

ASD INTERNAL AUDIT REPORT

2013-01

Addenda

Anchorage School District

June 3, 2013

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Mayor Dan Sullivan

June 3, 2013

Anchorage School District Superintendent and Members of the School Board:

I am pleased to present **ASD Internal Audit Report 2013-01, Addenda, Anchorage School District** for your review. A brief summary of the report is presented below.

We have completed an audit of the Anchorage School District's Addenda. The objective of this audit was to determine if addenda payments were consistently and properly administered throughout the District. We also determined whether grant funded addenda payments and work complied with the scope of the grants. To achieve our objective we conducted site visits and interviewed District staff. In addition, we randomly selected 80 addenda from 48 schools and departments and examined supporting documents that were used to initiate the addenda transaction. Finally, we judgmentally selected addenda to review consistency in payment amounts. The scope of our review was addenda transactions processed during the 2011-12 school year.

Based on our review, we found that although grant funded addenda payments and work complied with the scope of the grants, addenda were not always consistently and properly administered throughout the District. Specifically, there were no written policies or procedures for establishing, initiating, and documenting addenda. In addition, addenda payments could not always be verified or were not correct and addenda for similar duties were sometimes paid at different rates. Moreover, the Integrated Financial and Administrative Solution system passwords were shared among staff. Finally, the Integrated Financial and Administrative Solution system did not have complete or readily available information regarding addenda activities.

There were five findings in connection with this audit. Management was responsive to the findings and recommendations.



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ASD Internal Audit Report 2013-01

Addenda

Anchorage School District

Introduction. The Anchorage School District (District) employs over 6,500 full-time and part-time employees. Staff are assigned to over 100 schools and programs, which educate almost 50,000 students. District employees are categorized into 10 employee groups. Eight groups are represented by bargaining agreements with the District. The other two groups are exempt and non-represented employees.

District employees are paid for additional work outside their regular schedules. For example, added work days could include summer school, training, and registration days. Furthermore, employees are compensated for additional duties, such as being a department chair, overseeing a yearbook publication, and coaching athletic and academic competitions. These payments are called “addenda”.

Addenda are entered and approved through the Integrated Financial and Administrative Solution (IFAS) system, which is the District’s financial system. Some addenda are initially processed by administrative assistants at the different schools. The school principal then approves the addenda in IFAS, which is subsequently approved by others, such as payroll and budget. Addenda are also entered and processed at the District’s Education Center by various departments, such as Curriculum and Instructional Support, and Special Education. See Attachment 1 for addenda statistics.

Objective and Scope. The objective of this audit was to determine if addenda payments were consistently and properly administered throughout the District. We also determined whether grant funded addenda payments and work complied with the scope of the grants. To achieve our objective we conducted site visits and interviewed District staff. In addition, we randomly selected 80 addenda from 48 schools and departments and examined supporting documents that were used to initiate the

addenda transaction. Finally, we judgmentally selected addenda to review consistency in payment amounts. The scope of our review was addenda transactions processed during the 2011-12 school year.

The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit was performed during the period of January through March 2013. The audit was requested by the Anchorage School Board Budget and Audit Committee.

Overall Evaluation. Although grant funded addenda payments and work complied with the scope of the grants, addenda were not always consistently and properly administered throughout the District. Specifically, there were no written policies or procedures for establishing, initiating, and documenting addenda. In addition, addenda payments could not always be verified or were not correct and addenda for similar duties were sometimes paid at different rates. Moreover, IFAS passwords were shared among staff. Finally, IFAS did not have complete or readily available information regarding addenda activities.

