

# ASD INTERNAL AUDIT REPORT

2018-02

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Addenda

Anchorage School District

July 27, 2018

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# Municipality of Anchorage

Ethan Berkowitz, Mayor

Internal Audit Department

July 27, 2018

Anchorage School District Superintendent and Members of the School Board:

I am pleased to present for your review **ASD Internal Audit Report 2018-02; Addenda; Anchorage School District**. 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 Anchorage School 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 Anchorage School District staff. In addition, we judgmentally selected 161 addenda from the Anchorage School District's timekeeping systems (54 addenda from Insight and 107 addenda from EmpCenter) representing 20 schools and departments and examined supporting documents that were used to initiate the addenda transactions. Furthermore, we reviewed the selected addenda for consistency in payment amounts. The scope of our review was addenda transactions processed from July 2016 through December 2017.

Based on our review, we found that, although grant-funded addenda payments and work complied with the scope of the grants, addenda payments were not always consistently and properly administered throughout the Anchorage School District. Specifically, procedures for processing addenda were not always followed and duties in EmpCenter were not always properly segregated. In addition, we identified four instances of addenda being paid when not due and addenda for similar duties were sometimes paid at different hourly rates and amounts. Finally, lump-sum addenda payments for non-coaching duties were sometimes made to hourly employees and EmpCenter did not contain readily available reports regarding addenda activities.

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

Michael Chadwick, CIA, CICA  
Director, Internal Audit





# Municipality of Anchorage

Ethan Berkowitz, Mayor

Internal Audit Department

July 27, 2018

## **ASD Internal Audit Report 2018-02**

### **Addenda**

#### **Anchorage School District**

**Introduction.** The Anchorage School District (District) employs approximately 6,200 full-time and part-time employees. Staff are assigned to over 100 schools and programs, which educate almost 47,000 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 duties or additional work days. For example, employees are compensated for additional duties such as being a department chair, tutoring, and/or coaching athletic and academic competitions. Furthermore, added work days could include summer school, training, and/or registration days. These payments are called “addenda”.

Addenda are currently entered and approved through EmpCenter, the District’s timekeeping system. Prior to April 1, 2017, addenda were entered and approved in Insight. Addenda are initially processed by administrative assistants, activities clerks, and financial data control clerks at the different schools. The school principal then approves the addenda. Addenda for principals are sent to a higher level for secondary approval. 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 judgmentally selected 161 addenda (54 addenda from Insight and 107 addenda from EmpCenter) representing 20 schools and departments and examined supporting documents that were used to initiate the addenda transactions. Furthermore, we reviewed the selected addenda for consistency in payment amounts. The scope of our review was addenda transactions processed from July 2016 through December 2017.

We conducted this performance audit in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit was performed during the period of December 2017 through April 2018. The audit was requested by the Anchorage School Board Finance Committee.

**Overall Evaluation.** Although grant-funded addenda payments and work complied with the scope of the grants, addenda payments were not always consistently and properly administered throughout the District. Specifically, procedures for processing addenda were not always followed and duties in EmpCenter were not always properly segregated. In addition, we identified four instances of addenda being paid when not due and addenda for similar duties were sometimes paid at different hourly rates and amounts. Finally, lump-sum addenda payments for non-coaching duties were sometimes made to hourly employees and EmpCenter did not contain readily available reports regarding addenda activities.

## **FINDINGS AND RECOMMENDATIONS**

### **1. Procedures for Processing Addenda Not Always Followed.**

- a. Finding.** Although the District has a manual describing how to process addenda transactions, procedures for processing addenda were not always followed. We found that 52 of 161 (32%) addenda payments from both Insight (16 payments) and



EmpCenter (36 payments) did not have completed addenda forms. Of these, 10 were signed only by the employee, 2 were signed only by the principal, 4 were printed but not signed, and 36 had no printed addenda form at all. These addenda payments totaled \$93,901. According to the Addenda Job Aid and Business Process manual (Addenda Job Aid manual), "The Addenda Signature report is required, and must be printed and signed before an employee begins the addenda work." The Addenda Signature report is essentially an agreement stating the work to be performed, start and end dates, and payment amount. Having it signed before work begins can help avoid misunderstandings of work to be performed and payment expected.

- b. **Recommendation.** The Chief Human Resources Officer and Chief Academic Officer should ensure that principals have a completed Addenda Signature report prior to payment approval.
- c. **Management Comments.** Management concurred and stated,
  - "a. Management agrees with the auditors' findings and recommendations.
  - "b. The District acknowledges that all addenda should have a signed agreement prior to work beginning for that assignment.
  - "c. The District will institute additional training for all supervisors in August 2018.
  - "d. In addition, the District's IT department, in conjunction with our payroll department, is in the development stages for revising our electronic addenda process to accommodate and require electronic signatures prior to any addenda being finalized. The anticipated implementation is January 7, 2019."

