

Date: May 24, 2018

For ACTION _____

For INFORMATION X

Board Agenda: Yes X
No _____

FROM: Michael R. Herbstman, Chief Financial Officer
Michael A. Covington, Director of Accounting

THROUGH: Dr. Lois F. Berlin, Interim Superintendent of Schools

TO: The Honorable Ramee A. Gentry, Chair, and Members of the Alexandria City School Board

TOPIC: **Performance Audit Staff Update: Payroll Process**

BACKGROUND: After an outside consultant completed a Risk Assessment of ACPS, the School Board approved funding in the FY 2016 Combined-Funds Budget for an internal audit program. In the spring of 2016, the School Board awarded a contract to Gibson Consulting Group to conduct audits in the following areas: Procurement, Facilities, and Payroll.

The Payroll audit began in May 2017 and was substantially completed in September 2017. The Final Audit Report, including management responses was completed in October 2017. On November 9, 2017, Gibson Consulting Group presented the School Board with the audit results for all three functional audits.

Additionally, in September 2016, ACPS convened a working group of Financial Services, Human Resources and Technology Services leadership staff to streamline division-wide payroll processes and systems. This working group has identified and started to address many of the same subjects subsequently discussed in the Gibson Performance Audit. This working group will be primarily responsible for continued implementation of payroll process and systems improvements including those identified in the Gibson Performance Audit.

The first quarterly staff update on the Payroll Process Performance Audit was presented to the School Board in January 2018.

SUMMARY: As part of the functional audit, Gibson offered 11 payroll process recommendations. In the seven months since the audit concluded:

- 8 (72.7%) recommendations have already been fully implemented on schedule;
- 1 (9.1%) recommendation represents an ongoing item;
- 1 (9.1%) recommendation remains on track to be completed on the original timeline;
- 1 (9.1%) recommendation will be implemented behind schedule.

All of the Payroll Process audit recommendations and their statuses are detailed within the attached presentation.

This report on the Payroll Process audit is part of a series of performance audit staff updates. The most recent Procurement Process audit update was presented to the Board on April 12, 2018. The next Facilities Process audit will be presented on June 7, 2018. Then, staff will continue to present the School Board quarterly updates on each audit until all recommendations have been implemented.

At the time of the April 12, 2018 Procurement Process audit update, only one recommendation had not yet been fully implemented. Staff noted at that time that the final report on the last Procurement item would be added to this May Payroll report rather than bringing a full Procurement presentation to the Board in September. As described in the attached presentation, the final Procurement item, Recommendation #19, has now been fully implemented.

RECOMMENDATION: The Superintendent recommends that the School Board reviews the Payroll Process Audit Report and the progress made on implementing the audit recommendations.

CONTACT PERSON: Michael Herbstman, Chief Financial Officer

ATTACHMENTS:

1. Performance Audit Staff Update: Payroll Process Presentation