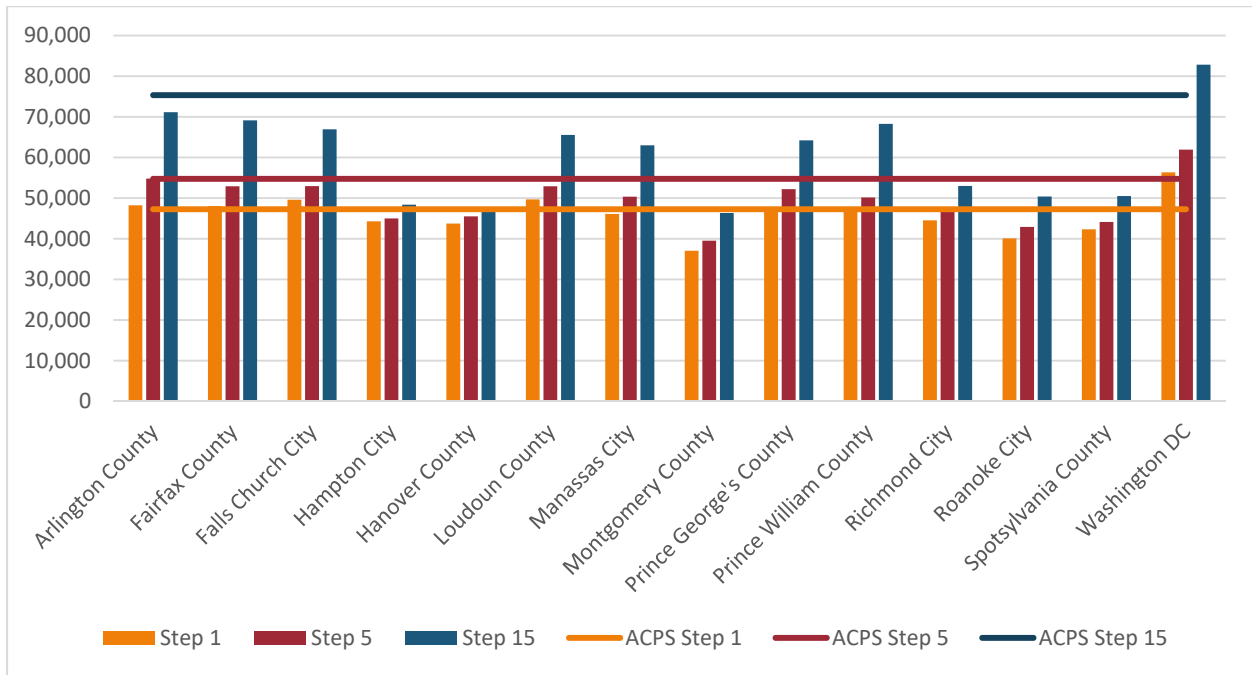
School Division/District	Average Teacher Salary	School Division/District	Average Principal Salary
Arlington County	\$78,617	Arlington County	\$147,632
Falls Church City	\$77,157	<b>Alexandria City</b>	<b>\$139,548</b>
<b>Alexandria City</b>	<b>\$74,738</b>	Fairfax County	\$135,399
Fairfax County	\$68,883	Manassas Park City	\$129,167
Prince William County	\$65,902	Loudoun County	\$123,344
Loudoun County	\$65,678	Prince William County	\$122,781
Manassas Park City	\$59,552	Falls Church City	\$120,342
State Average	\$56,351	Spotsylvania County	\$115,312
Hanover County	\$56,106	State Average	\$99,727
Spotsylvania County	\$54,284	Richmond City	\$93,977
Montgomery County, MD	\$52,111	Hanover County	\$92,734
Prince George's County, MD	\$51,148	Roanoke City	\$91,385
Roanoke City	\$51,061	Hampton City	\$89,103
Hampton City	\$50,312	Montgomery County, MD	\$82,055
Richmond City	\$49,079	Prince George's County MD	\$78,248

Source: Virginia Department of Education 2017-18 Teacher Salary Report. \*Data comparing the salaries of licensed central office administrators (excluding salaries of superintendents) is not publicly reported.

Further analysis shows that ACPS teachers with a bachelor's degree are also paid higher than teachers in all other school systems except Washington DC at steps 5 and 15 (shown in Figure 10). Starting salary for novice teachers (step 1) is lower than seven of the benchmark districts – Washington DC, Loudon County, Falls Church City, Arlington County, Fairfax County, Prince George's County, and Prince William County. Starting salary is an important variable for teachers new to the profession. In fact, 80 percent of newly hired teachers reported on the 2018 ACPS Recruiting Survey that salary was "very important" when seeking employment.

<sup>18</sup> FY 2018 WABE Guide.

**Figure 10. Teacher Salary with Bachelor’s Degree, 2017 Pay Steps 1, 5 and 15**



Source: 2017 Salary Schedules downloaded from division/district websites.

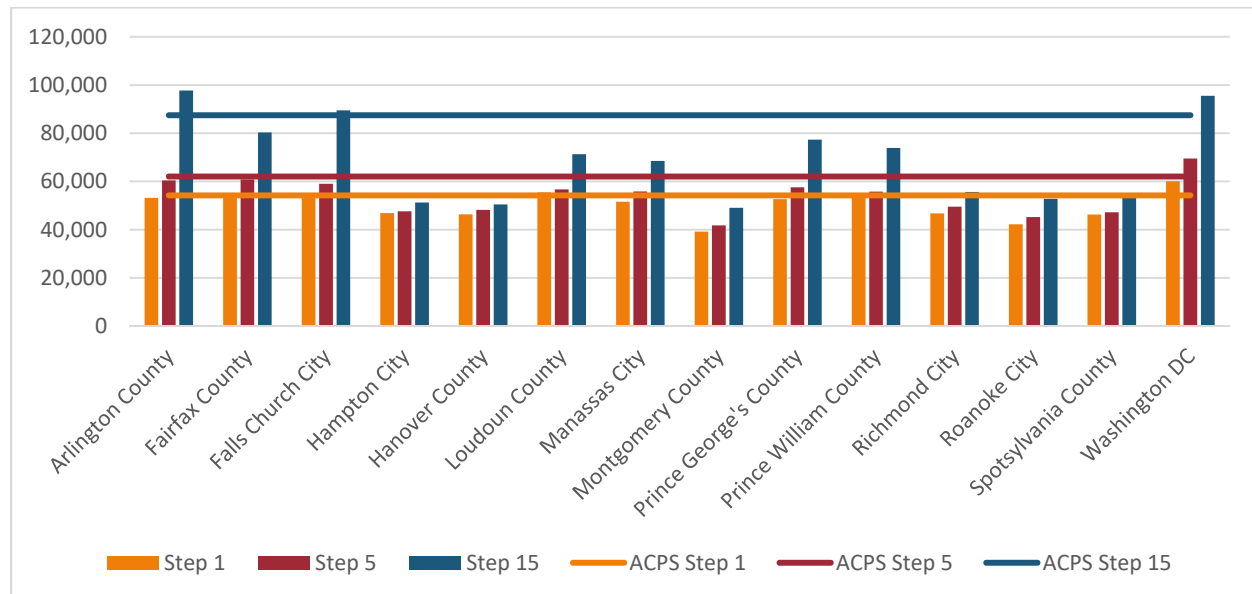
Despite ACPS’ lower starting salary, it takes less time to get to the top of the teacher pay scale (i.e., 23 steps) in ACPS than all other benchmark school divisions, except Prince George’s County. Typically, each step equals one year of service, but advancement to the next higher step is dependent upon the availability of adequate funding and local policies governing step advancement. Although ACPS’ starting salary for teachers with a bachelor’s degree ranked 7<sup>th</sup> in comparison to other school division, its top salary ranked 4<sup>th</sup> – and teachers can advance to the highest step at a faster rate than in other school divisions. This is important to note as a recruitment incentive.

