Audit Report

Position Control
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Office of the Chief Financial Officer, 25th Floor  

Ms. Vivian Ekchian, Chief Human Resources Officer  
Human Resources Division, 14th Floor  

Ms. Wendy Macy, Personnel Director,  
Personnel Commission, 12th Floor  

Mr. Shahryar Khazei, Interim Chief Information Officer  
Information Technology Division, 10th Floor  

Los Angeles Unified School District  
333 S. Beaudry Avenue  
Los Angeles, California 90017  

Dear Ms. Reilly, Ms. Ekchian, Ms. Macy, and Mr. Khazei:  

This is our report on the audit of Position Control.  

These are the report’s key sections:  

- The Executive Summary is an overview of what we audited and what we found.  
- The Introduction specifies the scope of the audit and the steps taken during the audit.  
- The Findings and Recommendations section describes in detail the conditions we found, our recommendations and your comments.  
- Appendix A contains a chart of the BTS Budget Maintenance SAP System Integration. Appendices B and C contain examples of the University of Wisconsin Position Management Policy and Position Control Authorization Schedule respectively. Annexes A1 to A4 contain verbatim comments from each department on specific recommendations. Annex B lists others receiving copies of the report. Annex C lists the members of the audit team.  

I appreciate the courtesies and cooperation extended to us during the audit.  

Sincerely,  

/s/  

Alfred Rodas  
Deputy Inspector General, Internal Audit  

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EXECUTIVE SUMMARY

This report contains the results of our audit of Position Control within the integrated functions and operations of the Los Angeles Unified School District (“LAUSD” or “District”) central offices. Position control refers to a system of tracking information based on positions rather than employees. It creates a framework of positions for jobs within a company without regard to whether a position is filled. The District has defined that position budgeting is a position control process that enables the District to perform de-centralized Position Budget Planning and Maintenance. The process enables the capture of Position Requisitions for new positions, as well as changes to existing positions (position maintenance). ¹

The District reported 76,860 Full-Time Equivalent budgeted positions as of May 2009. For the FY 2009, the District’s Financial Reporting Database showed $4.7 Billion of budgeted regular salaries, with actual expenditures including encumbrances totaling $4.9 Billion, resulting in a deficit of $0.2 Billion.

Objectives

The objectives of our audit were to determine (i) whether the District had a position control process that ensured full accountability and reporting of all positions and activities, (ii) whether District employees were connected to funded positions and programs, and their assigned hours did not exceed the budgeted hours, and (iii) the financial impact of weaknesses in the position control process.

Scope and Methodology

We performed the audit in accordance with Generally Accepted Government Auditing Standards and accordingly, tested management controls to the extent we considered necessary under the circumstances. The audit covered the period from July 1, 2008 to June 30, 2009. In order to address the audit objectives, we performed certain procedures, which included, but were not limited to the following:

- Reviewed applicable laws and regulations.
- Reviewed LAUSD policies and procedures.
- Reviewed SAP payroll and position related reports.
- Assessed whether internal controls were properly designed and operating effectively.

During the course of our audit, we also interviewed selected central office personnel. We performed the audit from June 6, 2009 to August 18, 2009.

**Summary of Key Audit Findings**

- There were no formal policies or procedures that addressed (i) position control compliance, (ii) department heads’ and Principal’s responsibilities for monitoring position fund expenditures, and (iii) SAP reporting requirements that would support monitoring efforts by the Budget Services, the Payroll Services Branch, the Personnel Commission, and the Human Resources Division.

- Central Offices relied on manual “detect” controls rather than “prevent” controls to manage and track position maintenance activities. “Prevent” controls are designed to prevent errors or exceptions. “Detect” controls rely primarily on detecting errors, exceptions, or discrepancies after they have occurred.

- The payroll funding source and attributes by position control number did not always match the position’s budget specifications.

- Payroll salary costs by position exceeded the budget by $4.2 Million. On average, payroll salary costs exceeded the budget by 4.74% per pay period for certificated and classified “A” basis salaried employees for two quarters of FY 2009.

- There was $6.2 Million of regular salaries expenditures processed through suspense and “unspecified” program codes by various school sites.

- Payroll was remitted to employees through unfunded and expired position control numbers. In some instances, the unfunded and expired positions were even coded as closed in the system but payroll was still remitted.

- The SAP Vacancy Report contained contradictory information. For example, some positions were labeled as “Vacant” even though employees were assigned to them, and some positions were labeled as “Occupied” even though there were no employees assigned to them. There was limited assurance that the data in the SAP Vacancy Report was accurate and reliable.

- Positions were created or modified without the proper authorization or supporting documentation. Also, the position’s funding period requested by the organizational unit sometimes did not match the budgeted period established in the SAP/Central Office Front End (COFE) system.

- The SAP COFE position budget reports showed some expired positions with an active status and some budgeted funds with no corresponding position control numbers.
Conclusion

Although the District has a position control framework, there are substantial internal control weaknesses as follows:

- Insufficient policies and procedures governing the position control process
- Over-reliance of manual detective controls by central offices
- Limited usage and availability of SAP system preventive controls
- Lack of monitoring controls, specifically in management reviews and reporting
- Limited feedback and communication channels established between offices

We also found inefficiencies in management’s current operational activities, with several central offices’ resources dedicated to data and account “clean-up” efforts. This type of data cleansing activity should have taken place prior to SAP’s “Go-Live” date of January 1, 2007 for the Human Resources and Payroll modules. We found central office management to be in the reactive mode, under crisis management for the audit period under review.

The District was forewarned of the risks associated with position control prior to the SAP “Go-Live” date by the Office of the Inspector General in a report titled: “Review of Internal Control Design: Enterprise Resource Planning Implementation” dated July 18, 2006. The report outlined several pertinent risks to the position control process for the District to consider prior to January 1, 2007.²

Therefore, we conclude that the District has endured an unacceptably high level of risk, resulting in the District incurring unplanned salary expenditures. The District lacks a fully operational position control process that includes complete policies and procedures designed to support full accountability and reporting of all positions and activities. Also, it is possible for an employee to be in an unfunded position or program since the link between a position’s budget and an employee assignment is not strictly enforced by the District. Finally, the Budget Services and Financial Planning Division (‘Budget Services”), the Personnel Commission, and the Human Resources Division all managed and maintained the position to employee relationships through manual, time consuming procedures.

² Risks outlined in the report “Review of Internal Control Design: Enterprise Resource Planning Implementation” (Report No. OA-06-268) included the following:

- Budget Services may calculate an inaccurate cost of position, the integrity of the data may be reduced, resulting in inaccurate and unreliable budget and position cost tracking.
- Positions may be funded with an invalid funding source or an unauthorized budget transfer where employees could continue to be paid after funding source has expired.
- Unauthorized user may access Position Maintenance or Position Funding Sources where expenses may be reported to the wrong cost centers or organizational units and job/position may be maintained with incomplete and inaccurate data.
- Budget may be used inappropriately due to inaccurate vacancy information where the budget amount could be used faster than expected.
Even though Budget Services has determined that there was a financial impact due to the payment of wages to employees in expired and unfunded positions, the actual financial impact to the general fund as a result of this situation has not yet been determined. This will be the subject of a future audit in FY 2010.

**Potential Impact**

The conditions described above along with their underlying causes resulted in various actual and/or potential consequences to the District. These included the following:

- The District did not experience the benefits that a properly functioning and fully operational position control system offers. These benefits include improved planning, monitoring, analysis and the tracking of actual cost by position.
- Some positions were under-funded due to employees’ achieving a higher pay step or rate.
- Some salary expenditures were directed to the incorrect cost centers and/or program codes.
- Unplanned costs were incurred for some employees in longer assignments.
- There was and is a high risk that unauthorized payroll transactions can be processed through expired, unfunded, or unauthorized positions.
- There was and is limited assurance that vacancy reports capture an accurate count of vacant and filled positions for a given time period.

As indicated in our conclusion statement, the ultimate financial impact of the above process deficiencies has not yet been established, but will be addressed in a future audit in FY 2010. However, our assessment is that any financial impact as a result of deficiencies in the position control area is extremely undesirable given the District’s current budget challenges.

**Summary of Recommendations**

Our recommendations are based on best practices under the guidance that performance audits provide information to improve program operations and to facilitate decision-making by responsible parties who have responsibility to oversee or initiate corrective action as well as improve public accountability. A summary of the most significant recommendations is given below:

- The Business Tools for Schools (BTS) Team should study the following three options for cost and position control process effectiveness: (i) implement the SAP Position Budget Control Module which was configured to support the integrated controls to pre-fund commitments from the point of budget development to payroll, (ii) explore other third-party vendor supplied software products that provide specialized functionality to address
specific controls within the conditions found during routine audits, or (iii) adopt manual processes with formalized developed policies and procedures that support management functions.

- Budget Services should initiate the process of developing comprehensive position control policies and procedures that address compliance requirements, monitoring, reporting, authorization, and roles and responsibilities of central and school offices. Standard reports should be established to monitor cost by position. In addition, the District should outline what position budget attributes should be adhered to by central offices and school sites.

- Budget Services should perform a study to determine whether positions require additional funding to meet employee compensation. The current method of budgeting for positions at the mid-range of a salary schedule should be evaluated and compared to current average salaries. Management should consider budgeting at the highest compensation level for a job which could yield exception reports that show the number of positions exceeding the budget. Management could then evaluate whether a position needs additional modifications.

- The District’s BTS Team in collaboration with Budget Services should work to develop preventive controls in the SAP Payroll Module to flag payroll transactions being processed through different position budget attributes, and unfunded or expired position control numbers. In addition, the SAP COFE module could be further developed so that a position’s funding status is automatically updated to “Closed” upon the position’s funding end date.

- The District’s Security Access Team should collaborate with the Human Resources Division, the Personnel Commission, and the Payroll Services Branch to assess the adequacy of security roles for employees (i.e. Timekeepers and Assignment Technicians) that currently have access to change a position’s assignment basis schedule, cost center, and/or program codes.

- The Human Resources Division and the Personnel Commission should work with Budget Services and the School Fiscal Services Division in reviewing positions whose funding end mid-year and consider changing an employee’s assignment period to reflect that of the budgeted position or fund the position for the assignment period.

- The Human Resources Division should perform a “data clean-up” to clear the exceptions noted in the SAP vacancy reports and the Personnel Commission should continue its efforts to clean up the data. The BTS Team should evaluate whether a position’s status should be automatically updated once an employee is assigned or moved from a position.

**District Comments.** The District agreed with ten of the seventeen recommendations, partially agreed with four recommendations, and disagreed with three recommendations. Of those
recommendations that the District partially agreed with, two had some type of disagreement from either one of the responsible departments, or with part of the recommendation.

For those recommendations the District agreed with, management stated that corrective actions have been taken or planned accordingly. The District’s specific comments are presented in the findings and recommendations section of the report and its verbatim response is shown at Annex A of the report.

**Inspector General Response.** The comments and corrective actions taken or planned were generally responsive to our recommendations. On issues of disagreement, we have reiterated our findings and recommendations which we believe were supported by the results of the audit fieldwork performed. The actual comments are presented in the Recommendations and Comments section and verbatim response are shown in Annexes A1-A4 of this report.
FINDING AND RECOMMENDATION

FINDING: POSITION CONTROL PROCESS AND CONTROL ACTIVITIES

For the Chief Financial Officer
For the Chief Human Resources Officer
For the Personnel Director
For the Chief Information Officer

SUMMARY

Our audit of Position Control within the integrated functions and operations of the Los Angeles Unified School District (“LAUSD” or “District”) central offices found that the District lacks a fully operational position control process that includes complete policies and procedures designed to support full accountability and reporting of all positions and activities. Also, it is possible for an employee to be in an unfunded position or program since the link between a position’s budget and an employee assignment is not strictly enforced by the District. Finally, the Budget Services and Financial Planning Division (“Budget Services”), the Personnel Commission, and the Human Resources Division all managed and maintained the position to employee relationships though manual, time consuming procedures.

Even though Budget Services has determined that there is a financial impact due to the payment of wages to employees in expired and unfunded positions, the actual financial impact to the general fund as a result of this situation has not yet been determined.

The Los Angeles Unified School District employed 77,281 regular employees for the 2008/09 school year, with salaries and benefits accounting for 75.6% of total expenditures. As of May 2009, the District reported 76,860 Full-Time Equivalent budgeted positions. For the FY 2009, the District’s Financial Reporting Database showed $4.7 Billion of budgeted regular salaries, with actual expenditures including encumbrances totaling $4.9 Billion, resulting in a deficit of $0.2 Billion.

District’s management was not properly overseeing the position control process or reviewing related reports and operational activities until September 2008, when Budget Services expressed concerns that a drain to the bottom line was occurring due to employees being paid out of unfunded positions, and when the District began its Reduction in Force (“RIF”) efforts. On June 20, 2009, Budget Services identified over 900 unfunded positions that accounted for approximately $30 Million of unbudgeted funds.

Specifically, we noted the following conditions:

- There were no formal policies or procedures that addressed (i) position control compliance, (ii) department heads and Principal’s responsibilities for monitoring position fund expenditures, and (iii) SAP reporting requirements that would support monitoring efforts by the Budget Services, the Payroll Services Branch, the Personnel Commission, and the Human Resources Division.

- Central Offices relied on manual “detect” controls rather than “prevent” controls to manage and track position maintenance activities. “Prevent” controls are designed to prevent errors or exceptions. “Detect” controls rely primarily on detecting errors, exceptions, or discrepancies after they have occurred.

- The payroll funding source and attributes by position control number did not always match the position’s budget specifications.

- Payroll expenditures were posted to suspense or “unspecified” program codes.

- Payroll was remitted to employees through unfunded and expired position control numbers. In some instances, the unfunded and expired positions were even coded as closed in the system but payroll was still remitted.

- The SAP Vacancy Report contained contradictory information, for example, some positions were labeled as “Vacant” even though employees were assigned to them, and some positions were labeled as “Occupied” even though there were no employees assigned to them. There was a limited assurance that the data in the SAP Vacancy Report was accurate and reliable.

- Positions were created or modified without the proper authorization or supporting documentation. Also, the position’s funding period requested by the organizational unit sometimes did not match the budgeted period established in the SAP/COFE system.

- The SAP COFE position budget reports showed some expired positions with an active status and some budgeted funds with no corresponding position control numbers.

