



Department of Education

Internal Audit

Casual Hire Personnel Recruitment, Hiring and Payroll Processes Follow-Up Review

Issue Date: January 2017

Report Number: FY2017-02

Department of Education
Casual Hire Personnel Recruitment, Hiring & Payroll Processes
Follow-Up Review

Executive Summary

AUDIT OF: Casual Hire Personnel Recruitment, Hiring & Payroll Processes Follow-up Review	DATE: Fieldwork performed October 2016 – November 2016	AUDIT RATING: Acceptable [] Marginal [] Unacceptable [X]
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INTRODUCTION:

In connection with the Department of Education’s (DOE) Updated Risk Assessment and Internal Audit Plan approved on August 16, 2016, Internal Audit (IA) performed a “*Casual Hire Personnel Recruitment, Hiring & Payroll Processes Follow-Up Review*.” The purpose of this review was to assess the implementation of Management’s Plans as described in the “*Casual Hire Personnel Recruitment, Hiring & Payroll Processes Review*” issued in November 2012.

BACKGROUND:

Casual hire personnel are part-time, non-salaried employees compensated based on a daily or hourly rate for the work performed. There were approximately 17,145¹ casual hire personnel working for the DOE between July 1, 2015 – June 30, 2016.

There are a variety of casual hire personnel processed through the Casual Personnel System and Casual Payroll System:

- **Classified Casual Personnel** – Adult Supervisors, Classroom Cleaners, Meal Count Assistants, Para-Professional Tutors, Classified-Substitutes and A+ Personnel
- **Certificated Casual Personnel** – Part-Time Teachers and Substitute-EOs
- **Athletics** – High School Coaches and Intramural Supervisors

Casual hire personnel are recruited and hired at the school/office level. The Principal or Administrator is the authority responsible for the hiring, employment and reporting of the casual hire employees under their authority. The Principal or Administrator can appoint a designee, which is usually the School Administrative Services Assistant (SASA), Clerk or Secretary to enter the casual hire employees into the Casual Personnel System and maintain and submit the required personnel documents to OHR. The casual hire employee is not allowed to start work until the employee background check (EBC) process is completed and the individual is cleared for employment by OHR. All new employees to the DOE must supply a fingerprint to initiate the EBC process which can take a minimum of two (2) days to two (2) months to complete.

Employees exempt from the background check process include:

- Persons who have been employed continuously by the DOE on a salaried basis prior to July 1, 1990.
- Current and previously hired employees hired after July 1, 1990 who have had a background check at their initial time of hire and have not had a break in service of six (6) months or more.
- Minors under the age of 18.

¹ Excludes athletic casual employees and work-study students

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Once an employee has received clearance by OHR, their information is transferred to the Casual Payroll System. After the casual hire employee starts work, the designee appointed by the Principal or Administrator records the casual hire employee's hours in the Casual Payroll System by pay period for payment. The designee prints out a "Principal's Report" after each pay period to review the employees and hours entered and the Principal or Administrator reviews and signs the report to authorize the payment.

Casual hire employees are all terminated at the end of each fiscal year and if they are rehired for the next school year, their records must be reentered by the school/office and be verified by OHR prior to start.

Policies and procedures are documented in various OHR memos, including the "Employment Guidelines for Casual Hires" document. In addition, detailed procedures and training materials are also documented in the SASA Academy Course 4 – Human Resources and Course 10 – Payroll. These memos, training materials and reference documents can all be located on the DOE Intranet under OHR and OFS webpages.

SCOPE and OBJECTIVES:

The scope of our review included an examination of management's corrective action plans and the casual hire recruitment, hiring & payroll processes. We reviewed the operating effectiveness of the existing control procedures in place over the monitoring casual hire recruitment, hiring & payroll records, focusing on proper documentation, approvals and data entry processes. IA also performed detailed testing on a sample of employees for one (1) school from each of the 15 complex areas. Any detailed testing excluded athletic casual employees and work-study students.