**Table 11. Teacher Salary and Step Comparison with Bachelor's Degree, 2017**

Division/District	Starting Salary	Top Salary	Number of Steps
Prince George's, MD	\$47,781	\$64,214	20
<b>Alexandria City</b>	<b>\$47,242</b>	<b>\$84,823</b>	<b>23</b>
Prince William County	\$47,724	\$10,287	28
Manassas City	\$46,078	\$95,897	30
Loudoun County	\$49,674	\$94,237	30
Montgomery County, MD	\$37,051	\$60,477	31
Roanoke City	\$40,073	\$65,709	34
Spotsylvania County	\$42,314	\$92,326	40
Richmond City	\$44,525	\$74,585	41
Hanover County	\$43,749	\$73,603	41
Washington DC	\$56,313	\$82,838	*
Fairfax County	\$48,012	\$67,585	*
Arlington County	\$48,228	\$66,910	*
<b>ACPS Rank from Top</b>	<b>7<sup>th</sup></b>	<b>4<sup>th</sup></b>	<b>2<sup>nd</sup></b>

Source: 2017 teacher salary schedules downloaded from division/district websites. \*Information not available.

As shown in Figure 11, beginning teachers (step 1) with a master's degree in ACPS are paid more than teachers in most other school systems, except Washington DC, Loudon County, and Falls Church City. Having beginning teacher salaries at the master's level above mid-point is listed as one of the Division's key performance indicators in the *ACPS 2020 Scorecard*. More experienced teachers with a master's degree are also paid higher than teachers in all other school systems except Washington DC (at step 5) and Arlington County, Washington DC, and Falls Church City (at step 15).

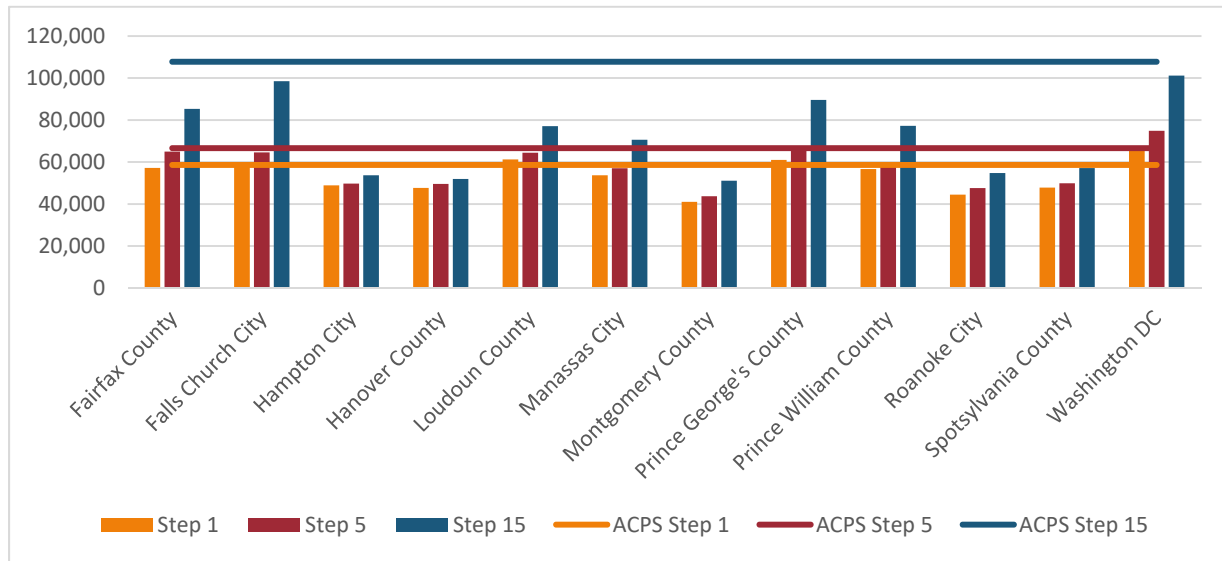
**Figure 11. Teacher Salary with Master's Degree, 2017 Pay Steps 1, 5 and 15**

Source: 2017 Salary Schedules downloaded from division/district websites.

Experienced teachers (step 15) in ACPS with a doctorate degree are paid more than teachers in all of the

benchmark school systems. At step 5, ACPS ranks just below Washington DC and Prince George’s County. Starting salary for novice teachers (step 1) with a doctorate degree in ACPS are below four of the benchmark districts: Washington DC, Loudon County, Prince George’s County, and Falls Church City.

**Figure 12. Teacher Salary with Doctorate Degree, 2017 Pay Steps 1, 5 and 15**



Source: 2017 Salary Schedules downloaded from division/district websites.

**Finding 16: ACPS has not conducted a recent salary survey.**

A salary survey is a standard method of finding out what other organizations are paying in salaries and benefits for specific jobs or job classes. Salary surveys can provide useful benchmarking information for determining the prevailing pay rates and benefits of other school divisions, municipalities, and the private sector so that the Division can ensure that its compensation plans are competitive for recruiting, hiring, and retaining employees.

The HR Department conducted a job analysis and classification study in 2003-04, but that study did not include a salary survey. Since then, the HR Department has conducted some very limited telephone and/or email questionnaires to benchmark employee salaries. The HR Department also reviews the *WABE Guide*, which is published annually and includes salary and benefit data for all Washington Area Board of Education districts. However, the WABE data is limited in that it primarily focuses on instructional positions (principals, assistant principals, teachers, instructional assistants, and substitutes) and only one non-instructional position (bus drivers). It does not include any market data for other public or private sector entities. Without a market reference point for non-instructional positions, ACPS cannot be assured that its compensation levels are competitive (paying too little may result in difficulty recruiting and retaining staff) or appropriate (paying too much may result in elevated operating costs).

***Recommendation 16: Establish a schedule for conducting salary surveys for the different classifications of employees.***

The Society of Human Resources Management recommends that employers examine their overall compensation structure at least every three to five years to determine whether or not it is still aligned with the labor market.<sup>19</sup> ACPS may purchase results of surveys conducted by a variety of organizations proficient in the collection, analysis and distribution of salary data, or it may choose to conduct its own salary survey. Gibson recommends that ACPS budget to conduct a salary survey at least every five years and on a rotating schedule for the different classifications of positions (starting with non-instructional positions since they have not been recently reviewed). Generally, the cost of a salary study that is conducted by professional compensation specialists is based on the number of non-licensed support position titles in the current pay structure and the number of employees assigned to each. For ACPS, the cost of conducting a salary survey is estimated at \$20,000 to \$45,000, although the estimated fiscal impact of implementing any salary adjustments would likely be significant.