These conditions occurred because:

- The District’s efforts have been focused on stabilizing the SAP payroll functions. In order for the SAP Position Budget Control module to be implemented, there would have to be a working alignment between the assigned position and the categorical funding. If the Position Control module were to be implemented, BTS would not process payroll payments for a position if there was inadequate funding.
• The central offices of Budget Services, the Human Resources Division, the Personnel Commission, and School Fiscal Services Division have been focused on supporting the District’s current reduction in force project. Each of these offices owned a part of the Position Control Process, yet no process flow chart showing how each office’s roles, responsibilities and activities were linked together as a whole had been developed. In addition, no efforts had been made to develop comprehensive policies and procedures.

• There are limited feedback and communication channels established between offices. Budget Services works closely with Human Resources and Personnel Commission, but has limited interaction with the Payroll Services Branch. Useful data generated by the Payroll Services Branch could have been used by Budget Services to monitor payroll costs passed through position control numbers.

• Budget Services did not expect an employee’s compensation to be limited by the position’s budgeted funds, since the position could be occupied by an employee who was at a higher salary base. Generally, a position was budgeted at the mid-step of a job’s salary schedule, not based on average current salaries.

• There were no policies that addressed which of the position’s budget attributes (e.g. cost center, program codes, etc.) should be adhered to by the Human Resources Division, the Personnel Commission, or the Payroll Services Branch.

• An employee’s assignment attributes can differ from a position’s budget attributes. For example, the cost center, and program code could be changed at the assignment and time-entry level. Management has adopted this practice to facilitate the timekeeping for employees of multi-funded programs.

• The SAP/HR system did not have specific edits that prevented an employee’s assignment from having different attributes than what was budgeted for the position.

• There were no SAP reports that tracked budget-to-actual expenditures by position which could have allowed management to monitor the use of budgeted funds, along with the rate at which budgeted funds were being used.

• Suspense and “unspecified” program codes were active in the SAP environment regardless of whether the programs were funded.

• SAP allowed payroll to be transmitted under a different program code than the one specified for the position.

• There was minimal periodic oversight over the use of suspense and “unspecified” program codes by central offices.

• There were no specific edits in the SAP/HR system that prevented payroll from being processed through an unfunded or expired position control number, even when the position’s funding line had been “closed.”
• The unfunded and expired positions were manually being identified by Budget Services through the use of various SAP reports, along with customized spreadsheets. As a result, some position control numbers could have been missed.

• There was a time lag between when a position’s original funding ended to when another source of funding begun. A school or office administrator could delay making a decision to fund a position and request a “hold” to be placed on the position, knowing that payroll payments would continue.

• A position’s funding time period could be misaligned with the employee’s assignment period. For example, a position’s funding source could expire mid-year while the assignment could have a perpetual ending date. The link between a position’s budget and an employee assignment was not strictly enforced.

• Position detail information was not cleaned up in the Business Warehouse to ensure the accuracy of data in the Vacancy Report.

• The SAP system did not automatically update the status of the position control number when an employee was placed in a position. The position’s “Vacant” and “Occupied” status was managed by the positions’ organizational units.

• Budget Services had not formalized or standardized the position approval process; therefore, organizational units used different forms to request and approve the creation or modification of a position. In addition, the submitted paperwork was not being reviewed for completeness or appropriate approvals.

• Budget Services personnel did not consistently follow the funding start/end dates specified by the requesting organizational units.

• The SAP/COFE module did not automatically change the status of a position from active to closed once a position reached the last day of funding.

• The Budget Services “Weekly Report of Unauthorized and Reduction in Force Position” was based upon the position status indicator within the SAP/COFE module. Since position status indicator may not be accurate (i.e. closed versus active), the system filter would exclude these positions from being analyzed for expired funding.

• The SAP/COFE module did not have the proper input edits to require that a position control number be entered upon the creation of a transaction line.

As a result of the above conditions:
• The District did not experience the benefits that a properly functioning and fully operational position control system offers. These benefits include improved planning, monitoring, analysis, tracking of actual cost by position, and eliminating the unanticipated impact of unfunded positions.

• The District limits its ability to manage the size and cost of its workforce. Salary and benefits account for 75.6% of the District’s expenditures and salary costs exceeded the budget by $171 Million for the period ending June 15, 2009.

• Central Offices and School Sites continue to operate and function independently instead of working together cohesively as integrated units to support an overall position control process. This lack of direction can lead to staff duplicating or negating each other’s efforts and further creating operational inefficiencies.

• Central Offices and School Site personnel do not have standards or requirements to comply with in terms of a position control management process.

• Payroll for “A” basis salaried employees exceeded the budget by a total of $4.2 Million for certificated employees and $0.9 Million for classified employees for two quarters in FY 2009.

• Payroll may continue to exceed the budget for other assigned employees, with the excess salary cost charged to the District’s general fund.

• The lack of formalized policies or guidance for a position’s budgeted funds in relation to an employee’s compensation could preclude the District from implementing the SAP Position Budget Control module. Under this environment with full system-based controls/edits, a position would need to be sufficiently funded in order for payroll to be remitted.

• A total of $74,000 of certificated and classified salary expenditures were directed to categorical programs other than that specified by the budgeted positions. This presents a program compliance risk, since a Timekeeper could charge an employee’s time to the incorrect program.

• Salary expenditures could be directed to the wrong cost center.

• The District incurred additional cost for employees paid as “A” basis when the position was budgeted for a shorter assignment period.

• The Accounting and Disbursements Division performs an extensive manual “clean-up” of suspense and unspecified program codes at the end of the fiscal year. The related
expenses can usually be adjusted and directed to the proper program codes. However, residual expenses were ultimately charged to the District’s general fund.

- The Accounting and Disbursement Division’s manual “clean-up” process increases the risk that some expenditures could be charged to the incorrect program, leading to program and grant compliance risks. In addition, waiting until year-end to review these program codes limits the District’s ability to mitigate program cost overruns during the school year.

- A net overpayment amount of $155,000 of payroll was remitted to certificated “A” basis salaried employees via unfunded and expired position control numbers. In addition, a net underpayment of <$30,000> was remitted to classified “A” basis salaried employees.

- There was an increased risk that additional payroll remittances were made through unfunded and expired position control numbers for employees in other assignment schedules, with employees working past a position’s funding source expiration date.

- Unfunded and expired position control numbers could be used to process unauthorized payroll remittances. In addition, payroll expenditures could be charged to closed program funding lines.

- There was limited assurance that the reporting of position activities in SAP, such as “vacant” and “occupied” position status was accurate and reliable.

- There was an increased risk that position budgets may be used inappropriately due to inaccurate vacancy information.

- There was limited assurance that modifications to new positions were proper. In addition, incorrect funding start/end dates could have led to incorrect/unapproved payroll expenditures, so the organizational units’ budget planning could be compromised if more of their budget is used to fund a position.

- There was limited assurance that all expired positions were captured in the “Weekly Report of Unauthorized and Reduction in Force Positions” as of June 30, 2009 and there was $132,000 of unallocated budgeted funds.

Our recommendations to correct these conditions begin on page 33.
BACKGROUND

General Position Control Information

Industry practice refers to position control as a system of tracking information based on positions rather than employees. Positions are approved for budgeting periods and must be tracked whether or not they are filled. By defining a budgeted cost for each position, employee costs can be compared against those budgeted for the position. As employees grow and change jobs within an organization, their job title, salary and other attributes also tend to change. But the position the employee was in probably maintains its budgeted cost independently from the changes to the employees(s) that have spent time in that position. A Position Control Process System integrates the following departments:

- Human Resource Department for HR information
- Accounts Department for Budget Development
- Payroll Department for payroll related data
- Finance Department for salary and benefit projections

Relationships in Organizational Management


6 Broward County Public School, BRITE Broward’s Innovative Tool for Education ERP Department, Budget Position Control, p. 7.
Current Position Control Practices at LAUSD

The District has defined position budgeting as a position control process that enables the District to perform de-centralized Position Budget Planning and Maintenance. The process enables the capture of Position Requisitions for new positions, as well as changes to existing positions (position maintenance). Workflow facilitates the approval process for the proposed position budget. Once new positions and position changes are approved, the positions should be automatically created or maintained in SAP. The budget related to the positions should automatically post into SAP.\textsuperscript{7} Budget Services uses the SAP/Central Office Front End (“COFE”) module to manage the budget by position.

The District maintains a complex position to employee relationship where one position control number can be funded by more than one program funding source or where multiple employees can occupy one position. Therefore, the number of full-time equivalent positions does not translate to the number of employees in the District. The SAP/COFE module can show one position with multiple transactions for each program funding source. Likewise, the SAP Payroll transaction system can show one employee paid out of multiple positions or multiple program sources. A position does not follow an employee; instead the status of the position is managed by the organizational unit. The School Fiscal Services Division states that organizational units, such as schools, are given allocations and cost sheets. It is the organizational units’ responsibility to decide whether to fund a position. A Fiscal Specialist ensures that the school has funding lines available. The funding of a position requires the consultation and approval of Budget Services as a position becomes updated with the new active funding source.

The District identifies and tracks a position by a designated position control number. A position control number has over twenty budget attributes that categorize the position’s specifications. These attributes include but are not limited to the following:

- location
- cost center
- funding source
- funding period
- job specifications
- salary and benefit compensation information
- assignment schedule
- hours
- fund source percentages
- Full-Time Equivalent percentages

Once a position is approved and established by Budget Services, the Human Resources Division Placement and Assignments Office and the Personnel Commission Employment Transaction

Services Branch assign an employee to the position. The employee’s payroll is then processed with the assigned position control number.

The core central offices involved in the Position Control business process are:

- **Budget Services and Financial Planning Division** - Staff is responsible for maintenance and support of the budget computer system - BRASS (Budget Reporting and Analysis Support System), which includes interfaces and links into other financial systems such as the Integrated Financial System (IFS) and the Human Resources System (HRS). The Position Control staff oversees district wide budget controls, as well as provides maintenance and support to budget and human resource systems, for authorized positions.8

- **Human Resources Division** – The Placement and Assignments Office is the primary source of support and contact with teachers, principals, superintendents, and District offices for personnel policies and procedures related to staffing schools.9

- **Personnel Commission** - Employment Transaction Services Branch manages all personnel transactions for classified (non-teaching) positions and teacher assistants. It is the responsibility of the Classified Employment Transaction Services Branch to ensure that all assignment transactions are in compliance with Education Code provisions, Personnel Commission rules, collective bargaining agreements, and District policies and procedures.10

- **School Fiscal Services Division** - Provides oversight and direction to Fiscal Specialists housed in the Local District office for a variety of financial and business activities that are performed for school site administrators in the areas of budget development, budget transfers, position control, purchasing, payroll, imprest fund and p-card reconciliation, and personnel and financial business services. The Section also provides training and guidance to school administrators and staff in the management of categorical and district accounts.11

- **Information Technology Department** – Human Resources and Financial ERP Systems with the mission of the Information Technology Division is to provide the District with the timely and efficient delivery of technology, information and related services which contribute to the effective education of all students.12

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SAP Enabled Position Control: The Unfulfilled Vision

On September 15, 2006, the Business Tools for Schools, LAUSD Enterprise Resource Planning (ERP) project team presented the Employee Life Cycle as follows:

The Employee Lifecycle

As the District planned for its conversion to an SAP/R3 environment, one of the high-level budget designs was to release an SAP Position Budget Control module that integrated personnel/cost planning to support the budget and calculation of cost of salaries and benefits for positions. Originally, the position control functionality was supposed to be part of Business Tools for Schools (BTS) Release 2 that became active on January 1, 2007.13 [See Appendix A for the proposed diagram of the BTS Budget Maintenance on September 15, 2006.] It was stated that the creation of budget and position control, together with hiring employees, recruiting candidates and other processes, would make it possible for LAUSD to hire and pay an employee, as well as record the related expenses.14 At the end of the SAP implementation period, the SAP Position Budget Control module was postponed by business stakeholders and the system integrator, in a Go/No Go Readiness Review15 presentation. The Position Budget Control module went through configuration but was not implemented due to the risk that the program

15 Go/No Go Readiness Review # 3 presentation held on December 28, 2006.
script would interfere with the availability of the SAP payroll applications on January 1, 2007. It was the BTS Team’s intent to revisit the SAP Position Budget Control module in February 2007, however, the SAP payroll configuration issues arose, which resulted in the Position Budget Control module being postponed as of the date of this report.

**DISCUSSION**

This section discusses the following areas:

- Position Control Management Process
- Payroll to Budget Positions Attributes
- Payroll Program Expenditures
- Payroll Expired and Unfunded Positions
- SAP Vacant and Filled Reports
- Authorization and Documentation of Positions
- Maintenance of Budgeted Positions

### Position Control Management Process

There were no formal policies or procedures that addressed (i) position control compliance, (ii) department head’s and Principal’s responsibilities for monitoring position fund expenditures, and (iii) SAP reporting requirements that would support monitoring efforts by the Budget Services, the Payroll Services Branch, the Personnel Commission, and the Human Resources Division. In addition, Central Offices relied on manual detective controls to manage and track position maintenance activities. Preventive controls are designed to prevent errors or exceptions, whereas detective controls rely primarily on detecting errors, exceptions, or discrepancies after they have occurred.

The District has previously recognized the following benefits of a position control process:

- Improve planning, budgeting control, position monitoring and analysis.
- Maintain record of position status and history.
- Tracks actual cost by position.
- Eliminates unanticipated impact of “unfunded positions.”
- Virtually eliminates opportunities for senior staff to assign staff on an “informal” basis; to be paid, individual must be assigned to a budgeted position.
- New results should be improved compliance with the Board-approved budget.  

In order for a position control process to succeed, the concept of position control should be supported by strong management internal controls. An organization’s control environment sets

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the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure. Control environment factors include management's philosophy and operating style; the way management assigns authority and responsibility, and organizes and develops its people; and the attention and direction provided by the board of directors.\textsuperscript{17}

We interviewed management personnel from Budget Services and Financial Planning Division, the Human Resources Division, the Personnel Commission, Payroll Services Branch, and the School Fiscal Services Division to assess the District’s current position control operating environment and noted the following:

- Management has not put in place the SAP Position Budget Control module which went through configuration and testing during the SAP Release II Phase. In lieu of SAP functionality, Central Offices developed inefficient manual detective processes to account for position control activities. For example:
  
  o Budget Services’ staff used spreadsheets and developed their own database query to detect expired and unfunded positions.
  
  o The Human Resources Division and the Personnel Commission offices reviewed position to employee relationship on an individual basis, which included the following actions:
    
    - Handled phone calls and e-mails from the Budget Services to move employees from unfunded positions.
    - Processed requests from School and administrative offices to hold or keep a position.
  
  o School Fiscal Services Division relied on Budget Services to send them a listing of expired positions, not utilizing the SAP expired position reports.