FINDINGS AND RECOMMENDATIONS

1. No Policies and Procedures for Documenting Addenda.

- a. Finding.** Although the District has a user guide for how to process addenda transactions in IFAS, there were no written policies or procedures for establishing, initiating, and documenting addenda. For example, there were no policies and procedures to address which documents are required to be signed and reviewed by staff that is approving addenda and which documents to retain for future reference. As a result, District personnel did not always maintain sufficient documentation to support employee addenda. For example, 8 of 80 (10%) addenda, totaling \$12,756,

were not supported by any backup documentation and 34 of 80 (43%) addenda, totaling \$27,394, did not include a hard copy addenda form signed by the supervisor or principal. Additionally, staff indicated that some addenda transactions were initiated by verbal instruction only. Implementing written policies and procedures is an effective management practice. Additionally, policies and procedures serve as a training tool for new staff and a reference point for existing staff.

- b. **Recommendation.** The Chief Financial Officer, Chief Academic Officer, and Chief Human Resources Officer should coordinate the development of policies and procedures for the processing of addenda.

- c. **Management Comments.** Management stated, “The addenda system is an on-line system with electronic approvals and when instituted properly, addenda entered in the system will have the appropriate backup information as part of the electronic record, which will suffice as documentation.

“The administration agrees addenda guidance is provided by various departments and must be obtained from different source documentation. The administration will work towards updating the requirements of the addenda information that is entered in the addenda system and will make clear what these requirements are. Moving forward, any addenda not providing the appropriate descriptions and information will be returned to the requestor. Complete guidance on the business process for addenda to include entering addenda into the system will be consolidated into a single document.

“To be completed by the district no later than December 31, 2013.”

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

2. **Addenda Payments Not Always Verified or Correct.**

- a. **Finding.** Four of 80 (5%) addenda payments, totaling \$2,522, could not be verified or were not correct. Specifically, we could not determine if three addenda payments were correct. For example, supporting documentation for one addenda agreement showed a teacher would be paid \$1,050, with no hours to be worked provided. However, the grant agreement stated that the rate was \$30 per hour. The Anchorage Education Association (AEA) contract and some grant agreements outline some of the addenda amounts to be paid for various duties.

In another example, one \$1,200 addenda payment was not paid in accordance with the bargaining agreement. The payment was to a teacher for being a department chair. The bargaining agreement states that a department chair should supervise a minimum of three teachers in order to receive the addenda, which in this case would be \$2,400. This department chair had no teachers reporting to him, but still received an addenda payment.

- b. **Recommendation.** The Chief Human Resources Officer and Chief Academic Officer should require addenda payments are approved according to bargaining contracts and grant agreements.
- c. **Management Comments.** Management stated, “The administration agrees not all addenda entered are verified as correct. The administration will work towards providing information in the business process so that approvers ensure addenda are paid pursuant to bargaining unit contracts, wage and hour laws and/or other acceptable terms.

“To be completed by the district no later than December 31, 2013.”

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

3. **Inconsistent Addenda Payments.**

- a. **Finding.** Addenda for similar duties were sometimes paid at different rates. Although the AEA contract outlines addenda pay for some specific duties, it is up to the school principals' discretion to determine addenda amounts for duties that are not specifically mentioned in the contract. In our opinion, it is a sound management practice to pay staff equitably and consistently. Examples of inconsistent payments include:

- ***Athletic Directors*** - We identified 24 addenda payments for athletic directors, who were assigned to nine schools. We noted that addenda pay varied at the different school levels. For example, addenda pay at middle schools ranged from \$400 a semester to \$800 a semester. At high schools, addenda pay ranged from \$1,000 a semester at one high school to \$1,600 a semester at other high schools.
- ***Battle of the Books*** - We identified 183 addenda payments for Battle of the Books. Some staff were paid addenda at a rate of \$20 an hour. Other staff were paid addenda at a flat rate, ranging from \$66 to \$800.
- ***Gate Monitors*** - We identified 14 addenda payments for duties involving gate monitors. Gate monitors supervise the entrances to activities such as sporting events. They were paid flat rates ranging from \$80 for one day of duty to \$844 for three days of duty.
- ***Dance Security*** - We identified 18 addenda payments for duties involving dance security. For example, some dance security staff were paid flat rates ranging from

\$60 to \$100 per event while others were paid hourly rates depending on their salaries.