The objectives of our review included the following:

1. To ensure that Management has adequately addressed and resolved the audit findings that resulted from the November 2012 Internal Audit "*Casual Hire Personnel Recruitment, Hiring & Payroll Processes Review.*"
2. Test a sample of employees within the selected schools to ensure that data entered into the Casual Personnel and Casual Payroll system is accurate, timely and properly supported and approved.

OBSERVATIONS:

Based upon our review, we noted that four (4) out of the five (5) prior audit findings from the review are still recurring or have not been adequately addressed. Therefore, we found the DOE's controls related to the casual hire recruitment, hiring & payroll processes are still functioning at an "unacceptable" level as originally reported in the November 2012 Internal Audit "*Casual Hire Personnel Recruitment, Hiring & Payroll Processes Review.*" An unacceptable rating indicates that significant observations were noted that could lead to material financial loss to the DOE.

IA noted that while some improvements have been made to the casual hire recruitment, hiring & payroll processes; issues were still noted, and if not corrected, could result in the hiring of unqualified employees and incorrect casual payroll data. In evaluating the issues noted during our review, it appears that the root cause is the lack of an effective infrastructure (i.e. updated processes, clearly articulated roles, responsibilities and accountability, internal monitoring reports, methodologies and a system that meets organization's requirements) for the casual hire recruitment, hiring & payroll processes.

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The following is a status summary of the prior audit findings, corrective action plans by management [Office of Fiscal Services (OFS), Office of Human Resources (OHR) and Office of Information Technology Services (OITS)] and the related current observations:

	Prior Audit - Audit Rating	Prior Audit - Finding	Prior Audit - Management's Corrective Action Plan Status	Current Observation Testing Results
1	Moderate	Lack of current and accessible casual hire personnel and casual payroll policies and procedures	<p><i>OHR-Completed:</i></p> <ul style="list-style-type: none"> • OHR issued “<i>Employment Guidelines for Casual Hires</i>” in March 2013 and has placed a collection of memos on their intranet page. • SASA Academy modules have been created for both the Casual Personnel System and Casual Payroll System and were rolled out in July 2015 (Personnel) and January 2016 (Payroll). • For changes in employee information, OHR created a “Casual Personnel System – Data Entry Input Worksheet” 	No finding but guidance should be updated
2	High	Lack of oversight, monitoring and accountability at the school/office level	<p><i>OHR and OFS-Completed:</i></p> <ul style="list-style-type: none"> • SASA Academy trains the field about segregation of duties and how it's important that more than one individual in the office perform casual hire and payroll duties. • SASA Academy documents the procedure that all casual employees' attendance must be recorded on a sign in/sign out sheet, with the number of hours they worked each day. • OFS unable to make it mandatory for all employees to be direct deposit because not everyone has a bank account, especially in the rural areas. 	Finding still exist, see observations 1 and 2

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3	High	Lack of oversight, monitoring and accountability of the casual hire process	<p><i>OHR-Completed:</i></p> <ul style="list-style-type: none"> • SASA Academy documents as well as the “<i>Employment Guidelines for Casual Hires</i>” include deadlines and reminders for schools/offices when entering an employee in the Casual Personnel System. • OHR reviewed their Employee Background Check (EBC) process as it related to casual employees. They automated the EBC process in eHR as of April 2013 so now all casuals are in eHR which should streamline the verification process. • The Department is part of a multi-agency workgroup involved in the pilot Hawaii Integrated Justice Information Sharing (HIJIS) program led by the Hawaii Criminal Justice Data Center. • Internal Audit has annually been monitoring the casual hire process and been providing management with a list of schools/offices allowing casual employees to work before they are verified by OHR. 	Finding still exist, see observations 1 and 2
4	Moderate	Insufficient controls in the Casual Payroll system	<p><i>OITS-Completed:</i></p> <ul style="list-style-type: none"> • OITS modified the system to limit historical edits to the prior fiscal year and current. • Due to system limitations, it is not able to restrict maximum hours if the employee holds multiple jobs or if the pay period breaks in the middle of a week. • They have to be very cautious when making changes to the system as it will no longer be supported by HP and there is no testing environment only an actual production environment. 	Finding still exist, see observation 3