- Management has not developed a process flow chart showing the District’s current position control process nor has management determined what process would be followed if the District decided to implement the SAP Position Budget Control module. Therefore, the lack of an explicit, transparent process resulted in (i) inconsistent understanding of the position control process by management and staff involved in the process, and (ii) difficulty identifying control weaknesses and improving the control environment.

- Written policies and procedures that address position control compliance, monitoring of position fund expenditures by Administrators and Principals, and financial management reporting requirements for central offices were not found. Unwritten policies and procedures or oral understanding is not an effective business practice considering the size

\textsuperscript{17} Committee of Sponsoring Organization of the Treadway Commission (“COSO”), Internal Control Integrated Framework, Sep. 1992, p. 10.
and number of employees in the District. The COSO Internal Control Integrated Framework, states that “Many times, policies are communicated orally. Unwritten policies can be effective where the policy is a long-standing and well-understood practice, and in smaller organizations where communication channels involve only limited management layers and close interaction and supervision of personnel.”

- There were an insufficient number of management reports. Budget Services reported on the number of unfunded and reduction in force positions, and started to report on the total number of “school-based” and “non-school based” budgeted positions in May 2009. Status quarterly reports and budget-to-actual results by positions that could have provided the District with insight as to the size, need, and cost of its workforce were not produced.

- Several inefficiencies were identified in the current operational activities, such as:
  
  o Budget Services expended effort in cleansing and reconciling the position control number data between the SAP/COFE position budget module and the SAP/HR Organizational Management module.

  o Personnel Commission had and continues to have at least one full-time-equivalent employee cleansing the SAP position vacancy report and occupied Business Warehouse data.

  o Accounting and Disbursement Division and ITD support used resources to clean up and clear salary expenditures out of suspense program accounts at the end of the fiscal year.

  o Human Resources and Personnel Commission continuously reconcile employee assignment attributes to position attributes and update information as necessary.

These conditions occurred because:

- The District’s efforts have been focused on stabilizing the SAP payroll functions. In order for the SAP Position Budget Control module to be implemented, there would have to be a working alignment between the assigned position and the categorical funding. If the position control module were to be implemented, BTS would not be able to process payroll payments for a position if there was inadequate funding.

- The central offices of Budget Services, the Human Resources Division, the Personnel Commission, and the School Fiscal Services Division have been focused on supporting the District’s current reduction in force project. Each of these offices owned a part of the position control process, and yet no process flow chart showing how each office’s roles,

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responsibilities and activities were linked together as a whole had been developed. In addition, no efforts had been made to develop comprehensive policies and procedures.

- There are limited feedback and communication channels established between offices. Budget Services works closely with Human Resources and Personnel Commission, but has limited interaction with the Payroll Services Branch. Useful data generated by the Payroll Services Branch could have been used by Budget Services to monitor payroll costs passed through position control numbers.

As a result of the above conditions:

- The District did not experience the benefits that a properly functioning and fully operational position control system offers. These benefits include improved planning, monitoring, analysis, tracking of actual cost by position, and eliminating the unanticipated impact of unfunded positions.

- The District limits its ability to manage the size and cost of its workforce. Salary and benefits account for 75.6% of the District’s expenditures and salary costs exceeded the budget by $171 Million for the period ending June 15, 2009.

- Central Offices and School Sites continue to operate and function independently instead of working together cohesively as integrated units to support an overall position control process. This lack of direction can lead to staff duplicating or negating each other’s efforts, and further creating operational inefficiencies.

- Central Offices and School Site personnel do not have standards or requirements to comply with in terms of a position control management process.

We discuss the actions needed to correct these conditions in Recommendations 1 to 3.

**Payroll to Budget Positions Attributes**

The payroll funding source and attributes by position control number did not always match the position’s budget specifications.

Position control budgets and analyses are based on positions rather than employees. By defining a budgeted cost for each position, employee costs can be compared against those budgeted for the position. In addition, based on the original SAP position control module designed specifications, position control must ensure positions are fully funded.

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20 LAUSD and Deloitte ERP Project, Design Specification for “Report on Position with Funding Sources” (ZPCA0001), Cross-functional dependencies 1.3.
A position control number has over twenty budget attributes that categorize the position’s specifications. These attributes include but are not limited to: location, cost center, funding source, funding period, job specifications, salary and benefit compensation, assignment schedule, hours, fund source percentages and Full-Time Equivalent percentages.

During our audit, we noted that Management had not yet defined how a position’s budget attributes (specifically: salary compensation, cost center, or program) apply to the employee who occupies the position. Budget Services management stated that employees’ assignment attributes such as schedules, including hours and job titles should match the position specifications. One District written policy indicated that a position determines an employee’s assignment schedule. The District has eight defined assignment schedules, referred to as “basis”, where “A” basis employees work the most number of days during a school year.

As part of this audit, we selected a sample of positions and we matched the payroll information to the COFE position budget listing as of June 20, 2009 by position control number to compare the following position attributes: regular salary cost, cost center, program code, and basis.

The test was performed for certificated and classified “A” basis salaried employees. Two quarters were selected for testing: 1st Quarter and 3rd Quarter of FY 2009. The following was noted as a total of both quarters:

**Certificated "A" Basis, Salary**

- Actual payroll salary costs by position control number exceeded the budget by $4.2 Million. On average, payroll salary costs exceeded the budget by 4.74% per pay period for certificated “A” basis salaried employees for two quarters of FY 2009. This is based on regular base salary only, not including overtime.

- 596 out of 12,533 (4.76%) payroll transactions tested revealed that the cost center did not match the prescribed position control number budget attribute.

- 635 out of 12,533 (5.07%) payroll transactions tested showed that the program code did not match the prescribed position control number budget attribute. We calculated a total of $59,700 of expenditures that could impact other program funds.

- 172 out of 12,533 (1.37%) payroll transactions tested showed that the assignment basis did not match the prescribed position control number budget attribute (i.e. payroll processed “A” basis; position specifications were “B” or “C” basis).

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21 Our test population included only positions that had one payroll transaction per position control number. This information was compared with COFE budgeted positions that had only one source of funding. Multi-funded positions were not included in our test sample. In addition, to compare the payroll to budget salary expenditures, we matched the payroll and COFE transactions by position control number and general ledger account to compare the salary amount charged to the position.
Results by Quarter

<table>
<thead>
<tr>
<th>Payroll Differences</th>
<th># of Position Attribute Differences</th>
<th>$ Impact of</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quarter Pay Period</td>
<td>Payroll Remitted Budget Payroll Difference</td>
<td>Cost Center</td>
</tr>
<tr>
<td>First Quarter Subtotal</td>
<td>$47,375,458 $45,256,963 $2,118,495</td>
<td>300</td>
</tr>
<tr>
<td>Third Quarter Subtotal</td>
<td>$46,478,500 $44,354,897 $2,123,603</td>
<td>296</td>
</tr>
</tbody>
</table>

Total for two quarters $93,853,958 $89,611,860 $4,242,098 596 635 172 $59,700
Total Payroll Transactions 12,533 12,533 12,533 $93,853,958

Percent 4.73% 4.76% 5.07% 1.37% 0.06%

Classified "A" Basis, Salary

- Payroll salary cost by position control number exceeded the budget by $0.9 Million, or on average 3.87% per pay period for classified “A” basis salaried employees. This is based on regular base salary only, not including overtime.

- 70 out of 2,742 (2.55%) payroll transactions tested revealed that the cost center did not match the prescribed position control number budget attribute.

- 69 out of 2,742 (2.52%) payroll transactions tested revealed that the program code did not match the prescribed position control number budget attribute. We calculated a total of $14,368 of expenditures that could impact other program funds.

Results by Quarter

<table>
<thead>
<tr>
<th>Payroll Differences</th>
<th># of Position Attribute Differences</th>
<th>$ Impact of</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quarter Pay Period</td>
<td>Payroll Remitted Budget Payroll Difference</td>
<td>Cost Center</td>
</tr>
<tr>
<td>First Quarter Subtotal</td>
<td>$12,168,026 $11,779,484 $388,542</td>
<td>3</td>
</tr>
<tr>
<td>Third Quarter Subtotal</td>
<td>$12,130,081 $11,814,255 $515,826</td>
<td>67</td>
</tr>
</tbody>
</table>

Total for two quarters $24,298,107 $23,393,739 $904,368 70 69 0 $14,368
Total Transactions 2,742 2,742 2,742 $24,298,107

Percent 3.87% 2.55% 2.52% 0.00% 0.06%

These conditions occurred because:

- Budget Services did not expect an employee’s compensation to be limited by the position’s budgeted funds since the position could be occupied by an employee who was at a higher salary base. Generally, a position was funded at the mid-step of a job’s salary schedule, not based on average current salaries.

- There were no policies that addressed which of the position’s budget attributes should be adhered to by the Human Resources Division, the Personnel Commission, or the Payroll Services Branch. For example, there were no guidelines or policies for determining whether a position should be budgeted at the higher level of compensation, nor whether staff in Human Resources Division, the Personnel Commission, or Payroll Services
Branch staff should simply follow and not change a position’s budgeted attributes (i.e. cost center, program codes).

- An employee’s assignment attributes can differ from a position’s budget attributes. For example, the cost center, and program code could be changed at the assignment and time-entry level. Management has adopted this practice to facilitate the timekeeping for employees of multi-funded programs.

- The SAP/HR system did not have specific edits that prevented an employee’s assignment from having different attributes than what was budgeted for the position.

- There were no SAP reports that tracked budget-to-actual expenditures by position, which could have allowed management to monitor the use of budgeted funds, along with the rate at which budgeted funds were being used.

As a result of these conditions:

- Payroll for “A” basis salaried employees exceeded the budget by a total of $4.2 Million for certificated employees and $0.9 Million for classified employees for two quarters in FY 2009.

- Payroll may continue to exceed the budget for other basis assigned employees, with the excess salary cost charged to the District’s general fund.

- The lack of formalized policies or guidance for a position’s budgeted funds in relation to an employee’s compensation could preclude the District from implementing the SAP Position Budget Control module. Under this environment with full system-based controls/edits, a position would need to be sufficiently funded in order for payroll to be remitted.

- A total of $74,000 of certificated and classified salary expenditures were directed to categorical programs other than that specified by the budgeted positions. This presents a program compliance risk, since a Timekeeper could charge an employee’s time to the incorrect program.

- Salary expenditures could be directed to the wrong cost center.

- The District incurred additional cost for employees paid as “A” basis when the position was budgeted for a shorter assignment period.

We discuss the actions needed to correct these conditions in Recommendations 4 to 8.
Payroll Program Expenditures

Payroll expenditures were posted to suspense or “unspecified” program codes.

The LAUSD Budget and Finance Policy states that to meet its near and long-term goals, the District should plan and budget resources and commitments in a way that provides a sustainable approach to its mission. To achieve this sustainability, LAUSD should strive to:

- Set parameters for multi-year programs and offices by identifying specific “sunset dates” for program termination as well as the ending date for personnel assignments funded in the program.
- Identify impact on the budget of unfunded mandates and other spending pressures.22

Programs and grants are all tracked by program codes. A grant usually comes with specific stipulations as to how it can be used. When a grant is awarded to LAUSD, the Program Coordinators determine the allocation of funds. They determine which schools should receive funds and the level of funds. They then communicate this information to Budget Services to allocate the budget to the schools. Once the budget is entered in BTS, the schools can begin using the funds.

The position control number identifies a position’s funding information, including showing whether it is from a categorical source or not. Per Budget Services, the budget is distributed by program funds and the programs’ budget should be balanced. Budget Services does not budget positions under suspense or “unspecified” program codes.

From our test population, we noted a total of $678,922 of regular salary expenditures were processed through suspense or “unspecified” program codes for certificated "A" basis salaried employees in the 1st Quarter and 3rd Quarter of FY 2009. The term “unspecified” program codes is used in this report to refer to the following: Specially Funded Program-payroll Closed Grants, SAP Dummy Payroll, Dummy Programs, and Invalid Programs. The program codes of these payroll transactions did not match the program codes as specified by the position control number.

Furthermore, from the period of July 1, 2008 to June 15, 2009, the District’s Financial Reporting Database showed that various school sites and offices processed $4.2 Million of regular salaries expenditures for certificated and $2.1 Million of regular salaries for classified employees through suspense or “unspecified” program codes as follows:

The Financial Results by Program

<table>
<thead>
<tr>
<th>Certified Regular Salaries</th>
<th>Auditor’s Calculation</th>
<th>Auditor’s Calculation</th>
<th>Variance Expd. &amp; Encumbr. VS. Modified Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prog</td>
<td>Prog Name</td>
<td>Total Current Modified Budget by Program</td>
<td>Total Expenditures &amp; Encumbrances by Program</td>
</tr>
<tr>
<td>1851</td>
<td>SFP PAYROLL CLOSED GRANTS</td>
<td>0.00</td>
<td>119,967.97</td>
</tr>
<tr>
<td>1961</td>
<td>SUSPENSE ACCT (GEN FD-UNREST)</td>
<td>0.00</td>
<td>3,242,899.04</td>
</tr>
<tr>
<td>1952</td>
<td>SUSPENSE ACCT (GEN FD-REST)</td>
<td>0.00</td>
<td>553,445.95</td>
</tr>
<tr>
<td>9606</td>
<td>SAP DUMMY PAYROLL ACCT</td>
<td>0.00</td>
<td>122,467.11</td>
</tr>
<tr>
<td>XXXX</td>
<td>INVALID PROGRAM-WAIT</td>
<td>0.00</td>
<td>10,798.13</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>4,152,733.06</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Classified Regular Salaries</th>
<th>Auditor’s Calculation</th>
<th>Auditor’s Calculation</th>
<th>Variance Expd. &amp; Encumbr. VS. Modified Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prog</td>
<td>Prog Name</td>
<td>Total Current Modified Budget by Program</td>
<td>Total Expenditures &amp; Encumbrances by Program</td>
</tr>
<tr>
<td>1851</td>
<td>SFP PAYROLL CLOSED GRANTS</td>
<td>0.00</td>
<td>32,745.00</td>
</tr>
<tr>
<td>1961</td>
<td>SUSPENSE ACCT (GEN FD-UNREST)</td>
<td>0.00</td>
<td>974,886.70</td>
</tr>
<tr>
<td>1952</td>
<td>SUSPENSE ACCT (GEN FD-REST)</td>
<td>0.00</td>
<td>884,074.28</td>
</tr>
<tr>
<td>9606</td>
<td>SAP DUMMY PAYROLL ACCT</td>
<td>0.00</td>
<td>99,892.11</td>
</tr>
<tr>
<td>XXXX</td>
<td>INVALID PROGRAM</td>
<td>0.00</td>
<td>77,502.10</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>2,069,100.19</td>
</tr>
</tbody>
</table>

These conditions occurred because:

- Suspense and “unspecified” program codes were active in the SAP environment regardless of whether the programs were funded.
- SAP allowed payroll to be transmitted under a different program code than the one specified for the position; a position’s budget attributes, such as program codes could be changed by a Timekeeper.
- There was minimal periodic oversight over the use of suspense and “unspecified” program codes by central offices.