***Management Response:*** *We agree with the finding. We highly recommend ACPS adopt a rotating salary survey/analysis of the all job classes. However, it is highly recommended that prior to completing a salary survey there is a budgetary commitment to support both the survey and the implementation of any increases recommended in the results of the completed surveys.*

***Target Completion Date:*** *July 01, 2020*

**Finding 17: HR staff process manual timesheets resulting in an inadequate segregation of duties.**

A functioning system of internal controls helps to reduce the risk of error, misuse or fraud. For this reason, best practice organizations segregate key duties and responsibilities to different personnel. This means that employees that are responsible for maintaining HR data should not have access to the payroll system, be involved in the payroll process, distribute payroll checks or make hiring or termination decisions. ACPS currently lacks these internal controls because all manual timesheets are submitted to the HR Department, with the exception of the Transportation employees, which are submitted to Payroll. The HR administrative assistant certifies that the rate of pay and funding source for each timesheet is correct and then sends to Payroll for processing payment. Each pay period, HR processes an estimated 475 to 610 manual timesheets for casual, part-time, and temporary employees. A recommendation to streamline the payroll process and require all employees to utilize TCP when recording time was made in Gibson's 2017 *Internal Audit of the Payroll Function* report, but this has not yet occurred.

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<sup>19</sup> Joanne M. Sammer, *Updating Salary Structure: When, Why and How?* May 21, 2013. Society for Human Resource Management.

**Recommendation 17: Shift responsibility for processing manual time sheets from HR to Payroll.**

In the short-term, ACPS should improve internal controls and assign all responsibility for processing all manual timesheets to the Payroll Department. In the long-term, ACPS should eliminate the use of manual timesheets altogether. This may be possible once the system integration issues (discussed in *Section 2 – Information Technology and Business Processes*) are fully resolved.

**Management Response:** *We agree with the finding. The Department of Human Resources will collaborate with the Department of Financial Services to shift responsibility for processing manual time sheets to the Payroll Department.*

**Target Completion Date:** *December 01, 2018*

**Benefits Management**

Offering affordable, comprehensive, and competitive benefit plans is essential to attracting and retaining employees. ACPS provides employees with a combination of mandatory and optional benefit programs, and eligibility for these programs varies based on an employee's full or part-time status, position and/or employee group. A brief description of these plans is outlined below:<sup>20</sup>

- **Health Insurance Plans** – Employees who are scheduled to work at least 20 hours per week are eligible to participate in the ACPS group health insurance plans. In determining coverage and rates of premiums, an employee who works 30 hours or more per week are considered full-time employees and they pay the full-time health insurance rates. An employee scheduled to work between 20 and 29 hours per week is considered a part time employee and the part time health insurance rates apply. ACPS offers optional medical coverage through two providers: Kaiser and United Healthcare (UHC), both of whom offer prescription drug coverage. ACPS also offers an optional dental plan (provided through CareFirst) and an optional vision plan (provided through EyeMed). Table 12 shows the employee participation rates for ACPS' health insurance plans for each employee group.

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<sup>20</sup> ACPS Benefits Summary Report, May 2017.

**Table 12. Employee Health Insurance Participation Rates (Kaiser and United Healthcare)**

Employee Group	Participation Rate
Full Time Licensed Employee	75.6%
Full Time Support Employee Grade Below 25	86.4%
Full Time Administrator and Support Employee Grade 25+	84.8%
Part Time Licensed Employee	36.7%
Part Time Support Employee Grade Below 25	23.1%
Part Time Administrator & Support Employee Grade 25+	50.0%
<b>Total</b>	<b>77.6%</b>

Source: ACPS Data Request #30.

- **Flexible Spending Accounts (FSAs)** – Employees can set aside part of their salary before Social Security, Federal and State taxes to pay for eligible health and dependent care expenses. These FSA accounts are administered by Total Administrative Services Corporation (TASC).
- **Leave Program** – The ACPS leave program includes sick leave, personal leave, and annual leave.
- **Disability Program** – ACPS offers both short and long-term benefits to eligible employees through the Hartford Life Company.
- **Employee Assistance Program (EAP)** – This program provides confidential assistance to employees and their family with personal concerns that may adversely impact employees’ work performance, and their well-being. Assessment, short term counseling, and referral services and are offered through the disability program with the Hartford.
- **Long Term Care Insurance** – Sponsored by the Virginia Retirement System, this optional insurance pays for covered expenses for long term care services whether they are received at home, in the community, or in a nursing facility.
- **CommonWealth One Credit Union** - ACPS has partnered with the credit union to offer employees a wide range of financial options, including savings, investments, checking, convenience services, student accounts, Visa, auto and RV loans, personal, home equity, and mortgage loans.
- **Life Insurance** – Through Virginia Retirement System (VRS) and Minnesota Life Basic, ACPS offers life and accidental death and dismemberment (AD&D) insurance for employees and/or their dependents.
- **Retirement and Savings Plans** – The Virginia Retirement System (VRS) is a mandatory benefit program sponsored by the Commonwealth of Virginia. Full-time, benefit-eligible employees working at least 30 hours per week are eligible for the VRS retirement plan. The ACPS Supplemental Retirement plan is a mandatory defined benefit retirement plan and requires employees to contribute 1.5 percent of their salary. ACPS has partnered with TSA Consulting Group (TSACG) for the administration of the 403(b) and 457(b) savings plans.



**Finding 18: ACPS has a higher benefit percentage than most neighboring school divisions.**

ACPS' employee benefit programs are an integral part of an employee's total compensation because the school division either pays the entire cost of the plan or has employees contribute a small portion of the premium costs for their coverage. Each year, the Washington Area Board of Education group issues surveys to its members to publish the annual WABE Guide, which includes comparable information for school divisions in a standardized format. According to WABE survey data, ACPS pays a higher percentage of health care premium costs (Point of Service and HMO Family) than all other WABE school divisions except Montgomery County. ACPS also pays a higher percentage of dental insurance premium costs than some but not all of the WABE school divisions, and pays for 100 percent of both short- and long-term disability premiums, which some other school division offer as well. This can be a competitive advantage when recruiting employees, but it may also indicate a potential savings opportunity if ACPS were to contribute at levels closer to peer school divisions.

**Table 13. Percent of Benefits Paid by School Division**

WABE School Division	Point of Service Family	HMO Family	Dental Insurance	Short Term Disability	Long Term Disability
<b>Alexandria</b>	<b>80%</b>	<b>80%</b>	<b>57%</b>	<b>100%</b>	<b>100%</b>
Arlington County	62%	69%	35%	100%	100%
Fairfax County	75%	75%	70%	100%	0%
Falls Church City	75%	75%	0%	100%	100%
Loudon County	71%	n/a	82%	100%	0%
Manassas City	64%	73%	<sup>1</sup>	0%	100%
Manassas Park City	55%	61%	<sup>2</sup>	0%	<sup>3</sup>
Montgomery County	83%	88%	83%	0%	0%
Prince George's County	80%	n/a	80%	n/a	n/a
Prince William County	61%	70%	95%	100%	100%

Source: FY 2018 WABE Guide. <sup>1</sup> Manassas City Public Schools district includes dental and vision insurance in health insurance. In addition, the district offers a stand-alone dental plan with 40% paid by employee, and 60% by employer; <sup>2</sup> Included in Health Insurance; <sup>3</sup> Manassas Park City Schools district's long-term insurance is covered at 40% of salary by the district.