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

2. **Duties Not Always Segregated in EmpCenter.**

- a. **Finding.** Duties in EmpCenter were not always properly segregated. We found 18 of 161 (11%) addenda transactions that were both entered and approved by the same principals. Segregating key duties and responsibilities among different individuals helps reduce the risk of error, misuse, or fraud. According to Standards for Internal Control in the Federal Government, issued by the Comptroller General of the United States, segregating duties “. . . includes separating the responsibilities for authorizing transactions, processing and recording them, reviewing transactions . . . so that no one individual controls all key aspects of a transaction or event.” A similar condition was noted in our prior ASD Internal Audit Report 2013-01.
- b. **Recommendation.** The Chief Financial Officer should revise approval hierarchies in EmpCenter, so that addenda entry and approval by the same person is not possible to help ensure segregation of duties and increase transparency.
- c. **Management Comments.** Management concurred and stated,
  - “a. Management agrees with the auditors’ findings and recommendations.
  - “b. Establishing hierarchies in the approval system will be coordinated with District leadership, to include additional oversight at supervisory levels, and will be built into the upgraded addenda process to coincide with the new release in January, 2019.”

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

3. **Addenda Payments Were Made When Not Due.**

- a. **Finding.** We identified four instances of addenda being paid when not due. Specifically, \$840 was paid to an employee to research timing systems for track and field events. This was supposed to be a one-time payment, but was paid for several years. Administrative staff re-entered addenda from the prior year and the principal approved the payments. The addenda forms were printed, but not signed. In another example, an employee was paid \$1,260 as department chair, supervising two teachers. However, to qualify for this addenda, a department chair must supervise at least three teachers. Finally, two staff were each paid \$840 on two separate instances for teacher-in-charge duties at the same school, beginning about one week apart and ending on the same day about four months later. These payments were entered in EmpCenter and approved. The Addenda Signature reports were printed and signed for both payments, which were about two months apart but covered the same time period.
- b. **Recommendation.** The Chief Financial Officer should establish a peer review program between schools to audit a selected sample of addenda for adherence to policies and procedures.
- c. **Management Comments.** Management concurred and stated,
  - “a. Management agrees with the auditors’ findings and recommendations.
  - “b. The finance department and instructional departments will develop a peer review program between schools, in order to audit a selected sample of addenda for adherence to policies and procedures.



“c. Coordination, training, establishment of a rotational calendar, and specific guidance will be developed during the first semester in FY19, with the first team visits to begin at the end of January, 2019.”

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

4. **Inconsistent Addenda Payments.**

a. **Finding.** Although some guidelines were established in the Addenda Job Aid manual to pay employees equitably for similar duties not included in the bargaining contracts, addenda for similar duties were sometimes paid at different hourly rates and amounts. In our opinion, it is a sound management practice to pay staff equitably and consistently. We reviewed 18,392 descriptions for addenda transactions and found the following examples of inconsistent addenda payments:

- ***Athletic Director*** - We identified 24 transactions for athletic directors at six different high schools. These payments were made using both Insight (15) and the EmpCenter (9) systems. Between Insight and the EmpCenter systems, payments at these six high schools ranged from \$840 per quarter to \$1,050 to \$1,575 per semester. In EmpCenter, payments ranged from \$840 per quarter to \$1,575 per semester. According to the Addenda Job Aid manual, high school athletic directors should be paid \$1,575 per semester.
- ***Athletic Coordinator*** - We identified 18 addenda payments at 11 different schools for Athletic Coordinators. These payments were made using both Insight (14) and the EmpCenter (4) systems. Between Insight and the EmpCenter systems, payments at six junior high schools ranged from \$420 to \$2,520 per sport. Moreover, between Insight and the EmpCenter systems, high school payments ranged from \$1,000 to



\$11,000 per sport. The \$11,000 addenda payment included three addenda agreements with the same individual that all began on the same day. Specifically, a \$6,500 addenda was for “ADDED DUTY HOCKEY COORDINATOR PER AGREED AMOUNT”, a \$3,500 addenda was for “HOCKEY COORDINATOR FOR 2016-17 SEASON”, and a \$1,000 addenda for “ADDED DUTY GAME/PRACTICE SCHEDULER FOR HOCKEY PER AGREED AMOUNT”. No guidance was given for payment amounts in the Addenda Job Aid manual. Instead, payments were at the principals’ discretion.