As a result of these conditions:

- The Accounting and Disbursements Division performs an extensive manual “clean-up” of suspense and unspecified program codes at the end of the fiscal year. The related expenses can usually be adjusted and directed to the proper program codes. However, residual expenses were ultimately charged to the District’s general fund.
- The Accounting and Disbursement Division’s manual “clean-up” process increases the risk that some expenditures could be charged to the incorrect program, leading to program and grant compliance risks. In addition, waiting until year-end to review these program codes limits the District’s ability to mitigate program cost overruns during the school year.
We discuss the actions needed to correct these conditions in Recommendations 8 to 9.

**Payroll Expired and Unfunded Positions**

Payroll was remitted to employees through unfunded and expired position control numbers. In some instances, the unfunded and expired positions were even coded as closed in the system but payroll was still remitted.

Position Control is supposed to provide the District with the benefit of improving control over expenditures by ensuring that assignments can only be made to budgeted positions and eliminate the unanticipated impact of unfunded positions.23 During the course of the budget year, the funding for a number of positions expires. These funding expirations must be identified ahead of time to ensure that new funding can be identified or for the employee to be moved from the unfunded position.24

Budget Services identified over 900 unfunded positions as of June 30, 2009. The department proactively created a report entitled, “Weekly Report of Unauthorized and Reduction in Force Positions” to notify the Human Resources Division and the Personnel Commission of employees occupying unfunded positions. The Human Resources Division and the Personnel Commission then begin the process of placing employees in funded positions or to notify the employees of displacement. The report showed the number of positions where the funding had expired and also served as an important tool for the District’s recent reduction in force efforts.

**Unfunded Position Results**

To test whether payroll transactions were being processed through unfunded positions, we compared the position control numbers from payroll transactions to the SAP/COFE position listing as of June 20, 2009. The SAP/COFE module is where Budget Services maintained all FY 2008/09 funded positions.

The test was performed for certificated and classified “A” basis, salaried employees.25 Two quarters were selected for testing: 1st Quarter and the 3rd Quarter of FY 2009. The following was noted:

- 32 out of 13,367 (0<1%) certificated position control numbers included in our test sample existed in Payroll but not in the SAP/COFE position budget listing. By definition, all position control numbers in Payroll reports should be in the SAP/COFE reports. However, there was $140,000 of salary expenditures processed through these questionable position control numbers. In addition, of these 32 certificated position

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24 LAUSD and Deloitte ERP Project, Design Specification for “Report on Position with Funding Sources” (ZPCA0001), Business Driver 1.16.
25 Our test population included only positions that had one payroll transaction per position control number. This information was compared with COFE budgeted positions that contained only one funding source.
control numbers, 17 (53.1%) were not captured in Budget Services “Weekly Report of Unauthorized and Reduction in Force Positions” as of 6/30/09.

<table>
<thead>
<tr>
<th>Pay Period</th>
<th>Position Control Numbers not in Budget</th>
<th>Total Payroll</th>
<th># of Transactions Reviewed</th>
<th>Trans. %</th>
<th>Position Control Numbers not in Weekly Report</th>
</tr>
</thead>
<tbody>
<tr>
<td>07/31/08</td>
<td>9 $ 98,872</td>
<td>2,335</td>
<td>0.39%</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>08/31/08</td>
<td>12 $ -8,574</td>
<td>2,294</td>
<td>0.52%</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>09/30/08</td>
<td>5 $ 35,158</td>
<td>2,169</td>
<td>0.23%</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>01/31/09</td>
<td>0 $ -</td>
<td>2,248</td>
<td>0.00%</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>02/28/09</td>
<td>2 $ 4,437</td>
<td>2,161</td>
<td>0.08%</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>03/31/09</td>
<td>4 $ 10,112</td>
<td>2,160</td>
<td>0.19%</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>32</strong> $ 140,005</td>
<td><strong>13,367</strong></td>
<td>0.24%</td>
<td><strong>17</strong></td>
<td></td>
</tr>
</tbody>
</table>

- For classified “A” basis salaried employees, we found four position control numbers in Payroll but not in the SAP/COFE position budget listing. These positions were also not captured in Budget Services “Weekly Report of Unauthorized and Reduction in Force Positions” as of 6/30/09.

**Expired Positions Results**

To capture expired position control numbers, we compared the payroll transactions pay period dates with the SAP/COFE position control number funding end-dates. We reviewed the position control numbers where the funding end-date was on the first day of the payroll pay period, such as positions with funding end dates of July 1, 2008, or where the position’s expiration date was well before the pay period payroll was remitted. Our results showed the following:

- 41 out of 12,672 (<1%) certificated position control numbers were expired, with a net amount of $15,346 of salary expenditures processed through payroll after the positions’ expiration dates. In addition, 12 out of the 41 (29.3%) identified expired position control numbers were not captured in the Budget Services “Weekly Report of Unauthorized and Reduction in Force Positions” as of 6/30/09. Results per pay period are as follows:

<table>
<thead>
<tr>
<th>Pay Period</th>
<th>No. of Expired Position Control Numbers</th>
<th>Payroll</th>
<th>Position Status “Closed”</th>
<th># of Transactions Reviewed</th>
<th>Trans. %</th>
<th>PCN not in Budget Services Weekly Report</th>
</tr>
</thead>
<tbody>
<tr>
<td>07/31/08</td>
<td>16</td>
<td>$ 23,490</td>
<td>16</td>
<td>2,218</td>
<td>0.72%</td>
<td>5</td>
</tr>
<tr>
<td>08/31/08</td>
<td>10</td>
<td>$ 12,339</td>
<td>10</td>
<td>2,171</td>
<td>0.46%</td>
<td>1</td>
</tr>
<tr>
<td>09/30/08</td>
<td>8</td>
<td>-20,492</td>
<td>7</td>
<td>2,055</td>
<td>0.39%</td>
<td>4</td>
</tr>
<tr>
<td>01/31/09</td>
<td>4</td>
<td>31,535</td>
<td>2</td>
<td>2,140</td>
<td>0.19%</td>
<td>1</td>
</tr>
<tr>
<td>02/28/09</td>
<td>1</td>
<td>-3,201</td>
<td>2</td>
<td>2,040</td>
<td>0.05%</td>
<td>1</td>
</tr>
<tr>
<td>03/31/09</td>
<td>2</td>
<td>-28,315</td>
<td>2</td>
<td>2,050</td>
<td>0.10%</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>41</strong></td>
<td><strong>15,346</strong></td>
<td><strong>38</strong></td>
<td><strong>12,872</strong></td>
<td><strong>0.32%</strong></td>
<td><strong>12</strong></td>
</tr>
</tbody>
</table>

- 9 out of 2,831 (<1%) classified position control numbers were expired, with a net amount of $30,013 of salary credits processed through payroll after the positions’ expiration dates. In addition 9 out of the 9 (100%) identified classified expired position control
numbers were not captured in the Budget Services “Weekly Report of Unauthorized and Reduction in Force Positions” as of 6/30/09. Results per pay period are as follows:

<table>
<thead>
<tr>
<th>Pay Period</th>
<th>No. of Expired Position Control Numbers</th>
<th>Payroll</th>
<th>Position Status “Closed”</th>
<th># of Transactions Reviewed</th>
<th>Trans. %</th>
<th>PCN not in Budget Services’s Weekly Report</th>
</tr>
</thead>
<tbody>
<tr>
<td>07/31/08</td>
<td>1 $ 3,949</td>
<td>1</td>
<td>471</td>
<td>0.21%</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>08/31/08</td>
<td>1 $ 390</td>
<td>1</td>
<td>470</td>
<td>0.21%</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>09/30/08</td>
<td>2 $ -1,990</td>
<td>2</td>
<td>482</td>
<td>0.41%</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>01/31/09</td>
<td>3 $ -6,933</td>
<td>1</td>
<td>477</td>
<td>0.63%</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>02/28/09</td>
<td>1 $ 7,221</td>
<td>1</td>
<td>459</td>
<td>0.22%</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>03/31/09</td>
<td>1 $ -32,650</td>
<td>1</td>
<td>472</td>
<td>0.21%</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>9</strong> $ -30,013</td>
<td><strong>7</strong></td>
<td><strong>2,831</strong></td>
<td><strong>0.32%</strong></td>
<td><strong>9</strong></td>
<td></td>
</tr>
</tbody>
</table>

These conditions occurred because:

- There were no specific edits in the SAP/HR system that prevented payroll from being processed through an unfunded or expired position control number, even when the position’s funding line had been “closed.”

- The unfunded and expired positions were manually being identified by Budget Services through the use of various SAP reports, along with customized spreadsheets. As a result, some position control numbers could have been missed.

- There was a time lag between when a position’s original funding ended to when another source of funding begun. A school or office site could delay making a decision to fund a position and request a “hold” to be placed on the position knowing that payroll payments would continue.

- A position’s funding time period could be misaligned with the employee’s assignment period. For example, a position’s funding source could expire mid-year while the assignment could have a perpetual ending date. The link between a position’s budget and an employee assignment was not strictly enforced.

As a result of these conditions:

- A net overpayment amount of $155,000 of payroll was remitted to certificated “A” basis salaried employees via unfunded and expired position control numbers. In addition, a net underpayment of <$30,000> was remitted to classified “A” basis salaried employees.

- There was an increased risk that additional payroll remittances were made through unfunded and expired position control numbers for employees in other assignment schedules, with employees working past a position’s funding source expiration date.
• Unfunded and expired position control numbers could have been used to process unauthorized payroll remittances. In addition, payroll could be charged to closed program funding lines.

We discuss the actions needed to correct these conditions in Recommendations 8 through 12.

**SAP Vacant and Filled Reports**

The SAP Vacancy Report contained contradictory information. For example, there were some employees working in positions labeled as “Vacant”, and some positions labeled as “Occupied” that had no employees assigned to them. There was limited assurance that the data in the SAP Vacancy Report was accurate and reliable.

The Standards for Internal Control in the Federal Government issued by the US General Accounting Office specify that transactions should be promptly recorded to maintain their relevance and value to management in controlling operations and making decisions.\(^{26}\) Using position control, budgets and analyses are based on positions rather than employees. Positions are approved for budgeting periods and must be tracked whether or not they are filled.\(^{27}\)

We obtained the SAP Management Report “HR082 Position Detail” as of 7/28/09 to assess the total number of vacant and filled positions for all of LAUSD. The report filter showed a number of exceptions as follows:

- A total of 1,358 unique position control numbers accounted for 21,938 transactions of certificated positions with “Vacant” status. However, each of these vacant positions showed an employee name.
- A total of 348 unique position control numbers accounted for 8,895 transactions of classified positions with “Vacant” status. However, each of these vacant positions showed an employee name.
- 880 certificated position control numbers were reported as “Occupied” but did not have a personnel number identification.
- 272 classified position control numbers were reported as “Occupied” but did not have a personnel number identification.

These conditions may have occurred because (i) position detail information was not cleaned up in the Business Warehouse to ensure the accuracy of data in the Vacancy Report and (ii) the SAP system did not automatically update the status of the position control number when an employee


was placed in a position. The position’s “Vacant” and “Occupied” status was managed by the positions’ organizational units.

As a result of these conditions (i) there was limited assurance that the reporting of position activities in SAP, such as “vacant” and “occupied” position status was accurate and reliable and (ii) there was an increased risk that position budgets may be used inappropriately due to inaccurate vacancy information.

We discuss the actions needed to correct these conditions in Recommendations 12 and 13.

**Authorization and Documentation of Positions**

Positions were created or modified without the proper authorization or supporting documentation. Also, the funding period requested for the position by organizational unit sometimes did not match the budgeted period established in the SAP/COFE system.

Request for Personnel Action form (Form No. 9073.0) issued by the Personnel Commission and the Human Resources Division is used to establish, change, and to close classified or certificated positions. The Request for Personnel Action Form requires an approval signature by the Principal, Administrator, or Supervisor. It also requires the beginning and ending dates of the requested assignment.

The School Fiscal Services Division states that it is the organizational units’ responsibility to decide whether to fund a position. The Fiscal Specialist ensures that the school has funding lines available. The funding of a position requires the consultation and approval of Budget Services as a position gets updated with the new active funding source.

- We randomly selected 38 position control numbers with funding start dates of October 31, 2008 to June 20, 2009. For each of the selected 38 position funding transactions, we reviewed the supporting documentation to determine whether position creation and changes were properly authorized and recorded. We noted that four position modifications, (i.e. change location, change position number, continuous budget funding) were not supported with approval documents by the requesting locations.

- The organization’s requested funding start and end dates for 7 of the 38 (18%) positions did not match with the position’s funding period in SAP/COFE. Specifically, the COFE report showed the four position funding period started earlier than requested and three positions were funded beyond the period requested. For example, one certificated position showed continuous funding instead of the requested end date of 6/30/09.

These conditions occurred because:
• Budget Services had not formalized or standardized the position approval process; therefore, organizational units used different forms to request and approve the creation or modification of a position. In addition, the submitted paperwork was not being reviewed for completeness or appropriate approvals.

• Budget Services personnel did not consistently follow the funding start/end dates specified by the requesting organizational units.

As a result, there was limited assurance that modifications to new positions were proper. In addition, incorrect funding start/end dates could have led to incorrect/unapproved payroll expenditures, so the organizational units’ budget planning could be compromised if more of their budget is used to fund a position.

We discuss the actions needed to correct these conditions in Recommendations 14 through 16.

**Maintenance of Budgeted Positions**

The SAP Central Office Front End (COFE) position budget module reports showed some expired positions with an active status, and some budgeted funds with no corresponding position control numbers.

Budget Services uses the SAP COFE module to create and maintain the budget by position control number. COFE is a transactional system, where changes in a position’s attributes are recorded and where the budget for the District’s positions is maintained. A position control number might show a closed ("C") status from one funding source to be followed by an active ("A") status from a different funding source, which usually occurs when a position has been refunded. A position can also be multi-funded from different programs during the same time period.