The WABE Guide also compares teacher benefit costs as a percent of teacher salary. Table 14 compares ACPS to the surrounding school divisions using: 1) a hypothetical teacher salary of \$65,000, and 2) the actual average teacher salary for each school division. By both measures, ACPS' benefits account for a higher percentage of total teacher compensation than they do in most of the neighboring school systems.

**Table 14. Employer Costs for Hypothetical and Actual Average Teacher Salary, 2018**

WABE School Division	Benefit Pct. of Hypothetical Salary	Benefit Pct. of Actual Salary
<b>Alexandria</b>	<b>53.16%</b>	<b>48.89%</b>
Arlington County	45.82%	42.24%
Fairfax County	53.38%	51.15%
Falls Church City	57.65%	52.87%

WABE School Division	Benefit Pct. of Hypothetical Salary	Benefit Pct. of Actual Salary
Loudon County	58.44%	57.37%
Manassas City	48.72%	48.58%
Manassas Park City	45.08%	46.78%
Montgomery County	52.71%	47.64%
Prince George's County	43.31%	42.08%
Prince William County	50.79%	50.43%
<b>ACPS Rank (Low to High)</b>	<b>7th</b>	<b>6<sup>th</sup></b>

Source: FY 2018 WABE Guide.

**Recommendation 18: Continue to routinely monitor benefit programs to manage costs.**

The rising costs of benefits continues to be a concern for nearly every employer across the county, so ensuring that effective processes are in place to review and competitively bid insurance programs is essential. To address the rising costs of employee benefits and to better manage benefit programs, the Compensation and Benefits staff meet every fall with each of the health insurance carriers and third-party administrators to review past claims and expenses. Carriers provide ACPS with information related to benefits utilization and expenses, medical and prescription drug trends, catastrophic claims and related case management, as well information on claim prevalence and comparisons of ACPS costs to public sector norms. Using this information, ACPS works with carriers to develop strategies to manage cost increases. For example, ACPS recently implemented *Real Appeal*, a weight loss program with United Healthcare focused on lifestyle change. ACPS also engages Aon Consultants to review claims and set up premium equivalent rates for the self-insured health plan. HR discusses rate changes with ACPS Financial Services Department and these rates are approved by the Board via the budget process each year.

**Management Response:** *We agree with the finding. This is a part of the annual budget process and will continue to work with the Department of Financial Services in meeting this goal.*

**Target Completion Date:** *October 01, 2018*

**Commendation 8: ACPS recently implemented an employee wellness program to encourage a healthy lifestyle and weight loss and offers a variety of other benefits to employees.**

In July 2017, the ACPS benefits department implemented *Real Appeal*, a healthcare benefit for weight loss through UnitedHealthcare insurance that is available to UnitedHealthcare members. Employees and their spouses and dependents 18 and older who have ACPS UnitedHealthcare insurance and a body mass index (BMI) of 23 or higher can participate in the program at no cost. The year-long program includes a personal transformation coach; an online portal with resources, mobile app integration, and an online support group as well as a *Real Appeal* Success Kit that includes guides, fitness DVDs, a personal blender, cooking tools, and a scale for weigh-ins. In the first year of *Real Appeal*, 132 ACPS employees registered, and of this number, 114 reported weight losses. The gross total was 681 pounds. In July 2018, 125 had enrolled for the new year.

In addition to insurance and wellness programs, ACPS provides additional benefits to its employees. For example, ACPS offers tuition assistance for licensed employees (teachers and administrators) who wish to further their professional knowledge by taking college or university courses. Teachers who take classes in reading, special education, math, gifted education, or teaching English learners may have the cost of their classes reimbursed by the division. Paraprofessional and support employees may be eligible for tuition reimbursement (up to \$700 per year) if they seek academic credits and continuing education updates, or if they attend workshops or seminars outside of their workplace to update their job skills or enhance their job expertise. Other benefits offered by ACPS include:

- Teacher Loan Forgiveness programs provided by the Federal Loan Forgiveness Program and administered by the Virginia Department of Education.
- PerkSoft employee discounts on products and services such as restaurants, groceries, car maintenance. Employees sign up for PerkSoft online with the address provided on the HR website.
- Monthly \$40 transportation subsidy provided by the City of Alexandria to encourage ACPS employees to walk, bike, vanpool, carpool or take mass transit to work. ACPS employees sign up for the subsidy through GO Alex, an online portal.
- Free use of Alexandria Recreation Centers includes all City of Alexandria gyms as well as a swimming pool at another City recreational center.
- Free use of the gym for full-time central office employees at Braddock Place which is located adjacent to the building that houses ACPS administrative offices.

**Commendation 9: ACPS appears to have effective workers' compensation management practices.**

The Compensation and Benefits unit is responsible for managing the ACPS' workers' compensation program to track employee's leave, liaise with the third-party administrator, and ensure that work restrictions are accommodated. The unit is also responsible for preparing annually the Survey of Occupational Injuries and Illness (OSHA 300/A) report in accordance with OSHA guidelines and reporting the results to OSHA and the Virginia Department of Labor.

Workers' compensation insurance covers workers who suffer work-related injuries or illnesses. By law, Virginia school divisions are required to maintain workers' compensation insurance coverage. In ACPS, workers compensation is self-funded, which means the school division assumes the financial risk of paying the health care costs plus administrative costs of the claims for benefits. Table 15 shows the total case-based workers' compensation reserves, which is the amount set aside to pay the cost of open workers' compensation claims.

**Table 15. ACPS Case-based Reserve Workers' Compensation Expenditures**

Year	Expenditure Amount
2014-15	\$889,707
2015-16	\$951,872
2016-17	\$886,689

Source: ACPS Expenditures Report (Data Request #1). \*Full year expenditure data for 2017-18 was not available.

The audit team examined the Division's workers' compensation claims to identify any significant trends or areas of concern. Over the past 5 years, the total number of claims fluctuated both in number and average amount per claim, shown in Table 16.

**Table 16. Summary of Worker's Compensation Claims, 2012-13 to 2016-17**

Year	Number of Claims	Total Gross Claims Incurred	Number of Report-Only Claims (\$0 Incurred)	Number of Claims >\$10K	Percent of \$ Gross Claims Incurred Accounted for by Claims >\$10K
2012-13	77	\$1,119,919	9	10	91.3%
2013-14	107	\$662,498	11	7	80.8%
2014-15	110	\$384,524	6	6	64.0%
2015-16	92	\$964,801	7	14	88.0%
2016-17	155	\$394,765	66	8	65.5%
<b>Total</b>	<b>541</b>	<b>\$3,526,507</b>	<b>99</b>	<b>45</b>	<b>82.6%</b>

Source: ACPS Workers' Compensation Claims Report (Data Request #33). \*Full year of workers' compensation claims data for 2017-18 was not available.