- ***Teacher-In-Charge*** - We identified 34 addenda transactions from charter and alternative schools for teacher-in-charge duties with various pay rates. These payments were made using both Insight (16) and the EmpCenter (18) systems. While some payments appeared to be correct, other payments appeared questionable. For example, three payments made in the EmpCenter system appeared excessive. Specifically, one addenda payment was for \$4,725, the second addenda payment was for \$8,774, and a third addenda payment was for \$7,227. Our review found that typically a teacher designated by the principal as teacher-in-charge for the school year is paid \$1,840 or \$840 if the school has an assistant principal or intern.
- ***Announcer*** - We identified 44 transactions for announcers at school sporting events. These payments were made using both Insight (20) and the EmpCenter (24) systems. A list of addenda payment amounts was distributed to staff for football, but not for other sports. While rates for football games were established, they were not always followed. For example, some football announcers were paid flat rates when hourly rates should have been used. In addition, payments to announce other sports varied from \$40 per game to \$840 for home games in a season since no guidance was given for payment amounts in the Addenda Job Aid manual.

- ***Gym/Field Manager*** - We identified 35 transactions for gym/field manager duties. These payments were made using both Insight (7) and the EmpCenter (28) systems and often varied. For example, between Insight and the EmpCenter systems, we found that both Anchorage Education Association (AEA) and Anchorage Council of Education (ACE) staff were paid flat-rates that ranged from \$840 to \$1,501.50 per semester. In addition, EmpCenter payments ranged from \$1,151 per quarter to \$1,666 per quarter. According to the Addenda Job Aid manual, AEA staff should be paid \$1,100 and ACE staff should be paid at their hourly/overtime rate.

The Addenda Job Aid manual outlines addenda pay for some duties such as teacher-in-charge, gym/field manager duties, and athletic director. However, when entering addenda in EmpCenter the pay rates are not hard-coded in the system. Instead, the pay rate is manually entered. If the pay rate is above or below the pay rate found in the Addenda Job Aid manual, a warning message appears. This warning message goes away once the addenda is approved. Since the warning message goes away once the addenda is approved, an exception report cannot be generated. Other duties not found in the Addenda Job Aid manual can be entered in EmpCenter using an “Added Duties” option at any pay rate.

- b. **Recommendation.** The Chief Human Resources Officer and Chief Academic Officer should consider hard-coding the EmpCenter system so that addenda pay rates are consistent and cannot be overridden. For addenda requiring special rates, secondary approval should be required.
- c. **Management Comments.** Management concurred and stated,
  - “a. Management generally agrees with the auditors’ findings and recommendations.



- “b. The District acknowledges that various rates of pay were entered for similar addenda. Various union contracts require specific pay rates for their members. Hourly employees and salaried employees are paid at differing rates of pay for addenda type work. In a number of identified areas, many of the differences were attributable to contractual requirements.
- “c. The Information Technology department, in coordination with Human Resources and Payroll, will upgrade the current process to include fixed addenda payments for various duties. Currently the system allows local supervisors to override the suggested addenda rates. The change will include a secondary approval process when school leadership has justification to pay an employee outside the established rate of pay.
- “d. The upgraded addenda process, and EmpCenter changes, will be released in January, 2019.”

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

5. **Some Hourly Employees Received Addenda Payments for Non-Coaching Duties.**

- a. **Finding.** Lump sum addenda payments for non-coaching duties were sometimes made to hourly employees. For example, a \$1,500 flat rate addenda payment was made for “Student Support – Behavior –Flat rate agreed upon. Student services support” and a \$1,200 flat rate addenda payment was made for “REGION CHEER COORDINATOR”. While these addenda payments aren’t specifically addressed in the collective bargaining agreement, they are defined in the Addenda Job Aid manual. It states that additional duties for TOTEM Association of Educational Support Personnel and some ACE employees should be paid at the employee’s applicable hourly rate.

These payments could be made because a data field in EmpCenter was overridden, allowing lump sum payments for non-coaching activities for hourly employees.

- b. **Recommendation.** The Chief Human Resources Officer and Chief Academic Officer should remind supervisors that hourly employees should be paid at their hourly rate for non-coaching duties. In addition, EmpCenter controls should be enhanced to not allow the override of drop-down menu options.

- c. **Management Comments.** Management concurred and stated,

- “a. Management agrees with the auditors’ findings and recommendations.

- “b. ASD acknowledges that several addenda were outside of the established norm for hourly employees. These shortfalls will be addressed with additional training for all supervisors in August 2018.”

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

6. **EmpCenter Lacks Basic Management Information.**

- a. **Finding.** EmpCenter did not contain readily available reports regarding addenda activities. Specifically, EmpCenter could not provide reports showing how much was paid by addenda type, how many employees worked a certain type of addenda, and how much addenda was encumbered. As a result, decision makers did not always have adequate information when analyzing addenda payments.
- 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 concurred and stated,

“a. Management agrees with the auditors’ findings and recommendations.