We obtained a listing of all the position control numbers as of June 20, 2009 from the SAP COFE module and tested the data to ensure that the position status of active or closed was appropriate when reviewing the positions’ funding end dates. We also tested that each position control number transaction was properly completed with the appropriate funding attributes. We noted the following:

• 205 position control numbers with expired funding were classified as active (“A”) for position status. These positions had funding lines with end dates from July 1, 2008 to May 30, 2009. In addition, we searched for the 205 position control numbers in the “Weekly Report of Unauthorized and Reduction in Force Positions” as of June 30, 2009 and found that 197 out of the 205 (96.1%) of the position control numbers were not identified in the report.
• 378 multi-funded position control numbers were found to have at least one expired program funding line but were still classified as active (“A”) for position status.

• There was $132,314 (including base salary and benefits) of budgeted funds without a position control number, but with an active funding position status.

These conditions occurred because:

• The SAP/COFE module did not automatically change the status of a position from active to closed once a position reached the last day of funding.

• The Budget Services “Weekly Report of Unauthorized and Reduction in Force Position” was based upon the position status indicator within the SAP/COFE module. Since the position status indicator may not be accurate (i.e. closed versus active) the system filter would exclude these positions from being analyzed for expired funding.

• The SAP/COFE module did not have the proper input edits to require that a position control number be entered upon the creation of a transaction line.

As a result of these conditions there was limited assurance that all expired positions were captured in the “Weekly Report of Unauthorized and Reduction in Force” as of June 30, 2009 and there was $132 Thousand of unallocated budgeted funds.

We discuss the actions needed to correct these conditions in Recommendation 17.
RECOMMENDATIONS AND COMMENTS

1. Recommendation
   - The Business Tools for Schools (BTS) Team should study the following three options for cost and position control process effectiveness: (i) implement the SAP Position Budget Control Module which was configured to support the integrated controls to pre-fund commitments from the point of budget development to payroll, (ii) explore other third-party vendor supplied software products that provide specialized functionality to address specific controls within the conditions found during routine audits, or (iii) adopt manual processes with formalized developed policies and procedures that support management functions.

   Responsible Department(s): Business Tools for Schools (BTS) Team (ITD)

   Business Tools for Schools (BTS) Team
   - The BTS Team agreed that the District needs to implement a position control process within established policies and procedures that connect employees to funded positions, and indicated that it has considered the options suggested by Internal Audit. The best short-term approach is to continue collaboration with business owners to develop system enhancements that District policies and procedures related to position budget control. For this to occur, ITD needs formal, documented requirements from the business owners. The BTS Team has assessed preliminary costs and timeline for implementing the SAP Position Budget Control Module to be $2.62M and 16 months of implementation. In addition to the cost and time needed, resources from Budget Services, Human Resources, and Personnel Commission required to actively participate during implementation are not readily available due to reduced staffing. The unavailability of needed resources also impacts the option of implementing a third party tool, which would add complexity to interface with another vendor’s product.

2. Recommendation
   - Budget Services should initiate the process of developing comprehensive position control policies and procedure that address compliance requirements, monitoring, reporting, authorization, and roles and responsibilities of central and school offices. An example of comprehensive policies and procedures can be found from the University of Wisconsin and is titled “Position Management Policy.” Their policy describes information requirements and references to the specific procedures in place to assure compliance with the policies, see APPENDIX B.

   Responsible Department(s): Budget Services and Financial Planning Division

   Budget Services
   - Budget Services agreed with the recommendation and will develop and adopt a policy by February 2010.
3. **Recommendation**
   - The Budget Services Director should establish position control reporting requirements. Standard reports should be developed as a tool for monitoring progress and performing risk assessment analysis. Besides the reporting of full-time-equivalent budgeted positions, the District should request budget-to-cost position reports and quarterly roll-forward reports with the following summary: (i) opening balance of total number of positions district wide, (ii) number of position created for the period, (iii) number of position closed (delimited) for the period, and (iv) ending balance of total number of positions. The frequency of management reporting should be established.

**Responsible Department(s):** Budget Services and Financial Planning Division

**Budget Services**
- Budget Services agreed with the recommendation and indicated that it is currently working on a project with ITD to develop system generated Full Time Equivalent Reports, which will provide FTE quarterly counts and changes. To be implemented in Spring 2010.

4. **Recommendation**
   - Budget Services should perform a study to determine whether positions require additional funding to meet employee compensation. The current method of budgeting for positions at the mid-range of a salary schedule should be evaluated and compared to current average salaries. Management should consider budgeting at the highest compensation level for a job which could yield exception reports that show the number of positions exceeding the budget. Management could then evaluate whether a position needs additional modifications.

**Responsible Department(s):** Budget Services and Financial Planning Division

**Budget Services**
- Budget Services agreed with the recommendation and indicated that it will investigate discrepancies between the average pay rate and actual payroll rate. This will be implemented in Spring 2010.

5. **Recommendation**
   - Budget Services should specify what alternate method/s will be used to track and monitor salary expenditures by position if the SAP Position Budget Control module is not implemented.

**Responsible Department(s):** Budget Services and Financial Planning Division

**Budget Services**
• Budget Services agreed with the recommendation and indicated that it believes that in the long run, Position Budget Control Module should be implemented to track and monitor salary expenditures by position. However, management believes the District is not operationally ready to implement this module until an automated process is established to displace employees from unfunded, obsolete positions.

6. Recommendation
• Budget Services should outline which position budget attributes will be used for budgeting purpose versus attributes that will be strictly enforced. As stated, a position control number has over 20 defined attributes, where only a few attributes such as assignment basis, can currently be enforced. The position attributes that will be strictly enforced should be listed in Budget Services’ position control policies and procedures.

**Responsible Department(s):** Budget Services and Financial Planning Division

**Budget Services**
• Budget Services agreed with the recommendation and indicated that the policy that will be written and implemented (refer to Recommendation # 2) will clearly indicate the budget attributes required in establishing a position. Management also indicated that the attributes of an assignment made by Personnel Commission and Human Resources Division against positions shall agree to the budget attributes.

7. Recommendation
• The Human Resources Division and the Personnel Commission should (i) assemble and designate employees to perform a clean up effort to compare employee’s basis to the assigned position, and make appropriate adjustments to either the position’s attribute or to the employee’s schedule, (ii) develop a timeline for the effort, and (iii) develop monthly reports to assess progress. This should be performed for “A” basis, salaried employees, but the long-term goal should be to perform this type of analysis and clean up effort for all District employees.

**Responsible Department(s):** Human Resources and Personnel Commission

**Human Resources Division**
• The Human Resources Division agreed with the recommendation and indicated that it will review the Budget Services Branch monthly reports, recommend any necessary adjustments to the Employee Schedule, and communicate with the appropriate Fiscal Specialist as needed.

**Personnel Commission**
• The Personnel Commission agreed with the spirit of the recommendation and indicated that it currently generates error reports that identify mismatches among the attributes of a position, an employee’s subarea, and an employee’s work schedule.
Using these error reports, the HR units make necessary corrections immediately on a daily basis.

8. Recommendation

- The BTS Team should work in collaboration with Budget Services to develop preventive controls in the SAP Payroll Module. The following transactions could be flagged for management to review:
  - Position control number attributes to assignment differences at a minimum by: cost center, funding source, and assignment schedule (basis). This transactions report should be reviewed by Budget Services to serve as an independent source to monitor the changes made at the assignment and timekeeping level.
  - Payroll transactions processed through expired position control numbers. Budget Services should review this report to capture additional positions that need to be reported in their “Weekly Report of Unauthorized and Reduction in Force Positions.”
  - Payroll transactions processed through unfunded position control numbers, that is, position control numbers flowing through payroll but not existing in the SAP/COFE module. Budget Services should review this report to capture additional positions that need to be reported in their “Weekly Report of Unauthorized and Reduction in Force Positions.”

Responsible Department(s): BTS Team (ITD)  
Budget Services and Financial Planning Division

Business Tools for Schools (BTS) Team

- The BTS Team agreed with the overall recommendation of collaborating with business owners to establish requirements and create validation reports to ensure that attributes of a position and employee remain in sync, and partially agreed with the recommendation of Budget Services reviewing the Payroll Services transactions posted with “expired” position numbers. BTS team indicated that due to various assignment and time reporting adjustments entered after the assignment or time reporting period, and system corrections resulting in retroactive time evaluation or payroll, payroll transactions may be posted outside of the valid position period. BTS Team proposed that instead of reassigning employees based on funding, an alternative solution that may possibly reduce differences between COFE and ECC is to review some current business processes, such as reduction in force, displacement, creation of new positions, and reassignment of employee based on funding.

Budget Services

- Budget Services disagreed with the recommendation, indicating that in the long run, controls should be implemented to prevent payroll charges for underfunded or unfunded positions, but that at this time, the systems are not in place to allow this. Management emphasized that the main weakness in the position control process is that the District allows assignments to continue beyond the funding period of the position, and that until an automated process for displacing employees whose positions are not funded, the District cannot prevent a payroll
management indicated that the District is obligated to pay salaries to employees who have worked and have a valid assignment.

Inspector General Response:

- The recommendation does not request the District to stop payroll remittance to an employee who has already worked and whose time has been approved, but to identify transactions that can be reviewed and (if necessary) to take actions that will initiate the process of correcting payroll transactions or prompt Human Resources and/or Personnel Commission to analyze and decide whether an employee should transferred to another position, offer the Administrator the option to buy the position, or displace the employee.

- We agree that the current system does not have automated system controls to prevent payroll payments under attributes that differ from those specified by the position control number, and/or payments made though expired or unfunded position control numbers. However, we disagree that the District cannot prevent some inappropriate payroll payments for unfunded or expired positions until a fully automated process is implemented. Management can take a proactive role in identifying and reviewing, even on a limited number of transactions, differences between position control number and assignment attributes as a method for monitoring changes made at the assignment and time-entry level. In addition, identifying transactions processed through expired or unfunded positions and updating the “Weekly Report of Unauthorized and Reduction in Force Positions” will serve to ensure the completeness of such a report and also facilitate Human Resources and the Personnel Commission’s employee transfer/displacement processes.

- During the exit conference, Budget Services Management indicated that it has partially implemented this recommendation. To help identify differences in assignment, Budget Services and ITD have been working on putting together a “Double Active” report which will show some of the differences in attributes. They have also replaced the “Weekly Report of Unauthorized and Reduction in Force Positions” report with an automated report in SAP.

9. Recommendation

- The District’s BTS Security Access Team should collaborate with the Human Resources Division, the Personnel Commission, and the Payroll Services Branch to assess the security roles for employees (i.e. Timekeepers and Assignment Technicians) that currently have access to change a position’s assignment basis schedule, cost center, and/or program codes. If the impact of limiting the security role of timekeepers creates problems with multi-funded positions, then another option could be to limit a timekeepers’ ability to change the funding codes for positions that have only one source of funding. In addition, the Security Access Team should limit or block Timekeeper’s access to suspense and unspecified program codes, as listed in this audit. At the time of our audit, the BTS Team stated that Timekeeper’s access to Dummy Program codes (“wwww”) and Invalid Program codes (“xxxx”) had been restricted.
Responsible Department(s): BTS Security Access Team (ITD)

Business Tools for Schools (BTS) Team

- The BTS Team partially agreed with the recommendation, indicating that Timekeepers and Assignment Technicians do not have ability to change attributes of a position, such as Personnel Subarea (basis), Cost Center, or funding (program codes), FTE, and that only Budget Services staff and BTS HR Team members have the ability to change those attributes. Timekeepers can enter different program codes for an employee but not on a position, and this was a business process decision made by the business owners. BTS Team stated it is not responsible for blocking program codes, since system configuration changes restrict access based on permissibility rather than through a security role. In regards to limiting or blocking Timekeeper’s access to suspense and unspecified program codes, BTS Team stated that in September 2009, BTS Team implemented a change in the Time module, which now uses a crosswalk table syncing the fund and functional area with a validation table in IFS and provides a hard error if entry combinations are invalid. In addition, BTS Team indicated suspense files are monitored by General Accounting and cleared for year-end reporting.

Inspector General Response

- The intent of the recommendation was to assess security roles for Timekeepers and Assignment Technicians to prevent inappropriate/unapproved changes, including those that can result in additional payroll expenditures posted to suspense or unspecified program codes. For clarification, although Timekeepers and/or Assignment Technicians might not have access to change a position control number budget attribute in the SAP COFE module, in the current SAP environment, directing payroll expenditures to suspense and “unspecified” programs codes occurs within the SAP Payroll or HR module. If ITD was able to place security restrictions in the use of Dummy and Invalid program codes, the same can be considered for suspense program codes. As stated, Budget Services does not budget positions under suspense or “unspecified” program codes, therefore, in allowing payroll salary expenditures to continue to flow through these types of program funds provides little incentive for business owners to ascertain the funding of their positions. We are in agreement that blocking certain program codes would not be performed without the business owners agreeing to it, but this would be part of the security roles discussion.

- During the exit conference, ITD Management indicated that the issue is being addressed in a different manner: ITD has developed a cross-walk table with substantial logical formulas to ensure that uses of program codes are appropriate. For example, this system control would prevent timekeepers from entering a program code that should not be used by that location.

10. Recommendation
The Human Resources Division and the Personnel Commission should establish a deadline, requesting authorization from the Superintendent if necessary, as to when a school site or office needs to respond to the final outcome of an unfunded or expired position. We recognized that the Superintendent put such measures in place for FY 2008/09. A similar structure timeline should also be established for FY 2009/10.

**Responsible Department(s):** Human Resources and Personnel Commission

**Human Resources Division**
- The Human Resources Division agreed with the recommendation and indicated that it will establish the following deadlines:
  - January 31 – Mid-Year reductions/re-norming
  - June 30 – end of year reductions
  - October 31 – Norm reductions

**Personnel Commission**
- The Personnel Commission agreed with the spirit of the recommendation, indicating that Budget Services, Personnel Commission, and Human Resources should recommend a deadline to the Superintendent. However, the Commission would prefer the Superintendent establish the deadline and communicate to schools and offices.

**11. Recommendation**
- The Human Resources Division and the Personnel Commission should review positions whose funding will end mid-year and consider changing the following, in consultation with School Fiscal Services and the position’s holding organizational unit: (i) change the employee’s assignment period to reflect that of the budgeted position or (ii) increase the position’s funding up to the period of assignment.

**Responsible Department(s):** Human Resources and Personnel Commission

**Human Resources Division**
- The Human Resources Division agreed with the recommendation and indicated that it will verify if continuation of funding will occur from schools/offices for unfunded/expired positions by January 31, 2010.