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5	High	Proper casual hire employee applications and supporting documents are not always submitted or retained	<p><i>OHR-Completed:</i></p> <ul style="list-style-type: none"> • OHR issued “<i>Employment Guidelines for Casual Hires</i>” and has placed a collection of memos on their intranet page. • SASA Academy modules have been created for both the Casual Personnel System and Casual Payroll System 	Finding still exist, see observation 2
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Please refer to the Risk Ratings section of this report (page 6) for a complete definition of the ratings used by IA and the Observations and Recommendations section for a detailed description of our findings.

We discussed our preliminary findings and recommendations with Management and they were receptive to our findings and agreed to consider our recommendations for implementation.

Each observation presented in this report is followed by specific recommendations that will help to ensure that control gaps are addressed and, if enforced and monitored, will mitigate the control weaknesses. In summary, our audit observations are as follows:

1. Lack of oversight, monitoring and accountability over the casual hire and payroll processes at the school level
2. Casual hire employment forms and supporting documents were not always submitted/retained and/or prepared completely
3. Insufficient controls in the Casual Payroll system

A condensed version of this report will be provided to each school or office informing them of the findings specifically related to their school. Each school/office will be asked to prepare a written corrective action response to each finding for submission to IA.

PLANNED FOLLOW UP BY MANAGEMENT AND INTERNAL AUDIT:

IA will follow up with management on their progress of completion for their action plans, and report accordingly through the audit committee quarterly updates.

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Rating Scale Definitions

OVERALL RATING SCALE	
<i>Acceptable</i>	No significant deficiencies exist, while improvement continues to be appropriate; controls are considered adequate and findings are not significant to the overall unit/department.
<i>Marginal</i>	Potential for loss to the auditable unit/department and ultimately to the DOE. Indicates a number of observations, more serious in nature related to the control environment. Some improvement is needed to bring the unit to an acceptable status, but if weaknesses continue without attention, it could lead to further deterioration of the rating to an unacceptable status.
<i>Unacceptable</i>	Significant deficiencies exist which could lead to material financial loss to the auditable unit/department and potentially to the DOE. Corrective action should be a high priority of Management and may require significant amounts of time and resources to implement.

OBSERVATION RATING SCALE	
<i>High (1)</i>	<p>1 - The impact of the finding is <i>material</i>² and the likelihood of loss is probable in one of the following ways:</p> <ul style="list-style-type: none"> • A material misstatement of the DOE’s financial statements could occur; • The DOE’s business objectives, processes, financial results or image could be materially impaired; • The DOE may fail to comply with applicable laws, regulations or contractual agreements, which could result in fines, sanctions and/or liabilities that are material to the DOE’s financial performance, operations or image. <p><i>Immediate action is recommended to mitigate the DOE’s exposure.</i></p>
<i>Moderate (2)</i>	<p>2 - The impact of the finding is <i>significant</i>¹ and the likelihood of loss is possible in one of the following ways:</p> <ul style="list-style-type: none"> • A significant misstatement of the DOE’s financial statements could occur; • The DOE’s business objectives, processes, financial performance or image could be notably impaired; • The DOE may fail to comply with applicable laws, regulations or contractual agreements, which could result in fines, sanctions and/or liabilities that are significant to the DOE’s financial performance, operations or image. <p><i>Corrective action by Management should be prioritized and completed in a timely manner to mitigate any risk exposure.</i></p>
<i>Low (3)</i>	<p>3 - The impact of the finding is moderate and the probability of an event resulting in loss is possible.</p> <p><i>Action is recommended to limit further deterioration of controls.</i></p>

² The application of these terms are consistent with the guidelines provided by the Institute of Internal Auditors.