- ***Detention Activities*** - We identified 27 detention addenda payments. Addenda payments were derived using flat rates, hourly rates, and rates found in the AEA contract. Hourly rates for detention activities ranged from \$20 an hour to \$60.29 an hour. Additionally, addenda payments for one semester of duty ranged from \$100 to \$1,200.

- b. **Recommendation.** The Chief Human Resources Officer and Chief Academic Officer should consider establishing guidelines for determining addenda payments for duties not specified in the union contracts.
- c. **Management Comments.** Management stated, “The administration agrees amounts paid for addenda—and in particular, addenda that are paid outside of the bargaining unit contracts are inconsistent across the district for similar type of work. The administration will work with a leadership group consisting of principals, managers and supervisors in developing a schedule of rates or guidelines to establish rates for addenda activity.

“To be completed by the district no later than December 31, 2013.”

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

4. **Unauthorized Sharing of IFAS Passwords.**

- a. **Finding.** IFAS passwords were shared among staff. Specifically, we found three instances where an employee approved addenda in IFAS using the principal’s

password, without completing a Delegation of Authority form. Additionally, another employee did not have IFAS access, but accessed IFAS using another employee's password to complete their task. The District's *Internet & Electronic Communication Guidelines, section 12, Computer Use*, states, "Accessing another individual's account or a restricted account without prior consent is forbidden. Passwords should be frequently changed and never shared." However, an individual, such as a principal, may delegate their own access to approve IFAS transactions to another individual, using a Delegation of Authority form. Sharing passwords compromises the integrity of the data in IFAS and misuse of credentials may result in lack of accountability.

- b. **Recommendation.** The Chief Financial Officer and Chief Human Resources Officer should remind principals and departments not to share passwords.

- c. **Management Comments.** Management stated, "The administration agrees that unauthorized sharing of passwords exists and agrees with this finding. The administration will remind principals and departments not to share passwords, in addition, the business process will be expanded to provide clearer guidance on delegation of authority.

"To be completed by the district no later than December 31, 2013."

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

5. **IFAS Lacks Basic Addenda Information.**

- a. **Finding.** IFAS did not contain complete or readily available information regarding addenda activities. Specifically, IFAS did not contain sufficient data fields to capture all addenda information. As such, decision makers did not always have adequate

information when analyzing addenda payments. Although the District enters some addenda information into IFAS, basic management reports could not be provided because all data could not be entered into IFAS. For example, no reports were available showing how many different types of addenda were paid, how many employees worked a certain type of addenda duty, and which addenda were paid through a contract. In addition, descriptions describing addenda payments did not always contain sufficient information to adequately describe the addenda.

- b. **Recommendation.** The Chief Financial Officer and Chief Human Resources Officer should identify reporting needs and coordinate to establish updated reporting criteria.

- c. **Management Comments.** Management stated, “The administration agrees that the IFAS electronic addenda system lacks sufficient information to compile, report and analyze data. The administration is working towards enhancing the addenda process with the upgrade of our financial system. In the interim however; the business process will be updated to outline the specific information that is required to be entered as part of any addenda and how that information must be entered into the system.

“To be completed by the district no later than December 31, 2013.”

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

Discussion With Responsible Officials. The results of this audit were discussed with appropriate Municipal officials on May 6, 2013.

Audit Staff:
Brenda Peña

Attachment 1
Addenda Statistics

In fiscal year (FY) 2011-12, \$12.9 million in addenda payments were processed for over 3,500 District employees. Of this amount, \$11.6 million (90%) was paid to employees belonging to the Anchorage Education Association (AEA), as shown in the below table. The AEA includes teachers and librarians, and is the District's largest bargaining unit. The second largest bargaining unit is the Anchorage Council of Education (ACE), which includes non-exempt management and technical employees. ACE employees received addenda payments totaling \$757,720 (6%).