**Personnel Commission**
- The Personnel Commission disagreed with reviewing positions whose funding will end mid-year because very few classified positions have mid-year end dates, and current business processes dictate that assignments not have an end date. In addition, Management indicated that some consideration should be made for the many positions that are refunded or funding is backdated for various reasons (including special exceptions from the Superintendent) after the ending date of the assignment period or original funding date.
• The Personnel Commission agreed with the spirit of the recommendation in regards to increasing the position’s funding up to the period of assignment, once the School Fiscal Services has determined that sufficient additional funding is available for the employee to remain in the position throughout the school year. Personnel Commission indicated that if additional funding is not identified, (i) Budget Services should place the position in the budget tool after a certain agree-upon timeline, and (ii) School Fiscal Services should inform the location and Personnel Commission that the employees need to be reassigned.

**Inspector General Response**

• Personnel Commission is most familiar with the number of classified positions that have mid-year end dates, so we are in agreement that a complete review for mid-year funding expiration does not have to be performed (although still preferable), providing that Personnel Commission can easily identify and determine the employees whose funding ends mid-year, and take appropriate action as needed.

**12. Recommendation**

• A) Human Resources Division should perform a “data clean-up” to clear the exceptions noted in the SAP vacancy reports.

• B) Personnel Commission should continue to clean up the data in the SAP vacancy reports.

This effort will increase the data integrity of accounting for vacant and occupied positions in management reports.

**Responsible Department(s): Human Resources and Personnel Commission**

**Human Resources Division**

• The Human Resources Division agreed with the recommendation and indicated that it will continue to perform monthly data clean-up to clear any exceptions noted in the SAP vacancy reports.

**Personnel Commission**

• The Personnel Commission agreed with the recommendation and indicated that it has begun and will continue to clean up vacancy data information, especially when it is aware of the importance of the data’s accuracy in the middle of a reduction in force.

**13. Recommendation**

• The BTS Team should develop the SAP/HR module where a position status of “Vacant” vs. “Occupied” is automatically updated once an employee is assigned or removed from a position.
Responsible Department(s): BTS Team (ITD)

Business Tools for Schools (BTS) Team
- The BTS Team partially agreed with the recommendation, disagreeing with being able to make a decision regarding the position status being automatically updated once an employee is assigned or removed from a position, since this is a business process decision, but agreeing to work with business owners to ascertain if they can alter their current business practice based on the recommendation. The BTS Team stated that business owners made the decision of being able to manually intervene on determining when a position is identified as vacant or filled based on their business processes at the time of implementation. The BTS Team added that it has developed Vacancy Indicator Reports for Human Resources, Personnel Commission, and Budget Services for manual intervention and validation.

14. Recommendation
- Budget Services should streamline the position approval process to ensure all departments use the appropriate forms and refrain from accepting e-mail correspondences as confirmation for establishing a position.

Responsible Department(s): Budget Services and Financial Planning Division

15. Recommendation
- Budget Services should periodically reconcile the number of position approvals with the number of new positions created as way to monitor the position control approval process.

Responsible Department(s): Budget Services and Financial Planning Division

16. Recommendation
- Budget Services should improve its procedures for posting requested fund start and end dates for positions and increase its supervisory oversight over posting of critical position information requirements.

Responsible Department(s): Budget Services and Financial Planning Division

Budget Services
- Budget Services disagreed with recommendations 14-16. Management indicated that Fiscal staff checks authorization of position through signatures of Budget documents submitted by schools and offices and believes unauthorized creation of positions seldom occurs.

Inspector General Response:
- We stand by the original recommendations. The following are comments related to each recommendation:
14. A streamlined process and standardized forms increase efficiency within the department and offices and schools requesting changes. Accepting e-mails or other types of forms to establish a position or make modifications to a position does not comply with established procedures. Examples of such e-mail correspondences were provided to Budget Services during the exit conference.

15. A periodic reconciliation of the number of position approvals with the number of positions created is an effective and efficient way of detecting any positions that could be created without the proper approvals and/or forms. Although Fiscal staff checks authorization of position, a periodic verification by an independent unit would ensure compliance in regards to proper authorization.

16. A position’s funding start and end dates should reflect the request submitted to Budget Services, and the number of position control numbers whose funding period started before or ended after the date requested (7 of 38) indicates the need for improvement in the process of posting critical position information.

- In regards to recommendation #14, during the exit conference, Budget Services Management indicated that adding forms would add to the bureaucracy in the District. Management indicated that in the past, there had been an attempt to make the authorization of positions and changes part of the SAP workflow, and that this topic will be re-introduced and discussed with ITD.

17. **Recommendation**

- The BTS Team should work in collaboration with Budget Services to develop preventive controls in the SAP/COFE module where a position’s funding status is automatically updated from active to closed once a position reaches the last day of funding and also develop input edits when creating a budget line to prevent transactions with blank position control number fields.

**Responsible Department(s):** BTS Team (ITD)  
Budget Services and Financial Planning Division

**Business Tools for Schools (BTS) Team**

- The BTS Team agreed to continue collaborative efforts with Budget Services on production support, system enhancements, testing, and process improvements. BTS Team clarified their role in system enhancements and process improvements that involve the use of the COFE module, stating that it finds the best solution to implement requests and requirements provided by the business owner, Budget Services.

**Budget Services**

- Budget Services agreed with the recommendation and indicated it will collaborate with BTS team to create an automated process for updating a position’s status to align with the funding status on January 2010.
Budget Maintenance - Part of the Wider System Integration

SAP PBC module postponed and not implemented to date.
I. Introduction

This paper describes the policies for authorizing, controlling, and reporting positions in the University of Wisconsin System (UWS). The principal elements include the requirement to manage positions within an appropriated full-time equivalent (FTE) authorization; the statutory process for changing authorizations; the compliance reports that must be submitted to state government; the management flexibility available in the use of gift, grant, and federal contract positions; and the decision to allow the UWS to have a different but compatible position management information system (PMIS). In addition, position control policies require that procedures be in place (see FAP - Position Management Procedures (G40A)) to assure compliance, including: vacant positions must exist prior to recruiting and filling, timely reports will be available comparing position authorizations with the number of filled classified and unclassified positions on the payrolls, and appropriate justification will be provided to document the need for additional positions. It is essential that each institution demonstrate full compliance with all UWS policies and procedures to assure that the management flexibility authorized by statute is being used properly. The policies that follow provide the basic guidelines for demonstrating compliance.

II. Statutory Provisions

A. Funding Source Summary

Position management policies are controlled by the statutory provisions identified in the table that follows:

<table>
<thead>
<tr>
<th>Funding sources</th>
<th>Authorizations/Allocations</th>
<th>Authorization Changes</th>
<th>Management/Reporting</th>
</tr>
</thead>
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<tr>
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<td>Biennial/Annual Budgets</td>
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<td>16.004(7)</td>
</tr>
<tr>
<td>PR (gifts, grants)</td>
<td>&quot;</td>
<td>16.505(2m)</td>
<td>16.004(7)</td>
</tr>
<tr>
<td>PR (all other)</td>
<td>&quot;</td>
<td>16.505(2)</td>
<td>16.004(7)</td>
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<td>&quot;</td>
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<td>16.004(7)</td>
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<tr>
<td>SEG</td>
<td>&quot;</td>
<td>16.50(3)</td>
<td>16.004(7)</td>
</tr>
</tbody>
</table>

B. Position Authorizations

The legislative budget process establishes an FTE position authorization for the UWS by revenue source, and the annual budget process allocates the position authorization to the
institutions. For purposes of position control and reporting, the allocated positions represent
the initial authorization levels against which institutions are held accountable. Sections
16.50(3), 16.505(1)(c), 16.505(2), and 16.505(2m) provide the statutory provisions for
changing position authority levels during the biennium. Upon System Administration (SA)
approval, the requests and reports will be forwarded when they satisfy the statutory
requirement summarized in the following sections.

Section 16.50(3): General Purpose Revenues (GPR) and Segregated Trust Funds (SEG) are
covered by this statutory section. The reporting and approval requirements of this section are
the most rigorous; requests for additional positions require a positive recommendation by the
Department of Administration (DOA), and the approval of Joint Committee on Finance
(JCOF). "... No change in the number of full-time equivalent positions authorized through the
biennial budget process ... may be made without the approval of the joint committee on
finance. ..." Historically, increases under this section have been limited to a small number of
trust fund positions.

Section 16.505(1)(c): This section governs all positions supported from federal indirect cost
recovery revenue, Funds 150 and 350. The statute allows the Governor, without JCOF
conciliation, to create or abolish positions supported from federal funds, except for positions
supported by federal contract funds, under s. 20.285(1)(j) and (m). Federal contract funds are
separately covered by s. 16.505(2m).

Section 16.505(2): This section covers all Program Revenue (PR) positions, other than gift,
grant, and federal contract positions. The approval process for additional positions is less
complicated than s. 16.50(3) in that the JCOF has the option to not participate in the approval
process. The statute states that if the Governor proposes to authorize the creation of any
position from non-gift and grant funding, he shall notify the Joint Committee on Finance. The
committee has 14 working days after the date of the notification in which to notify the
Governor that it has scheduled a meeting for the purpose of reviewing the proposed action. If
the committee schedules a meeting, the committee may approve or deny creation of the
positions. Historically, DOA and JCOF approval of position requests is dependent upon
evidence of need, complete documentation, and an effort to reallocate within and between
institutions.

Section 16.505(2m): With approval of the 1987-89 Biennial Budget Act, the UWS was granted
substantial control over the creation and deletion of positions funded by gifts, grants, and
federal contracts. The one condition attached to the increased authority is that a report be
submitted quarterly. The statute states that, ... the board of regents of the University of
Wisconsin system may create or abolish a full-time equivalent position or portion thereof from
revenues appropriated under s. 20.285(1)(j) or (m). No later than the 15th of the month
following completion of each calendar quarter, the board of regents shall report to the
department (DOA) and the co-chairpersons of the joint committee on finance concerning the
number of full-time equivalent positions created or abolished ... during the preceding
calendar quarter and the source of funding for each such position." The reporting guidelines
and forms are provided in Section IV.B. of the Procedure Paper.

C. Position Information Requirements

Although s. 16.004(7) requires DOA to establish and maintain a Personnel Management
Information System (PMIS) for most agencies, DOA in September 1980, recommended to the
JCOF that the UWS be exempt from inclusion in the state PMIS. The JCOF agreed to allow
the UWS to maintain a position information system which is compatible and consistent with
the purposes of the PMIS system, but which does not require the detailed tracking of
individual positions by position number. The composition, purposes, and reporting
requirements of PMIS are stated as an information system that will furnish "information
pertaining to authorized positions, payroll, and related items for civil service employees. ... It
is the intent of the legislature that the University of Wisconsin system provide position and
other information, ... which includes appropriate data on each position (UWS reports on both
classified and unclassified positions), facilitates accountability for each authorized position and
traces each position over time." DOA is required to report on the compliance of each agency
with the terms of this section when requested by the JCOF. The UWS and DOA have agreed to accept the provisions identified in Section IV. of the Procedure Paper as meeting the statutory requirements with regard to reports and the availability of detailed information on classified employees.

III. Position Control Policies

The management of the UWS position authorization will be consistent with the operating policies identified below:

A. The Authorized Position Control Report (Schedule #1*) will represent the authorized number of FTE positions by revenue type against which institutions will control filled and vacant positions. The report, which is prepared by SA, starts with the annual budget allocation, and is adjusted for inter-institutional reallocations and approvals under ss. 16.505(1)(c), 16.505(2), 16.505(2m), and 16.50(3).

* Schedule 1 can be downloaded as a Word 6.0(.doc) file or a Acrobat(.pdf) file.

B. The chancellor's designee will be responsible for compliance with all position control policies and procedures.

C. The announcement, recruitment, and filling of positions on GPR, PR (other than gift and grant), PRF (overhead and financial aids), and SEG revenues will be limited to the availability of authorized, uncommitted, vacant positions. An exception to the announcement and recruitment condition is permitted when the officer responsible for position control is able to confirm that an existing filled position will become vacant and available prior to filling a new position.

However, recruitment initiated in anticipation of a vacancy is not justification for exceeding the authorized position level; if hiring must occur, an appropriate revenue source with uncommitted positions must be used.

D. The net change in the number of positions funded from PR (gift and grant) and PRF (contracts) revenues from the number shown on the Authorized Position Control Report at the end of the previous quarter must be reported to System Administration on a quarterly basis, The chancellor's designee is authorized to create PR (gift and grant) and PRF (contract) positions to enable the faculty to satisfy the terms of Regent-approved gifts, grants, and contracts, provided that a report of such action is filed quarterly with System Administration. The report shall be filed not later than the tenth day of the quarter following the month when the position was first payrolled on the gift, grant, or contract.

E. Filled positions in excess of authorized levels will not be payrolled from any appropriate fund without sufficient FTE position authority.

F. Acceptable vacancy levels will be established each year, with temporary and/or permanent adjustments made to position authorizations if vacancy rates exceed the prescribed levels. As a part of the annual budget process, the vice president for business and finance, in consultation with the institutions, will establish acceptable vacancy rates for each of the various revenue types. As a part of this agreement, the degree to which the actual vacancy rate may vary from the acceptable level, and the time period of the variance, will be established.

G. Position control shall be applied to all unclassified staff with nine-, ten-, and twelve-month appointments (see Unclassified Personnel Guideline #1 -ranked faculty, academic staff, employees- in-training, visiting faculty, ad hocs and graduate assistants), and all permanent and project classified staff. The filled position calculation shall be based upon the payrolled percent regardless of budget appointment (i.e., an academic year unclassified employee appointment would be 100% in September and 0% in July). Position control shall not be applied to classified limited-term employees (LTE), unclassified hourly staff (equivalent to classified LTE), fellows and trainees, scholars, student help, and hourly fee graders.
IV. Reference to FAP - Position Management Procedures (G40A)

The Procedure Paper includes institution-specific procedures, procedures for requesting additional positions, and reporting procedures to demonstrate compliance.

Financial Administration
Position Management Procedures (G40A)

Revised: December 19, 1996

I. Introduction

This paper provides the procedures necessary for the University of Wisconsin System (UWS) to carry out the policies contained in FAP - Position Management Policy (G40), including: procedures specific to the institutions which will assure that vacant authorized positions are available prior to recruiting and hiring, procedures for the preparation of reports comparing position authorizations to classified and unclassified payrolls, and procedures for the preparation of position requests and/or reports to confirm the status of position additions and/or deletions.

II. Institution-Specific Procedures

Because of differing organizational structures and assignment of position control responsibilities, each institution shall develop and implement operating procedures appropriate to the institution, including procedures that ensure before-the-fact knowledge of all GPR, PR (other than gift and grant), PRF (overhead and financial aids), and SEG revenue-supported positions authorized for recruitment or filled. These positions may not be authorized for recruitment or filled unless there is an existing vacancy of the same revenue type. An exception to the announcement and recruitment condition is permitted when the officer responsible for position control is able to confirm that an existing filled position will become vacant and available prior to hiring a new employee.