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Observations and Recommendations

The detailed observations noted herein were based on work performed by IA through the last date of fieldwork and are generally focused on internal controls and enhancing the effectiveness of processes for future organizational benefit. Many of these findings are repeat findings from the November 2012 Internal Audit “*Casual Hire Personnel Recruitment, Hiring & Payroll Processes Review.*”

Obs. No	Description	Page #
1	Lack of oversight, monitoring and accountability over the casual hire and payroll processes at the school level	8
2	Casual hire employment forms and supporting documents were not always submitted/retained and/or prepared completely	11
3	Insufficient controls in the Casual Payroll system	14

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Observations and Recommendations

Observation Number: 1

Observation: Lack of oversight, monitoring and accountability over the casual hire and payroll processes at the school level **Rating: High**

This observation is a repeat finding from the November 2012 Internal Audit “*Casual Hire Personnel Recruitment, Hiring & Payroll Processes Review.*” Based on IA’s review, we found that there still is a lack of oversight, monitoring and accountability over the casual hire and payroll processes. The following exceptions were noted during our review:

1. Lack of oversight, monitoring and accountability over verification process at the school level

As stated in the background section, all casual hire employees that are entered directly in to the Casual Personnel System by the school/office, must be verified by OHR prior to being allowed to start work. The verification process includes reviewing whether a prospective casual hire employee is qualified for the position (such as PTTs) and has cleared a background check by the Employee Background Check Unit (EBC Unit). This process can take a minimum of two (2) days to two (2) months to complete.

For new casual hire employees to the DOE, supplying a fingerprint to test initiates the background check process, but does not clear an individual for employment. The EBC Unit Specialist noted that the background check of an employee includes reviewing criminal history in the State and Federal databases. IA noted, currently there are no alerts to the DOE for any changes in an employee’s criminal history status by the State and Federal databases. However, the Department is part of a multi-agency workgroup involved in the pilot Hawaii Integrated Justice Information Sharing (HIJIS) program led by the Hawaii Criminal Justice Data Center.

IA performs a “Continuous Auditing Review” each year which includes testing casual employees found to have started work prior to being verified by OHR. This report is distributed to Leadership for their review and follow-up corrective action. In the report, IA tested all 17,145¹ casual employees whose first day of work was between July 1, 2015 – June 30, 2016. IA compared their first day on the job to the date they were verified by OHR and noted the following exceptions:

Exception Noted:	No. of Exceptions out of the Sample Size	% of Sample Size
School allowed employee to start work prior to OHR’s verification clearance	1,873 ² / 17,145	10.9%

¹Excludes athletic casual employees and work-study students

²Excludes casual employees continuously employed from the prior year

In addition, IA noted that there is no consequence to the school/office who allows an employee to start work prior to their verification clearance by OHR.

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2. Lack of monitoring of casual payroll processes at the school level

As stated in the background section, it is very important that the Principal or Administrator properly review and monitor the casual hire employee and casual payroll documents submitted. The Principal or Administrator is the authority responsible for the hiring, employment and reporting of the casual hire employees under their authority.

IA selected a sample size of 150 casual hire employees which included various casual hire positions, 299 pay periods and 2,476 work days tested. IA collected casual hire employee payroll documents for the selected employees from the schools. IA noted the following exceptions:

Exception Noted:	No. of Exceptions out of the Sample Size	% of Sample Size	% of Sample Size from Prior Report
Instances of hours recorded in the Casual Payroll System were different from hours recorded on the respective timesheet. This resulted in an overpayment of 165.00 hours.	104/2,476	4.2%	1.7%

Impact

The lack of oversight, monitoring and accountability of the casual hire and payroll processes may lead to:

- Possible employees with criminal histories working for the DOE.
- Possible reputational exposure for DOE.
- Possible unauthorized hiring of a casual hire employee.
- Possible fictitious creation of a casual hire employee.
- Possible fictitious hours being paid to a casual hire employee.
- Possible loss of funds by the DOE due to overpayment of hours.
- Possible fictitious hours being entered into the Casual Payroll System so employees can work over their maximum weekly hour limit and deferring their hours to the next pay period, thus requiring the DOE to pay them benefits.
- Possible violation of Federal employment laws.