Addenda Payment Totals by Employee Group

<u>Employee Group</u>	<u>FY 2011-12</u>
Anchorage Education Association	\$ 11,594,357.34
Anchorage Council of Education	757,720.88
Anchorage Principals' Association	400,178.09
TOTEM Association of Educational Support Personnel	77,715.00
Warehouse and Maintenance Employees	31,900.00
Non-Represented	16,178.33
Exempt	8,213.65
Custodians and Building Plant Operators	6,900.00
Anchorage Food Service	5,200.00
Bus Drivers and Attendants Unit	<u>612.00</u>
Total Paid Addenda:	\$ 12,898,975.29

Source: Unaudited IFAS data

As shown in the table below, FY 2011-12 addenda activities were funded by the District's general fund, grants, capital project fund, student activity fund, and student nutrition fund. The largest funding source was the general fund, which totaled about \$9.6 million (74%). The second highest funding source was grants, which totaled about \$3.2 million (24%).

Addenda Totals by Fund Type
FY 2011-12

<u>Fund Type</u>	<u>Addenda Paid</u>	<u>Number of Transactions</u>
General Fund	\$ 9,589,436.18	9,315
Grant Funds	3,215,058.76	6,879
Capital Project Fund	15,450.00	12
Student Activities Fund	75,655.35	261
Student Nutrition Fund	<u>3,375.00</u>	<u>1</u>
Totals:	\$ 12,898,975.29	16,468

Source: Unaudited IFAS data

The table below ranks the top five schools from each of the elementary, middle, and high schools, and the top five departments. Although charter and alternative schools were considered for the ranking process, they do not appear because their addenda totals were less.

Top 5 Elementary, Middle, and High Schools & Other
FY 2011-12

	<u>Addenda Total</u>	<u>Number of Transactions</u>	<u>Average Transaction</u>
Elementary Schools			
Muldoon	\$ 232,664.87	332	\$ 700.80
Lake Otis	\$ 209,085.89	148	\$ 1,412.74
Tyson	\$ 205,861.97	345	\$ 596.70
Chinook	\$ 183,618.75	115	\$ 1,596.68
Kasuun	\$ 163,936.75	50	\$ 3,278.74

	Addenda Total	Number of Transactions	Average Transaction
Middle Schools			
Clark	\$ 323,005.01	584	\$ 553.09
Begich	\$ 181,659.85	403	\$ 450.77
Hanshew	\$ 151,582.61	184	\$ 823.82
Mears	\$ 148,252.96	157	\$ 944.29
Wendler	\$ 138,547.84	124	\$ 1,117.32
High Schools			
East	\$ 808,161.03	397	\$ 2,035.67
Bartlett	\$ 595,231.09	340	\$ 1,750.68
West	\$ 594,893.97	377	\$ 1,577.97
Dimond	\$ 518,209.08	370	\$ 1,400.57
South	\$ 514,723.14	352	\$ 1,462.28
Other			
ASD Education Center*	\$ 512,878.51	1,149	\$ 446.37
Middle School Education	\$ 324,894.91	191	\$ 1,701.02
Curriculum & Instructional Support	\$ 285,982.44	676	\$ 423.05
Training & Professional Development	\$ 198,193.02	816	\$ 242.88
Migrant Education	\$ 195,884.33	166	\$ 1,180.03

Source: Unaudited IFAS data

* Primarily grant funded addenda for instructional related purposes.

We could not determine how many types of addenda were processed (e.g. total sports related, total added classes) because of IFAS data limitations.

The following table shows the lowest, highest, and average addenda payments received during FY 2011-12. Additionally, the table ranks the top five employees who received addenda in FY 2011-12.