This analysis yielded the following observations:

- A relatively few (45) number of claims account for 82.6 percent of the total gross value of claims incurred. ACPS contracts with State National Insurance Company to handle and provide payment for any claim in excess of \$450,000 and is required to report annually to them any claim in excess of \$225,000. ACPS contracts with the CorVel Corporation to serve as a third-party administrator (TPA).
- ACPS workers' compensation cost per employee of \$417<sup>21</sup> is 17 percent higher than the 2015-16 median workers' compensation cost per employee of \$357 presented in the 2017 Council of Great City Schools (COGS) report (total spend in the upper quartile is \$498 and spend in the lower quartile \$198).<sup>22</sup>
- The sharp increase in the number record-only claims (60 claims with \$0 gross incurred) may be an indicator of improved management and reporting practices. Ensuring that all incidents are

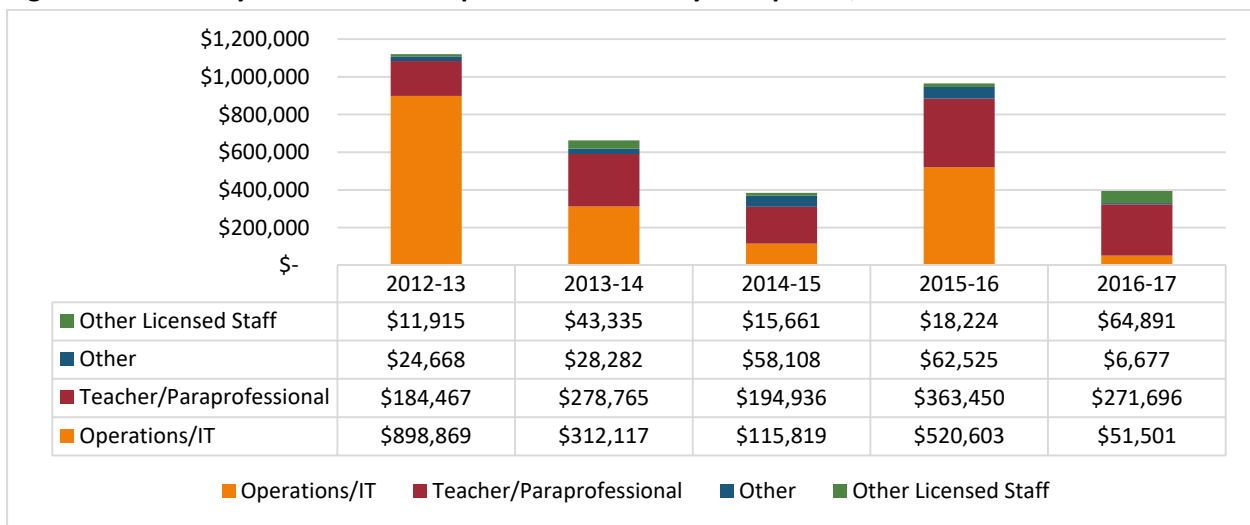
<sup>21</sup> ACPS 2015-16 gross claims incurred (\$964,801) divided by the total number of employees (2,313) in 2015-16.

<sup>22</sup> 2017 Managing for Results in America's Great City's Schools (Results from 2015-16).

reported is an effective management practice for proactively identifying and addressing hazardous conditions.

- Operations (i.e., transportation, facilities, custodial, school nutrition) and information technology staff had \$51,501 gross claims incurred in 2016-17, which is significantly lower than the gross claims incurred in any of the previous four years. This may be the result of improved safety practices within those departments. As discussed previously, the high value of gross claims incurred in 2012-13 can be attributed to 4 claims greater than \$124,000 each, with the single largest claim at \$376,015. Similarly, the high gross claims incurred in 2015-16 for operations/IT staff can be attributed to 3 claims greater than \$124,000 each.

**Figure 13. Summary of Worker’s Compensation Claims by Occupation, 2011-12 to 2016-17**



Source: ACPS Workers’ Compensation Claims Report (Data Request #33). \*Full year of workers’ compensation claims data for 2017-18 was not available.

- Across all 5 years, John Adams Elementary school had the highest total number of workers’ compensation claims (88) and the third highest total amount of claims incurred (\$379,974). Of the 88 claims, 29 occurred in 2016-17 and 84 percent of those were filed by teachers or paraprofessionals. Since many of these claims appear to have resulted from incidents with students with special needs, ACPS may need to further investigate whether additional staff training or safety equipment (e.g., bite sleeves) is needed.
- Gibson’s audit testing found that not all claims are filed within 10 days after the employee’s absence from work or receipt of notice of occupational disease as required by the *Code of Virginia, §65.2-900 A*. This issue and corresponding recommendation is discussed further in *Section – 6 Compliance and Audit Testing*.

## Section 6 – Compliance and Audit Testing

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### Background

Laws and regulations at the federal, state, and local levels regulate how school divisions ensure equal employment, make hiring decisions, pay wages, address and meet the special needs of employees, assess performance, and provide the guaranteed protections provided by current laws and regulations. The ACPS board charges the HR Department for monitoring and ensuring compliance these laws, regulations, and rules. The board's local policy pertaining to personnel and employment are located primarily in Section G (Personnel) of its policy manual, which is posted on the school division's website.

### *Summary of Key Laws and Regulations*

The most important federal laws pertaining to employment that requires ACPS compliance and that HR monitors include:

- *Title VII of the Civil Rights Act of 1964* prohibits employers from discriminating in hiring, hiring or pay based on a person's race, religion, sex, or national origin. It also prohibits sexual harassment.
- The *Fair Labor Standards Act (FLSA)* sets the federal minimum wage and requires time-and-a-half overtime pay for hourly employees who work more than 40 hours in a week.
- The *Family Medical Leave Act (FMLA)* provides that eligible employees – those with at least a year of service – can take up to 12 weeks per year of unpaid, job-protected time off for the birth of a child or adoption of a child or to care for themselves or a sick child, spouse or parent who has a serious health condition.
- The *Age Discrimination in Employment Act* prohibits employers from discriminating in any way against applicants or employees older than 40 because of their age.
- The *Americans with Disabilities Act (ADA)* prohibits job discrimination against qualified people with disabilities (i.e., those who can perform the job's essential functions with or without a reasonable accommodation).
- The *Uniformed Services Employment and Reemployment Rights Act (USERRA)* makes it illegal to discriminate against employees who volunteer or are called to military duty. Whenever reservists return from active military duty tours of less than five years, they must be reemployed in their previous job or one that is equal to it.
- The *Equal Pay Act (EPA)* requires that female employees receive the same pay as male employees for equal work or jobs that require equal skill, effort, and responsibility.

- The *Occupational Safety and Health Act (OSHA)* requires employers to run a business free from recognized hazards.
- The *Pregnancy Discrimination Act (PDA)* prohibits job discrimination based on pregnancy, childbirth and related medical conditions.
- The *Immigration Reform and Control Act (RCA)* makes it illegal to hire and employ illegal aliens and requires that employers verify identification and workplace eligibility of all new hires by completing I-9 forms.

In the Commonwealth of Virginia, additional employment law requirements or conditions already required by federal law are rare. The few employment laws of Virginia are codified under *Title 40 – Labor and Employment* and specifically in *Chapter 1 (Department of Labor and Industry)* and *Chapter 3 (Protection of Employees)*. The Virginia statutes that are relevant for school divisions are:

- § 40.1-11.1 (2017) Provides penalties for employers who hire employees without proper verification and identification (i.e., illegal immigrants) and requires that all job applications contain a question that asks if the prospective employee is legally eligible to work in the United States.
- § 40.1-11.2 (2017) All public agencies in Virginia must use the electronic internet-based E-Verify program to enter information from a new hire’s Form I-9 so that E-Verify can compare the information against records available to the Department of Homeland Security and the Social Security Administration.
- § 40.1-27.1 (2017) The discharge of an employee who has been absent due to a work-related injury is prohibited.
- § 40.1-28 (2017) Employers cannot require an employer to pay for a medical examination as a condition of employment.
- § 40.1-28.7:2 (2017) Employers must allow crime victims leave to attend criminal proceedings.
- § 40.1-28.7:4 (2017) Prevents employers from releasing personal identifying information of their employees: home telephone number, mobile telephone number, email address, shift times, or work schedule.