Positions supported by gift and grant PR or from PRF (contracts) may be filled in excess of the authorization, but the Chancellor's designee must report the number of additional positions to System Administration (SA) not later than the tenth day of the month following the end of the quarter in which the positions were first payrolled. The report shall contain the name of the awarding agency, the title of the grant or contract, fund number, account number, and the award amount.

The institutions shall be responsible for developing and maintaining appropriate position management procedures, and SA shall be responsible for monitoring systemwide compliance. Each institution shall submit a procedure statement to SA for review and approval.

III. Request Procedures for Additional Positions

A. Form #1 shall be used to request positions, under ss. 16.50(3), 16.505(1)(c), and 16.505(2), for the following fund sources:

<table>
<thead>
<tr>
<th>B. General Purpose Revenues (GPR)</th>
<th>Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>C. Institutions and System wide</td>
<td>101 - 106</td>
</tr>
<tr>
<td>D. System Administration</td>
<td>301</td>
</tr>
<tr>
<td>E. Family Medicine and Practice</td>
<td>116</td>
</tr>
<tr>
<td>F. State Lab of Hygiene</td>
<td>117</td>
</tr>
<tr>
<td>G. Industrial and Economic Development</td>
<td>118</td>
</tr>
<tr>
<td>H. Distinguished Professorships</td>
<td>119</td>
</tr>
<tr>
<td>I. Minority and Disadvantaged Program</td>
<td>402</td>
</tr>
</tbody>
</table>
J. Segregated Trust Funds (SEG)

K. Trust Funds

L. Drivers Training

M. Federal Indirect Cost Reimbursement (PRF)

N. Institutions

O. System Administration

P. Program Revenues (PR)

Q. Service Departments Shops

R. Auxiliary Enterprises

S. State Lab of Hygiene

T. Stores

U. General Operating Receipts

V. Other Operating Receipts

W. University Hospital

X. Work Study

Y. Student Loans

Z. The request shall include program descriptions, evidence of need, efforts to reallocate, number of FTE, position types, and institution approval signature.

EE. Institutions shall be prepared to report, during the biennium in which new positions are approved, or for the length of time specified in the approval from state government, the status of positions added under ss. 16.50(3), 16.505(1)(c), or 16.505(2).

IV. Reporting Procedures

The reports required by statute or agreement with the Department of Administration (DOA) shall include six computer-generated reports prepared by SA from budget and payroll data, and two reports prepared by the institutions. The institutions shall prepare a report on vacant classified positions and the quarterly report on the number of gift, grant, and federal contract positions. All reports are dependent upon payroll data that reflect accurate appointment designations and FTE counts.

A. System Administration-Produced Reports

A summary-level, computer-produced, monthly report (Schedule 1) provides: FTE payrolled positions by institution, revenue source, and position type (i.e., unclassified, classified, and graduate assistants); authorized positions by institution and revenue source (position authorizations are not made by position type); and vacant positions by institution and revenue source (the calculated difference between payroll and authorization). This report is prepared for the months of September through May and is used to monitor compliance with position control.

A computer-produced report for the months of October and March showing positions payrolled on November 1 and April 1 (Schedule 2) provides filled classified positions by institution, budget activity, and fund source.

A computer-produced report (Schedule 3) provides, upon request only, filled classified positions by institution, department, and fund source.

A computer-produced, monthly report (Schedule 4) provides payroll data on filled unclassified positions by institution, activity, fund source, and position types (i.e, faculty, academic staff, and graduate assistants).
A computer-produced report (Schedule 5) provides, upon request only, payroll data on filled unclassified positions by institution, department, fund source, and position types (i.e., faculty, academic staff, and graduate assistants).

A summary-level, computer-produced, monthly report provides a headcount of all filled unclassified, classified, graduate assistant, and LTE employees. The executive and legislative branches require all agencies of the State to provide information on the number of payrolled employees regardless of employee category.

A computer tape which contains detailed classified payroll data is produced biweekly for DOA (detailed employee information on each classified employee is formatted according to DOA/PMIS specifications). Although the payroll data do not match all elements of the State's s. 16.004(7) PMIS or include position numbers, all UWS data availability and comparability requirements, as defined by the PMIS data element dictionary, are met. This tape is used to load university classified employee payroll data into the DOA/PMIS computer system.

B. Institution-Produced Reports

The institutions are responsible for the preparation, upon request only, of a report (Form #2) on the status of vacant classified positions for the current fiscal year, to include the number of months vacant and/or reallocations to other classifications and/or departments. A statement on the status of positions that have been vacant in excess of nine consecutive months, shall be provided; the statement shall be by department, fund source, and position classification. The institutions shall submit reports (two copies) to SA not later than the twenty-third of the month following the period covered in the report.

The institutions are responsible for the preparation of a s. 16.505(2m) quarterly report (Form #3) on the number of gift, grant, and federal contract funded positions created (from existing or new awards) and/or abolished during the preceding quarter. The report shall not include the reallocation of positions from terminated awards to new awards. The definition of positions created and abolished for reporting purposes shall be the net change experienced during the quarter. For example, if the number of positions payrolled at the end of the quarter is greater than the number at the beginning of the quarter, positions will have been created and an authorization granted equal to the position increase. Therefore, the documentation requirements described below must be prepared for that number of positions. On the other hand, if the number of positions at the end of the quarter is less than at the beginning of the quarter, a position authorization deletion will have been made and supporting documentation must be provided. The report shall include positions payrolled from the following fund sources:

**Purpose Revenues (PR)**

<table>
<thead>
<tr>
<th>Fund</th>
<th>133</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gifts and Donations General</td>
<td>133</td>
</tr>
<tr>
<td>Gifts - WARF</td>
<td>135</td>
</tr>
</tbody>
</table>

**Purpose Revenues - Federal (PRF)**

<table>
<thead>
<tr>
<th>Fund</th>
<th>141</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Aid - Morrill Nelson</td>
<td>141</td>
</tr>
<tr>
<td>Federal Aid - Hatch Adams</td>
<td>142</td>
</tr>
<tr>
<td>Federal Aid - Smith Lever</td>
<td>143</td>
</tr>
<tr>
<td>Federal Aid - Special Projects</td>
<td>144</td>
</tr>
</tbody>
</table>

The report shall identify the granting organization or donor, award title, period of the award funding source, award amount and the number of FTE positions added or deleted. Also, institutions are to provide, as needed, analyses of award activity and additional position information. In order for the report to be submitted to DOA and JCOF by the fifteenth of the month following the end of each quarter (i.e., October 15, January 15, April 15, and July 15), the institutions shall submit reports (two copies) to SA not later than the tenth of the month following the quarter (i.e., January 10, April 10, July 10, and September 10).
### EXAMPLE: University of Wisconsin Position Control Authorization Schedule

#### UNIVERSITY OF WISCONSIN -
POSITIONS CONTROL REPORT - AUTHORIZATION

(FTE Position by Revenue Source)

<table>
<thead>
<tr>
<th>1987--88</th>
<th>GPO POSITIONS BUDGETED AS FUND 104</th>
<th>POSITIONS APPROVED UNDER SS. 16.50 &amp; 16.505 OF WISC. STATUTES</th>
<th>OTHER ADJUSTMENTS</th>
<th>AUTHORIZED LEVEL FOR POSITION CONTROL</th>
</tr>
</thead>
<tbody>
<tr>
<td>GPR</td>
<td>738.56</td>
<td></td>
<td></td>
<td>738.56</td>
</tr>
<tr>
<td>GIFTS &amp; GRANTS</td>
<td>2.52</td>
<td>+ .33^</td>
<td></td>
<td>2.85</td>
</tr>
<tr>
<td>OTHER PRO</td>
<td>160.37</td>
<td></td>
<td></td>
<td>160.37</td>
</tr>
<tr>
<td>FEDERAL CONTRACTS</td>
<td>63.98</td>
<td></td>
<td></td>
<td>63.98</td>
</tr>
<tr>
<td>FEDERAL OVERHEAD</td>
<td>6.58</td>
<td></td>
<td></td>
<td>6.58</td>
</tr>
<tr>
<td>TOTAL</td>
<td>972.01</td>
<td></td>
<td>+ .33</td>
<td>972.34</td>
</tr>
</tbody>
</table>

^ Transfer from UW-Systemwide
Verbatim Comments
Budget Services and Financial Planning Division

Budget Services Division
Responses to Recommendations of OIG Position Control Audit

RECOMMENDATIONS RELATED TO POSITION CONTROL MANAGEMENT PROCESS

2. Budget Services should initiate the process of developing comprehensive position control policies and procedure that address compliance requirements, monitoring, reporting, authorization, and roles and responsibilities of central and school offices. An example of comprehensive policies and procedures can be found from the University of Wisconsin and is titled “Position Management Policy.” Their policy describes information requirements and references to the specific procedures in place to assure compliance with the policies, see APPENDIX B.

Agree/Disagree: Agree
Action to be taken: Develop and adopt a Policy
Target implementation date: February 2010

3. The Budget Services Director should establish position control reporting requirements. Standard reports should be developed as a tool for monitoring progress and performing risk assessment analysis. Besides the reporting of full-time-equivalent budgeted positions, the District should request budget-to-cost position reports and quarterly roll-forward reports with the following summary: (i) opening balance of total number of positions district wide, (ii) number of positions created for the period, (iii) number of position closed (delimited) for the period, and (iv) ending balance of total number of positions. The frequency of management reporting should be established.

Agree/Disagree: Agree
Action to be taken: Budget is currently working on a project with ITD to develop system generated FTE reports. Reports will provide quarterly counts of FTEs and changes of FTEs from one quarter to the next.
Target implementation date: Spring 2010

RECOMMENDATIONS RELATED TO PAYROLL TO BUDGET POSITIONS ATTRIBUTES

4. Budget Services should perform a study to determine whether positions require additional funding to meet employee compensation. The current method of budgeting for positions at the mid-range of a salary schedule should be evaluated and compared to current average salaries. Management should consider budgeting at the highest compensation level for a job which could yield exception reports that show the number of positions exceeding the budget. Management could then evaluate whether a position needs additional modifications.

Agree/Disagree: Agree
Action to be taken: Investigate discrepancies between the average budgeted pay rate and actual average payroll rate
Target implementation date:  Spring 2010

5.  Budget Services should specify what alternate method/s will be used to track and monitor salary expenditures by position if the SAP Position Budget Control module is not implemented.

Agree/Disagree:  Agree—that PBC should be implemented in the long run
Action to be taken:
Target implementation date:

Comment:  Budget Services believes, in the long run, the Position Budget Control module should be implemented to track and monitor salary expenditures by position. However, as stated elsewhere in this response the District is not operationally ready to implement this module until we have an automated process from displacing employees from unfunded, obsolete positions.

6.  Budget Services should outline which position budget attributes will be used for budgeting purpose versus attributes that will be strictly enforced. As stated, a position control number has over 20 defined attributes, where only a few attributes such as assignment basis, can be currently enforced. The position attributes that will be strictly enforced should be listed in Budget Services’ position control policy and procedures.

Agree/Disagree:  Agree
Action to be taken:
Target implementation date:

Comment:  The budget attributes for a position (e.g. location, cost center, funding source, etc) are all required attributes in establishing positions in the SAP/COFE module. Budget will identify this in the Policy that will be written, as referenced in recommendation #2.  The attributes of an assignment made by PC/HR against positions shall agree to the budget attributes. Personnel Commission and Certificated HR must adhere to these rules.

8.   The BTS Team should work in collaboration with Budget Services to develop preventive controls in the SAP Payroll Module.  The following transactions could be flagged for management to review:
  •  Position control number attributes to assignment differences at a minimum by: cost center, funding source, and assignment schedule (basis).  This transactions report should be reviewed by Budget Services to serve as an independent source to monitor the changes made at the assignment and timekeeping level.
  •  Payroll transactions processed through expired position control numbers.  Budget Services should review this report to capture additional positions that need to be reported in their “Weekly Report of Unauthorized and Reduction in Force Positions.”
  •  Payroll transactions processed through unfunded position control numbers, that is, position control numbers flowing through payroll but not existing in the SAP/COFE module.  Budget Services should review this report to capture additional positions that need to be reported in their “Weekly Report of Unauthorized and Reduction in Force Positions.”

Agree/Disagree:  Disagree
Comment: In the long run, controls should be implemented to prevent payroll charges for underfunded or unfunded positions. However, at this time we don’t feel that the systems are in place to allow this. The fault in our position control process is the fact that we allow assignments to continue beyond the funding period of the position. Until we have an automated process for displacing employees against unfunded positions then we cannot prevent a payroll payment when funding is the issue. The District is obligated to pay salaries to any employee who has worked. The payroll system will, and should pay an employee with a valid assignment and authorized time worked.

RECOMMENDATIONS RELATED TO AUTHORIZATION AND DOCUMENTATION OF POSITIONS

14. Budget Services should streamline the position approval process to ensure all departments use the appropriate forms and refrain from accepting e-mail correspondences as confirmation for establishing a position.

Agree/Disagree: Disagree
Action to be taken:
Target implementation date:

15. Budget Services should periodically reconcile the number of position approvals with the number of new positions created as way to monitor the position control approval process.

Agree/Disagree: Disagree
Action to be taken:
Target implementation date:

16. Budget Services should improve its procedures for posting requested fund start and end dates for positions and increase its supervisory oversight over positing of critical position information requirements.

Agree/Disagree: Disagree
Action to be taken:
Target implementation date:

COMMENTS FOR RECOMMENDATIONS #14, #15, #16: Fiscal staff checks authorization of position through signatures of Budget documents submitted by schools and offices. It is unfortunate that the random sample found an inordinate number of supporting documents. In general, we believe unauthorized creation of positions seldom occurs. We would like to request further review of the missing documents.
RECOMMENDATIONS RELATED TO MAINTENANCE OF BUDGETED POSITIONS

17. The BTS Team should work in collaboration with Budget Services to develop preventive controls in the SAP/COFE module where a position’s funding status is automatically updated from active to closed once a position reaches the last day of funding and also develop input edits when creating a budget line to prevent transactions with blank position control number fields.