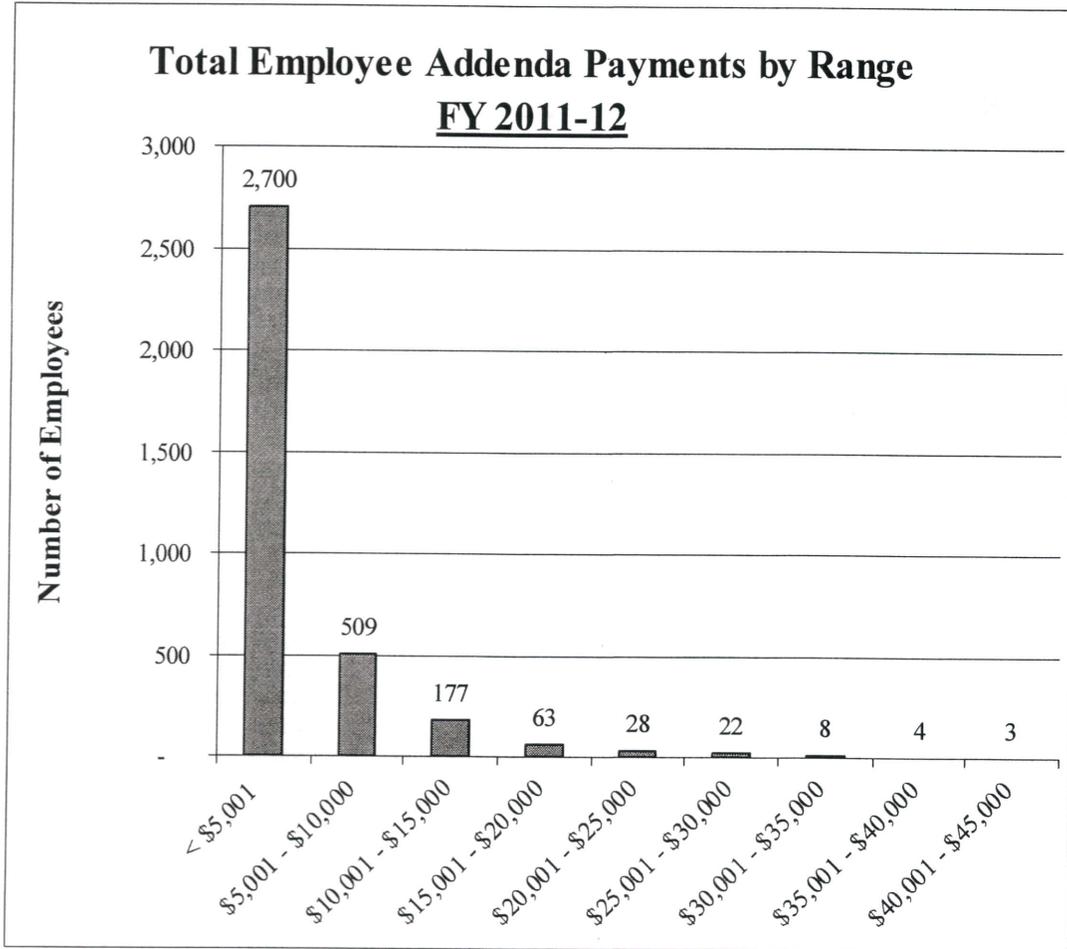
Following the table are two graphs showing the number of employees receiving addenda within specified dollar ranges. For example, the \$44,731 total addenda payment consisted of 22 individual addenda payments received in FY 2011-12.

Addenda Statistics by Employee
FY 2011-12

Number of Employees Receiving Addenda	3,514
Average Total Addenda Payments	\$ 3,670.74
Median Total Addenda Payments	\$ 1,850.00
Highest Total Addenda Payments	\$ 44,731.00
Lowest Total Addenda Payment	\$ 25.00

<u>Top 5 Employees Receiving Addenda</u>	Total Yearly Addenda
High School Teacher	\$ 44,731.00
High School Teacher	\$ 41,523.94
High School Teacher	\$ 40,500.77
High School Counselor	\$ 38,577.73
High School Teacher	\$ 36,930.48

Source: Unaudited IFAS data



The following graph breaks down those employees in the above graph receiving \$10,000 or less in total addenda for FY 2011-12. For example, it shows that 445 employees received addenda totaling less than \$250 in FY 2011-12. The received addenda could have been one addenda payment or multiple addenda payments.