Additionally, in 2016 the Alexandria City Council adopted a “Living Wage” ordinance that applies to ACPS. City of Alexandria Code Sections 3-3-31.1 and 3-3-61.1 requires that any provider of services to or contracts on any City-owned or City-controlled properties must pay its hourly employees a minimum wage of \$14.13 per hour as a “Living Wage.”

Several ACPS board policies govern the Human Resource Department and processes. Following is an overview of the key policies.

- Policy AC establishes that the Division is committed to nondiscrimination with regard to age, race, national origin, ancestry, and other human capital factors.
- Policy GB establishes that ACPS is an equal opportunity employer committed to nondiscrimination in recruitment, selection, hiring, pay, promotion, retention, and other personnel actions.
- Policy GBA/JFHA states that the Division prohibits sexual harassment and any other type of harassment of any kind to school personnel or student at school or any school sponsored activity.
- Policy GBLA states that any resident may file a complaint regarding an employee of the division, to the Superintendent, Chief Human Resources Officer, or other designee.
- Policy GBN establishes that it is the desire of the Division to recruit, hire, and retain the best qualified candidates for available positions. The procedures for application are to be provided on the ACPS Human Resources Department website.
- Policy GCDA states that the Division will not hire or continue employment of any part-time, full-time, temporary, or permanent personnel who are deemed unsuited due to criminal conviction.
- Policy GCL states that the Division will provide a program of high-quality professional development for all staff.
- Policy GCN states that every licensed staff member will be evaluated on a regular basis at least as frequently as required by law. Detailed evaluation procedures shall be provided on the Human Resources website.
- Policy GDN establishes that all support staff will be evaluated on an annual basis and the Superintendent shall assure that procedures for support staff evaluations are developed and included within the Division's policy manual.

## Audit Findings and Recommendations

Gibson reviewed and analyzed over 70 documents and data provided by the HR Department in response to a comprehensive data request. The team also reviewed all the federal and state laws and local policies, including each of the personal policies in Section G of the ACPS Board Policies, as well as references to other policies in other sections, and compared them to HR practices, protocols, and procedures to assess compliance. Further, the audit team reviewed files maintained by the employee relations unit regarding EEOC, ADA, FMLA, and employee grievances. Randomly selected files of individual employees who had previously requested services or made written complaints were examined for content, timelines, documentation, status, and resolution.



In addition, the audit team audited select transactions and data to corroborate processes described in interviews, obtain tangible evidence of how documentation is maintained within the HR Department, and evaluate compliance with applicable laws, policies and procedures.

**Finding 19: The names and contact information of the ACPS Compliance Officer and Alternate Compliance Officer are not published in the ACPS Employee Handbook.**

ACPS Board Policy GB (Equal Employment Opportunity/Non-Discrimination) states that ACPS is an equal opportunity employer, committed to non-discrimination in recruitment, selection, hiring, pay, promotion, retention, or other personal actions affecting employees or candidates for employment. Regulations provide for the appointment of a Compliance Officer and an Alternate Compliance Officer responsible for receiving, investigating, and acting upon complaints of discrimination prohibited by policy. Board Policy GB requires, among other things, that *“all students and their parent/guardian be notified annually of the names and contact information of the compliance officers.”* A review of accompanying regulations and the ACPS Employee Handbook identify only the Chief Human Resources Officer as the Compliance Officer and the Director of Employee Relations as the Alternate Compliance Officer, however, neither their names nor their contact information is included.

Of note, it was learned during interviews that the ACPS Employee Handbook was first developed and published on CANVAS in March 2018. Prior to this, the HR Department did not maintain a division-wide employee handbook.

**Recommendation 19: Update the ACPS Employee Handbook to include the names and contact information of the Compliance Officer and the Alternate Compliance Officer.**

Since the ACPS Employee Handbook is maintained electronically on CANVAS, it should be a relatively easy task to include the names and contact information for the CHRO and the Employee Relations Director in the appropriate section of the handbook.

**Management Response:** *We agree with the finding. The employee handbook has been updated with the names and contact information of the Compliance Officer and the Alternate Compliance Officer.*

**Target Completion Date:** *Completed*

**Finding 20: Updated 2018 labor law posters have not been purchased or distributed for display at all ACPS administrative offices, campuses, and other facilities.**

Virginia labor law is specific to the state and is passed by the state legislature. Updates to state labor laws generally occur in combination with the federal law, but state law tends to be broader in scope. To be in legal compliance, employers in the state of Virginia are required to display the 2018 mandatory labor law posters. There are specific posting guidelines as to how posters must be displayed; if these guidelines are not satisfied an employer may face fines and/or citations. Virginia law requires employers to display the following labor law posters:

- Virginia Unemployment Compensation Act (UC)
- Virginia Occupational Safety and Health Act (VOSH)
- Virginia Department of Social Services (VDSS)
- Virginia Workers' Compensation (WC)
- Fair Labor Standards Act (FLSA)
- Employee Polygraph Protection Act (EPPA)
- Service Contract Act and Public Contractors Act
- Davis-Bacon Contracts Act
- Family Medical Leave Act (FMLA)
- Migrant and Seasonal Agricultural Worker Protection Act (MSPA)
- Equal Employment Opportunity (EEO)

***Recommendation 20: Purchase 2018 labor law posters and distribute to all ACPS schools and facilities.***

As an equal opportunity employer, ACPS must ensure compliance with all federal laws regarding workplace poster requirements. The HR Department should purchase updated federal and state postings in both English and Spanish, and distribute to all ACPS campuses, facilities, and administrative buildings. The HR Department must ensure that posters are placed in conspicuous locations at each site where they can be readily observed by employees and applicants, ensuring they understand their rights and responsibilities under Federal employment laws.

***Management Response: We agree with the finding. New labor law posters have been purchased.***

***Target Completion Date: Completed***

## **Audit Test Results**

The audit team executed five audit tests related to the human resources function. The purpose of audit testing is to corroborate the processes described in interviews, obtain tangible evidence of how documentation is maintained within the HR Department, and evaluate compliance with applicable laws, policies and procedures.

Gibson utilized a non-statistical approach to determine sample size and guide sample selection for each audit tests. Multiple factors were considered in the determination of sample sizes including perceived risk, population size, expected errors, and required client effort. As a statistical approach was not used, the exceptions discovered through testing cannot be extrapolated across the entire population.

### *Test 1 – Personnel Files*

#### **Finding 21: Audited personnel files did not contain all required documentation per the HR personnel file check list.**

The HR Department creates a personnel file for every ACPS employee and utilizes a check list to ensure that all required documentation is included in the file. HR staff are supposed to review each file and sign the check list to confirm that the file is complete prior to filing it in the HR file room (or in *Records*). The objective of this audit test was to validate whether or not employee files contain all of the following required documents:

- Application
- Resume
- References
- Employee Records
- I-9
- Social Security Card Copy
- Computer Agreement
- Sexual Harassment Agreement
- Authorization to Release
- Fingerprint Copy
- Fingerprint Results
- Negative TB Results
- Central Registry Search Returned (CPS Form)
- File Audit Results
- Annual Appraisals
- Termination Worksheet and Letter

The test population included all former and current ACPS employees as of February 2018. The randomly selected sample population included 30 employees in the following position categories: licensed professionals (e.g., teachers, nurses), administrators (e.g., principals, assistant principals), support staff (e.g., bus drivers, business services staff), and casual labor (i.e., hourly employees). For each employee included in the sample, the audit team obtained and reviewed the contents of their personnel file (both electronic and paper documents). The list of required documents varied somewhat for each employee depending on their position category, hire date, and the date the documents was required by HR to be included in a personnel file.