Agree/Disagree: Agree
Action to be taken: Will collaborate with BTS team to create an automated process for updating a position’s status to align with the funding status.
Target Implementation Date: January 2010
Verbatim Comments
Business Tools for Schools Team (ITD)

From: Cruz, Marvin
Sent: Monday, October 26, 2009 11:54 AM
To: Monishi, Katharine
Cc: Khazei, Shahryar; Lyons, Teri (ITD)
Subject: IT Response to OIG Internal Audit Report - Position Budget Control

Katherine,

Attached is the response to the portions of the OIG Position Budget Control audit assigned to ITD. As per your voice message we will not be having the meeting today to discuss the security finding (Recommendation #9), but rather submitting the written response. Thank you, and please let me know if there are any pending areas that ITD needs to address and/or respond.

Marvin Cruz,
ERP Director
(213) 241-1522

Recommendation #1

The Business Tools for Schools (BTS) team should study the following three options for cost and position control process effectiveness:

1. Implement the SAP Position Budget Control Module which was configured to support the integrated controls to pre-fund commitments from the point of budget development to payroll
2. Explore other third-party vendor supplied software products that provide specialized functionality to address specific controls within the conditions found during routine audits
3. Adopt manual processes with formalized developed policies and procedures that support management functions

Response:
We agree that the District needs to implement a position control process within established policies and procedures that connect employees to funded positions.

To implement SAP’s Position Budget Control (PBC) module enhancements are needed by SAP or a customized solution to make the system concurrent employment compliant. We have assessed preliminary costs for implementing this module to be approximately $2.65M, taking 16 months to implement. In addition, resources from Human Resources (HR), Personnel Commission (PC), Budget Services, and General Accounting are required to actively participate during implementation. Unfortunately, with reduced staffing resources, some offices are unable to commit the necessary resources even if we had the financial monies and District commitment to move forward.

This same issue impacts implementing a third party tool and would include additional complexity to interface with another vendor’s product. We would appreciate it if the OIG could provide
some recommended third-party position budget control vendors that integrate with SAP for us to research as recommended.

We agree to continue our close collaboration with Budget Services, HR, and PC and are willing to develop some system enhancements that support District policies and procedures related to position budget control. We need written documented requirements to develop additional controls that could assist with reducing risk until we are able to implement a position budget control module.

Recommendation #8

The BTS Team should work in collaboration with Budget Services to develop preventive controls in the SAP Payroll Module. The following transactions could be flagged for management to review:

- Position control number attributes to assignment differences at a minimum by: cost center, funding source, and assignment schedule (basis). This transactions report should be reviewed by Budget Services to serve as an independent source to monitor the changes made at the assignment and timekeeping level.
- Payroll transactions processed through expired position control numbers. Budget Services should review this report to capture additional positions that need to be reported in their “Weekly report of Unauthorized and Reduction in Force Positions.”
- Payroll transactions processed through unfunded position control numbers, that is, position control numbers flowing through payroll but not existing in the SAP/COFE module. Budget Services should review this report to capture additional positions that need to be reported in their “Weekly report of Unauthorized and Reduction in Force Positions.”

Response:
We agree that we should continue to collaborate with business owners to establish requirements and create validation reports to ensure that attributes of a position and employee remain in sync. We have met with Budget Services, Human Resources, and Personnel Commission to determine requirements and begun developing additional reports for use in validating attributes associated with the employee and the position. We will need the collaboration of all offices to test the results to determine if the reports meet their needs.

We partially agree with your recommendation for Budget Services to review Payroll Services transactions posted with “expired” position numbers. Numerous assignment and time reporting adjustments or changes are entered after the assignment or time reporting period. As such, it is not uncommon to see payroll results in a period after the reporting and posting period. Also, the BTS team is making system corrections that may impact employees resulting in retroactively running time evaluation, time transfer, and/or payroll. This process may cause postings outside of the valid position period.

In addition, payroll does process employees with an unfunded or partially funded assignment largely because of our business processes. We can’t penalize the employee who worked because of business processes.
Some current business process should be reviewed, such as reduction in force, displacement, creation of new positions, reassignment of employees based on funding instead of changing the funding on the existing position. Enhancements to these types of business processes may possibly reduce delays in the reassignment process and reduce difference between COFE and ECC.

**Recommendation #9**

The District’s BTS Security Access Team should collaborate with the Human Resources Division, the Personnel Commission, and the Payroll Services Branch to assess the security roles for employees (i.e. Timekeepers and Assignment Technicians) that currently have access to change a position’s assignment basis schedule, cost center, and/or program codes. If the impact of limiting the security role of timekeepers creates problems with multi-funded positions, then another option could be to limit a timekeepers’ ability to change the funding codes for positions that have only one source of funding. In addition, the Security Access Team should limit or block Timekeeper’s access to suspense and unspecified program codes, as listed in this audit. At the time of this audit, the BTS Team stated that Timekeeper’s access had been restricted to Dummy Program codes (“wwww”) and Invalid Program codes (“xxxx”).

Response:

We disagree with part of this recommendation. Timekeepers and assignment technicians do not have the ability to change attributes of a position, such as Personnel Subarea (basis), Cost Center, or funding (program codes), FTE. These attributes are entered through COFE and interface to the Organizational Management (OM) module in SAP. Position attributes have restricted access and are limited to Budget Services staff and BTS HR Team members.

We disagree with the assessment that the BTS Security Team is responsible for blocking program codes. System configuration changes restrict access based on permissibility, not through a security role. Regarding the statement ‘……access to suspense and unspecified program codes, as listed in this audit.’ The Time module has a crosswalk table syncing the fund and functional area with a validation table in IFS. This was implemented in September 2009. The system provides a hard error if the requested time entries are not valid combinations during the period in which time is reported. Also, suspense files are monitored by General Accounting with periodic reviews. Suspense files are cleared for year-end reporting.

As for time entry by time keepers, they can enter different program codes for an employee but not on the position. This is a business process decision made by the different business owners.

**Recommendation #13**

The BTS Team should develop the SAP/HR module where a position status of “Vacant” vs. “Occupied” is automatically updated once an employee is assigned or removed from a position.

Response:

This is a business process decision not BTS. During implementation, business owners requested manual intervention on determining when a position is identified as vacant or filled based on their business processes. This is a configuration setting in the OM module that can automatically delimit a vacancy when an employee is assigned to the position. We agree to meet with these offices and provide your recommendation. In lieu of a business change, BTS
has developed Vacancy Indicator Reports for Human Resources, Personnel Commission and Budget Services for manual intervention and validation.

We will work with business owners to ascertain if they can alter their current business practice based on this OIG’s request.

**Recommendation #17**
The BTS Team should work in collaboration with Budget Services to develop preventive controls in the SAP/COFE module where a position’s funding status is automatically updated from active to closed once a position reaches the last day of funding and also develop input edits when creating budget line to prevent transactions with blank position control number fields.

Response:
We agree to continue the daily collaborative efforts of the BTS team and Budget Services on production support, system enhancements, testing, and process improvements. Systems enhancements and process improvements that involve the use of the COFE module are requested by the business owner, Budget Services. BTS’s role is to find the best solution to implement the requested system changes. In many cases, the solution is a system and process change; the technical solution is dictated by the current business processes and/or policies and procedures. We agree to continue system enhancements based on approved requirements provided by the business owners.
Subject: POSITION CONTROL AUDIT RESPONSE

Dear Katharine,

Attached is the HR response to the Position Control Audit Report. Please let me know if you have any questions.

Thank you,

Marjorie

Marjorie Josaphat
Director
Certificated Placement & Assignments Section
(213) 241-4163
(213) 241-8410

7. Recommendation
   • The Human Resources Division and the Personnel Commission should (i) assemble and designate employees to perform a clean up effort to compare employee’s basis to the assigned position, and make appropriate adjustments to either the position’s attribute or to the employee’s schedule, (ii) develop a timeline for the effort, and (iii) develop monthly reports to assess progress. This should be performed for “A” basis salaried employees, but the long-term goal should be to perform this type of analysis and clean up effort for all District employees.

   Responsible Department(s): Human Resources Division
                        Personnel Commission

   Target Remediation Date: The Human Resources Division will review reports received from Budget Services Branch on a monthly basis and recommend necessary adjustments to the Employee Schedule. The Personnel Specialist and/or Assignment Technicians will communicate with the appropriate Fiscal Specialist as needed.

10. Recommendation
    • The Human Resources Division and the Personnel Commission should establish a deadline, requesting authorization from the Superintendent if necessary, as to when a school site or office needs to respond to the final outcome of an unfunded or expired position. We recognized that the Superintendent put such measures in place for FY 2008/09. A similar structure timeline should also be established for FY 2009/10.
Responsible Department(s): Human Resources Division  
          Personnel Commission

Target Remediation Date: The Human Resources Division will establish the following deadline dates:

January 31 – Mid-Year reductions/re-norming  
June 30 – end of year reductions  
October 31 – Norm reductions

11. Recommendation
   - The Human Resources Division and the Personnel Commission should review positions whose funding will end mid-year and consider changing the following, in consultation with School Fiscal Services and the position’s holding organizational unit: (i) change the employee’s assignment period to reflect that of the budgeted position or (ii) increase the position’s funding up to the period of assignment.

Responsible Department(s): Human Resources Division  
          Personnel Commission

Target Remediation Date: The Human Resources Division will verify if continuation of funding will occur from schools/offices for unfunded/expired positions by the following dates:

January 31 – end of semester reductions.

12. Recommendation
   - A) Human Resources Division should perform a “data clean-up” to clear the exceptions noted in the SAP vacancy reports.

   - B) Personnel Commission should continue to clean up the data in the SAP vacancy reports.

   This effort will increase the data integrity of accounting for vacant and occupied positions in management reports.

Responsible Department(s): Human Resources Division  
          Personnel Commission

Target Remediation Date: The Human Resources Division will continue to perform monthly data clean-up to clear any exceptions noted in the SAP vacancy reports.
Verbatim Comments
Personnel Commission

October 14, 2009

Katharine Monishi
Audit Manager
Office of the Inspector General
LAUSD

Dear Ms. Monishi:

We have reviewed the tentative finding and recommendations related to your Position Control Audit. As requested, the attachment outlines our agreement or disagreement with the findings, and our recommendations to address the issues discussed in the findings.

Sincerely,

Wendy G. Macy

Attachment

C: K. Gould
    J. Holguin
    A. Young-Havens

Beaudry Building: 333 South Beaudry Avenue, 12th Floor, Los Angeles, California 90017
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Personnel Commission Responses to Tentative Audit Findings and Recommendations

7. **Recommendation**: The Human Resources Division and the Personnel Commission should (i) assemble and designate employees to perform a clean up effort to compare employee’s basis to the assigned position, and make appropriate adjustments to either the position’s attribute or to the employee’s schedule, (ii) develop a timeline for the effort, and (iii) develop monthly reports to assess progress. This should be performed for “A: basis, salaried employees, but the long-term goal should be to perform this type of analysis and clean up effort for all District employees.

**Comments**: If our understanding of the recommendation is correct, we agree with the spirit of the recommendation. According to the recommendation as we understand it, an employees’ basis (Personnel Subarea in SAP) has to match the attributes of the Position Number; otherwise, an error will occur.

When a position is established, one of the attributes of the position is the Personnel Subarea. When an employee is placed into a position number, the attributes of the position number is picked up and appears under the employee’s Organizational Assignment. This, in turn, has to match the employee’s work schedule (e.g., A-Basis, General Calendar, 8 hours per day).

If the information in the Organizational Assignment does not match the employee’s work schedule, another error will occur.

In summary, when there is a mismatch among the attributes of a position, an employee’s Personnel Subarea and an employee’s work schedule, an error or errors will occur. These errors are generated on a daily basis and the various HR units immediately make the required corrections. The Personnel Commission currently corrects these errors on a daily basis because otherwise employees may not receive a paycheck or receive an inaccurate paycheck.

10. **Recommendation**: The Human Resources Division and the Personnel Commission should establish a deadline, requesting authorization from the Superintendent if necessary, as to when a school site or office needs to respond to the final outcome of an unfunded or expired position. We recognized that the Superintendent put such measures in place for FY 2008/09. A similar structure timeline should also be established for FY 2009/10.

**Comments**: We agree with the spirit of the recommendation. Budget, HR, and the PC should recommend a deadline to the Superintendent, however, we would prefer that the Superintendent establish the deadline and provide a correspondence to all schools and offices informing them of the deadline to find funding for a position. If no funding is identified by an agreed-upon date between Budget and the PC, then the PC will reassign layoff, etc. the employee in the non-funded position.

11. **Recommendation**: The Human Resources Division and the Personnel Commission should review positions whose funding will end mid-year and consider changing the following, in consultation with School Fiscal Services and the position’s holding organizational unit: (i) change the employee’s assignment period to reflect that of the budgeted position or (ii) increase the position’s funding up to the period of assignment.

**Comments**: (i) We disagree with the recommendation. In our experience, very few classified positions have mid-year end dates. Additionally, SAP does not permit an assignment to have an end date. However, if there are cases found when funding expires mid-year, PC/HR can determine if the
employee should be reassigned, bumped, laid off, etc. (A revised response was submitted by PC. Refer to the e-mail below.)

(ii) We agree with the spirit of the recommendation. We recommend School Fiscal Services contact each location to determine if additional funding is available sufficient to allow the employee to continue throughout the school year. If additional funding is not identified, budget should place the position in the budget tool (based on an agreed-upon timeline between PC, Budget, and HR). School Fiscal Services would need to inform the location and the PC that the employees would need to be reassigned.

12-B. Recommendation: Personnel Commission should continue to clean up the data in the SAP vacancy reports. This effort will increase the data integrity of accounting for vacant and occupied position in management reports.

Comments: We agree with the recommendation. Although every cleanup effort takes hours to complete, the PC continues to clean up vacancy data information on a consistent basis because the consequences of error include errors in seniority and pay. We know how critical it is to have accurate vacancy data especially in the middle of a huge Reduction-in-Force.

From: Gould, Karla
Sent: Thursday, November 12, 2009 5:53 PM
To: Monishi, Katharine
Cc: Macy, Wendy; Young-Havens, Ann; Holguin, Julie
Subject: Post Exit Conference Actions - Extension

Katharine,

As discussed, here’s our revised response.

Personnel Commission’s Revised response to Recommendation 11 (HR & PC):

(i) We disagree with the recommendation. In our experience, very few classified positions have mid-year end dates. Additionally, current business processes dictate that assignments not have an end date. It necessitates a future action to be processed.

Additionally, some consideration should be made for the many positions that are refunded or funding is backdated for various reasons (including special exceptions from the Superintendent) after the ending date of the assignment period or original funding date.
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AUDIT TEAM

Katharine Monishi, Audit Manager
Maria Cortes, Audit Supervisor
Joselin Chavez, Senior Internal Auditor
Mila Ortega, Senior Internal Auditor
Ashraf Demian, Internal Auditor
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