“b. The current program was written in-house by ASD employees, and has been reviewed multiple times since its release for necessary upgrades. Reporting capability is a known shortfall and is being developed for the updated release scheduled for January, 2019.”

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 June 5, 2018.

Audit Staff:  
Dawn Brown

## **Attachment 1**

### **Addenda Statistics**

During the audit period July 2016 through December 2017, over \$14 million in addenda payments were processed for over 3,400 District employees. Of this amount, \$13.4 million (93%) was paid to employees belonging to the AEA, as shown in the table below. The AEA includes teachers, counselors and librarians, and is the District's largest bargaining unit. The second largest bargaining unit is the ACE, which includes non-exempt management and technical employees. ACE employees received addenda payments totaling \$579,216 (4%).

#### **Addenda Payment Totals by Employee Group**

<b><u>Employee Group</u></b>	<b><u>July 2016 – December 2017</u></b>
Anchorage Education Association	\$13,438,043.68
Anchorage Council of Education	\$ 579,216.47
Anchorage Principals' Association	\$ 264,742.40
TOTEM Association of Educational Support Personnel	\$ 111,548.10
Non-Represented	\$ 58,938.47
Exempt	\$ 53,095.50
Warehouse and Maintenance Employees	\$ 8,480.00
Custodians and Building Plant Operators	<u>\$ 4,975.00</u>
<b>Total Paid Addenda:</b>	<b>\$14,519,039.62</b>

Source: Unaudited Business Plus data



The following table shows the lowest, highest, and average addenda payments received from July 2016 – December 2017. Additionally, the table ranks the top 10 employees who received addenda payments from July 2016 – December 2017.

### **Addenda Statistics by Employee** **July 2016 – December 2017**

Number of Employees Receiving Addenda	3,404
Average Total Addenda Payments	\$ 4,265.29
Median Total Addenda Payments	\$ 2,101.86
Highest Total Addenda Payments	\$64,322.38
Lowest Total Addenda Payments	\$ 21.00

<b><u>Top 10 Employees Receiving Addenda</u></b>	<b><u>Total Amount</u></b>
Psychologist K-12	\$64,322.38
Teacher Classroom 9-12	\$55,664.33
Teacher Classroom 9-12	\$54,134.61
Middle Level Principal	\$52,356.80
Teacher Classroom 9-12	\$46,395.80
Teacher Classroom 9-12	\$44,892.54
Teacher Classroom 9-12	\$43,557.25
Teacher Classroom 9-12	\$43,040.76
Teacher Classroom 9-12	\$42,313.60
Teacher Expert K-12	\$41,852.73

Source: Unaudited Business Plus data

The table below ranks the top five schools for addenda payments from each of the elementary, middle, high schools, charter and alternative schools, and the top five departments.

### **Top 5 Elementary, Middle, High Schools & Other** **July 2016 – December 2017**

	<u><b>Addenda Paid</b></u>	<u><b>Number of Transactions</b></u>	<u><b>Average Transaction</b></u>
<b>Elementary Schools</b>			
Russian Jack	\$178,496.94	165	\$1,081.80
Muldoon	\$ 88,116.88	297	\$ 296.69
Northwood ABC	\$ 87,431.75	295	\$ 296.38
Fairview	\$ 87,052.29	272	\$ 320.05
Williwaw	\$ 73,018.27	255	\$ 286.35
<b>Middle Schools</b>			
Clark	\$338,599.01	753	\$ 449.67
Begich	\$309,028.86	561	\$ 550.85
Goldenvue	\$201,787.18	213	\$ 947.36
Mirror Lake	\$182,273.66	176	\$1,035.65
Hanshaw	\$177,348.41	186	\$ 953.49
<b>High Schools</b>			
East	\$551,696.19	304	\$1,814.79
Bartlett	\$432,778.35	291	\$1,487.21
West	\$423,571.47	274	\$1,545.88
Dimond	\$393,466.47	364	\$1,080.95
South	\$393,164.41	315	\$1,248.14
<b>Charter and Alternative Schools</b>			
iSchool	\$730,852.87	490	\$1,491.54
Whaley	\$516,744.21	168	\$3,075.86
King Career Center	\$351,598.85	162	\$2,170.36
McLaughlin Secondary	\$169,818.39	96	\$1,768.94
New Path	\$161,512.50	87	\$1,856.47
<b>Other</b>			
English Language Learners	\$617,415.24	204	\$3,026.55
Professional Learning	\$572,814.70	764	\$ 749.76



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	<b><u>Addenda Paid</u></b>	<b><u>Number of Transactions</u></b>	<b><u>Average Transaction</u></b>
Career & Technical Education	\$401,919.91	188	\$2,137.87
Curriculum	\$361,036.50	1024	\$ 352.57
Special Education	\$296,061.11	328	\$ 902.63

Source: Unaudited Business Plus data