Gibson's personnel file audit found that 18 of the 30 audited personnel files had incomplete documentation. Table 17 lists the number of personnel files missing each of the required documents.

**Table 17. Personnel File Audit Test Exceptions**

Required Document	Number of Files Missing Required Documentation (n=30)
Resume	7
I-9	1
Computer agreement	3
Authorization to Release	3
Fingerprint copy	7
Fingerprint results	6
Negative TB results	3
Central Registry Search Returned (CPS Form)	5
File Audit results	8
Annual Appraisals	1

Source: Employee file review by Gibson Consulting Group.

**Recommendation 21: Ensure all personnel files are complete and implement processes to collect all required documentation that are missing from personnel files.**

ACPS recently implemented an on-line personnel file management system, *Records*, which should mitigate this issue moving forward. As stated in *Section 3 – Information Technology and Business Processes*, however, Gibson recommends that ACPS establish a plan to digitize all personnel files and budget accordingly to implement. In the interim, HR staff should perform a comprehensive personnel file review to ensure that all required documentation has been appropriately collected and maintained. Newly required forms that communicate division policies, such as the Sexual Harassment Agreement, should be emailed to every current employee who currently does not have it on file.

**Management Response:** *We agree with the finding. The Department of Human Resources will review and collect any documentation from existing personnel files that may have required employment information. The new electronic personnel files allow the Department of Human Resources to monitor and complete all filing of necessary employment paperwork.*

**Target Completion Date:** *July 01, 2020*

## **Test 2 – Employee Appraisals**

**Finding 22: Licensed staff are not consistently evaluated in accordance with Board Policy.**

The objective of this test was to assess the compliance with the ACPS' appraisal policies and procedures. The evaluations are required by law §22.1-303 Probationary Terms of Service for Teachers and §22.1-295 - Employment of Teachers, and ACPS policies are adopted from these two state codes:

- Board Policy GCN requires all licensed staff to be evaluated on a regular basis at least as frequently as required by law.
- Board Policy GCG states that probationary teachers must be evaluated at least annually during their three years of probation.

The HR Department developed appraisal guidelines and procedures for the different employee groups: probationary teachers, continuing contract teachers, specialists, and administration/support. These appraisal procedures are outlined in the *Review of Observation Requirements TGAS* and *Timeline for Evaluation Tasks* documents, which contain information on when to conduct appraisals and when to submit them to the HR Department. The appraisal requirements determined by the HR Department are outlined below.

#### **Probationary Teachers (first three years)**

- Two walkthroughs are performed (Test 1)
- Two formative observations are performed (Test 2)
- Summative evaluation is performed prior to May 1st (Test 3)
- Signed by the evaluator and employee (Test 4)

#### **Continuing Contract Teachers**

- Two formative observations each year (Test 1)
- Summative evaluation is performed in year 3 of the 3-year cycle (Test 2)
- Signed by the evaluator and employee (Test 3)

#### **Specialists**

- Two recorded observations (Test 1)
- Signed by the evaluator and employee (Test 2)

To test compliance of appraisal completion, the audit team selected a total of 30 employees and reviewed their performance evaluations for 2015-16 through 2017-18, the three most recent years of the full performance evaluation cycle. The population for the testing was a report of employees as of February 2018. The audit team then applied filters on the employee group attribute to exclude administration and support staff, since the first year for mandatory annual evaluations is 2018-19. The sample population of 30 employees included 12 probationary teachers, 13 continuing contract teachers, and 5 specialists. Eight of the probationary teachers were also observed for continuing contract appraisal compliance, resulting in a total of 21 continuing contract samples.

### Probationary Teachers (sample size = 12)

Table 18 provides the testing results for the probationary teacher group. As evidenced in the table, three teachers met all performance evaluation requirements; four teachers failed one of the tests described previously; three teachers failed two tests; and, two teachers failed three tests. No sample failed all four tests. More specifically:

- Eight teachers did not have a sufficient number of documented walkthroughs.
- Three teachers did not have a sufficient number of formative observations.
- Four teachers did not have a sufficient number of summative evaluations.
- One teacher did not have an appropriately signed evaluation.
- Three teachers met all appraisal requirements.

**Table 18. Summary of Audit Test Results for Probationary Teachers**

	Failure Occurrence				
	No tests	One test	Two Tests	Three Tests	Four Tests
Number of Teachers	3	4	3	2	0

### Continuing Contract Teachers (sample size = 21)

Table 19 provides the testing results for the continuing contract teacher group. As evidenced in the table, six teachers met all appraisal requirements; ten teachers failed one of the tests described previously; and, five teachers failed two tests. No sample failed all three tests. More specifically:

- 15 teachers did not have a sufficient number of formative observations.<sup>23</sup>
- Five teachers did not have a sufficient number of summative evaluations.
- Six teachers met all appraisal requirements.

**Table 19. Summary of Audit Test Results for Contract Teachers**

	Failure Occurrence			
	No tests	One test	Two Tests	Three Tests
Number of Teachers	6	10	5	0

<sup>23</sup> It is important to note that observations, while required for the summative evaluation, are not always archived in TalentEd because ACPS is only required to archive the summative evaluation.

**Specialists (sample size = 5)**

Table 20 provides the testing results for the specialist group. As evidenced in the table, one teacher met all appraisal requirements and four teachers failed one of the tests described previously. No sample failed both tests. More specifically:

- Four specialists did not have a sufficient number of observations.
- One specialist met all appraisal requirements.

**Table 20. Summary of Audit Test Results for Specialists**

	Failure Occurrence		
	No tests	One test	Two Tests
Number of Specialists	1	4	0

**Summary of All Test Results**

Table 21 summarizes the number of all non-compliant or missing appraisals across all three testing groups. When considering the employee groups in aggregate, only 4 out of 30 employees met all appraisal requirements. Fourteen employees were missing one or two appraisals; 10 employees were missing between three to five appraisals; and, 2 employees were missing more than five appraisals.

**Table 21. Stratification of Appraisal Samples by Non-Compliant Appraisal Count**

	Number of Non-Compliant or Missing Appraisals per Sample			
	0	1-2	3-5	>5
Number of Samples	4	14	10	2

**Recommendation 22: Improve monitoring of appraisal compliance and hold supervisors accountable.**

A significant percentage of employee files included in the audit test sample for licensed staff lack documentation for summative evaluations, which is required by HR to be archived in TalentEd. To address this issue, the Department should provide additional training to supervisors and staff to more explicitly set expectations around the performance appraisal process and then principals and other supervisors should be held accountable for implementing all components of the performance management system in accordance with Board policy. The HR Department should also consider requiring all documentation (e.g. formative observations) to be archived in TalentEd and then continue to monitor and report on appraisal compliance. ACPS has established this as a priority in Objective 3.6 of the *ACPS 2020 Strategic Plan: Staff Evaluation and Performance Improvement: ACPS will provide multiple opportunities for all employees to receive feedback and coaching on their performance and resources needed to improve and excel.*

**Management Response:** *We agree with the finding. The Department of Human Resources will work with its current employee evaluation software program, Perform, to implement additional reminders to supervisors of upcoming deadlines. The Department of Human Resources will provide an annual timeline of suggested deadlines to teachers and administrators. Additionally, it will provide ongoing training and*

*reminders to administrators regarding essential due dates. Many of the required dates can be automatically set up through the TalentEd Perform system. These automated updates will provide administrators with notifications each Sunday regarding any outstanding evaluation tasks. Finally, periodic dashboard results will be provided to the lead operational directors that give a snapshot of administrator's evaluation progress. The Department of Human Resources will continue to facilitate the support needed to keep ACPS within compliance throughout the year.*

**Target Completion Date:** December 01, 2018

### **Test 3 – Access Levels**

**Finding 23: Some HR employees have access in MUNIS to edit employee pay data, which is an inappropriate segregation of duties.**

The objective of *Test 3 – Access Levels* was to ensure that access to key menus within MUNIS is properly restricted to the appropriate personnel. The audit team obtained a listing of all district employees with access to MUNIS and the level of access that they have. The results of this analysis found that a total of 9 Human Resources employees, including the CHRO and two directors, have access to edit an employee's pay data, including starting salaries, pay adjustments such as raises, and stipends. These same employees also have access to edit an employee's individual paycheck. Three individuals in the Payroll Department can edit individual paychecks, but only through the use of a personnel action form sent by HR. The HR Department is responsible for setting up employees in MUNIS, including employees' initial pay rates, and therefore HR personnel should not also have access to edit individual paychecks.

**Recommendation 23: Ensure a proper segregation of duties by limiting the access of some HR staff in MUNIS.**

There is a current risk that HR personnel could create a fictitious employee and issue pay, as current access levels in MUNIS allow the 9 HR employees to set up employee files, enter initial pay, and edit individual paychecks. HR personnel duty considering pay should be restricted to setting up the initial pay rate. Changes to employees' paychecks is a payroll function, thus access to edit paychecks should be restricted to Payroll personnel. In addition, the CHRO's and Director's edit access should be removed. Because these individuals are in an oversight capacity, the ability to edit pay data is inappropriate.

**Management Response:** *We agree with the finding. The Department of Human Resources will collaborate with the Department of Financial Services to properly delineate access protocols.*

**Target Completion Date:** December 01, 2018



### **Test 4 – Workers’ Compensation Claims**

#### **Finding 24: Workers’ compensation claims are not always submitted in the required 10-day timeframe.**

The objective of this test was to review the documentation retained and the process of handling workers’ compensation claims. The audit team obtained a list of all workers’ compensation claims in 2017 and 2018 and sampled five claims for review. According to the *Code of Virginia, §65.2-900 A*, the first report of injury or illness must be filed within 10 days after the employee’s absence from work or receipt of notice of occupational disease. Two of the six tested claims were reported after 10 days. All claims included multiple claim status reports from the employees’ medical provider.

#### **Recommendation 24: Implement more robust monitoring of workers’ compensation claims for compliance.**

The results of this test make it evident that there is a lack of monitoring workers’ compensation claims for compliance in the HR Department. Through the review of claims, the audit team identified instances of non-compliance with the reporting requirements promulgated by the State of Virginia. The HR Department should implement procedures to monitor workers compensation reporting.

**Management Response:** *We agree with the finding. The Department of Human Resources will work strategically with our administration to inform them of the obligations ACPS is required to report under the Worker Compensation Law. The Department of Human Resources has purchased and implemented the I-Sight software program. I-Sight is case management software that provides database management for ACPS to manage its workman's compensation, Family and Medical Leave, Americans with Disabilities Act, discrimination, harassment and disciplinary investigations.*

**Target Completion Date:** *December 01, 2018*

### **Test 5 – Timesheet Edits**

#### **Finding 25: Edits made to hours worked by employees are not reviewed or sufficiently substantiated.**

During interview and focus groups, several employees claimed that their timesheets were inappropriately edited by their supervisors without their knowledge in an attempt to reduce their overtime hours. The implication that employees were not being paid for actual hours worked warranted further investigation. While supervisors are permitted to change an employee’s timesheet, supporting documentation must be maintained for each timesheet edit.

The audit team requested and obtained the *Hours Audit Log* for 2016-17 and 2017-18. This report was generated from *TimeClock Plus*, ACPS timekeeping system, and includes all edits made to timesheets. The audit team then excluded all salaried employees to determine the test population. Fifteen edits were then selected for testing. The audit team requested supporting documentation for each edit to determine if the change was appropriately justified. The results of the test were as follows:

- No supporting documentation was provided for the timesheet edit samples.
- Six samples had management responses that stated the employee had forgotten to clock in or out. Thus, the supervisor made the change.
- Two samples had management responses that stated the employee clocked in too early without permission.
- Seven samples had management responses that confirmed there was no known reason for the edit.

***Recommendation 25: Redesign the process for editing a timesheet by a supervisor.***

Management should consider changing the routing of a timesheet edit so that it requires approval by the supervisors' department lead and notifies the employee that a change has been made. Supervisors must document why a change was made and the department lead should periodically review a sample of edits each pay period and review with employees to validate that the change that was made was appropriate.

***Management Response:*** *We agree with the finding. The Department of Human Resources will collaborate with the Payroll Department to define the process for editing employees' timesheets.*

***Target Completion Date:*** *December 01, 2018*

# Appendix A

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The audit team wishes to thank ACPS leadership and staff for their assistance in conducting this audit.

## Interviews

The audit team conducted interviews with the following ACPS staff:

- Dr. Lois Berlin, Interim Superintendent
- Joseph Makolandra, Chief Human Resources Officer
- Jim Loomis, Director, Employment Services
- Sandra Hardeman, Director, Employee Relations
- ThuHang Nguyen, Director, Compensation and Benefits
- Nia Smith and Lisa Audet, Personnel Records
- Tamiko Hudson, Licensure
- Claudia Kotchick, Employment Specialist
- LaTavia Willis, Employment Specialist
- Vickie Florence, Administrative Assistant
- Deborah Gardner, Sr. Benefits Analyst
- Georgina Meyers, HR Generalist
- Cindy Flores, HR Customer Service Representative
- J. Helena Beyersdorf-Hottle, Benefits Analyst
- Beth Cooke, Compensation
- Michael Herbstman, Chief Financial Officer
- Mandeep Gill, Payroll Manager
- Charles Stone, Director, Pupil Transportation
- Cynthia Hormel, Director, Food Services
- Debra Lane, Director, Talent Development
- Gary Estep, Applications Support Specialist and Daniel Fugar, Business Systems Analyst
- Gerald Mann, Director of Secondary School Instruction and Dr. Lisa Piehota, Director of Elementary School Instruction
- Dawn Lucas, President of Education Association of Alexandria (EAA); Francis Chase, Past President of EAA; and, Mary Gaddis, EAA Leadership for Support Staff

## Focus Group Session

The audit team conducted the following group interviews; participants were randomly selected by the Gibson audit team.

- Principals
- First-year teachers (i.e. less than one year)
- Experienced teachers (i.e., more than 5 years)
- Paraprofessionals
- Central office directors
- Support staff