Recommendation and Management Plan

Recommendations for the lack of oversight, monitoring and accountability of the casual hire and payroll processes include:

1A Recommendation: IA will distribute to OHR, a list of the non-compliant schools that were tested in this review and the “Continuous Auditing Review.” OHR should consider offering options of consequences for noncompliance of DOE policies and procedures, such as employees’ performance management, or conducting “targeted” trainings to those schools/complexes.

Management Plan: IA annually provides a report (Internal Audit tool "Continuous Auditing Review") of non-compliant schools to CASs, which will enable them to address the findings with their Principals, and determine appropriate supports and/or consequences, if necessary. OHR will utilize this report to offer supports to non-compliant schools. For example, OHR will

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offer to conduct “targeted” trainings to schools about casual hire practices and/or performance management if the CAS or Principal determines that shortcomings in the casual hire process are evidence of the need to improve performance. OHR will also emphasize to Principals, at all appropriate opportunities, the importance of complying with the casual hire requirements. This includes, for example, whenever OHR participates in Principals' group meetings.

Anticipated Completion Date: March 1, 2017 and ongoing thereafter

1B Recommendation: OHR should consider “targeted” mandatory training of the “*SASA Academy Course 4: Human Resources, Module 7: Using the Casual Personnel System.*”

Management Plan: OHR recommends the “*SASA Academy Course 4: Human Resources, Module 7: Using the Casual Personnel System*” not be mandatory; instead the Principal should be able to determine the best use of the SASA Academy for his/her staff. However, OHR is currently exploring other ways to increase the effectiveness of SASA Academy as a resource for SASAs. We expect the first revisions to the SASA Academy to be implemented by September 1, 2017.

Anticipated Completion Date: September 1, 2017

Approved by: Barbara Krieg, Assistant Superintendent, OHR

Contact Person: Sean Bacon, Personnel Specialist, Personnel Management Branch, OHR

1C Recommendation: OFS should consider adding to the “*SASA & Secretary Academy Course 10: Payroll, Module 4: Pay for Casual Employees*” that “the Principal/Administrator should also randomly compare various timesheets to the “Principal’s Report” as part of their review process before signing.”

Management Plan: OFS will address the monitoring of the casual payroll process issues by updating and adding clarification in the “*SASA & Secretary Academy Course 10: Payroll, Module 4: Pay for Casual Employees,*” as well as the *Casual Payroll Users Guide: the Current Pay Period - Draft Report* should be used as an “Approval to Pay”, and the Current Pay Period - Principals Report should be used as confirmation of time paid. OFS plans to present this clarification of procedures to Hawaii School Office Service Association (HSOSA), Complex Area Business Managers (CABMs), and Leadership for feedback.

Anticipated Completion Date: June 30, 2017

Approved by: Amy Kunz, Senior Assistant Superintendent and CFO, OFS

Contact Person: Tom Ishimaru, Director, Accounting Services Branch, OFS

Responsible Offices

OHR and OFS

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Observation Number: 2

Observation: Casual hire employment forms and supporting documents were not always submitted/retained and/or prepared completely **Rating: Moderate**

This observation is a repeat finding from the November 2012 Internal Audit “*Casual Hire Personnel Recruitment, Hiring & Payroll Processes Review.*” Based on IA’s review, we found that casual hire forms are not always prepared completely and are not always submitted or retained.

IA selected a sample size of 150 casual hire employees, 299 pay periods and 2,476 work days tested. The school is responsible in the storing, maintenance, retention and disposition of casual employees’ official personnel folder (OPF). IA collected casual hire personnel documents for the selected employees from the schools. IA noted the following exceptions:

1. Casual hire employment forms are not always prepared completely or submitted/retained

Exception Noted:	No. of Exceptions out of the Sample Size	% of Sample Size	% of Sample Size from Prior Report
Form I-9 missing/not submitted	33/150	22.0%	15.4%
Application form missing/not submitted	21/150	14.0%	11.4%
Incorrect application form used	14/150	9.3%	36.5%
Job Title on application is different from Job Title entered in the Casual Personnel System	6/150	4.0%	4.4%
Form I-9 not fully completed with verification of documentation	6/150	4.0%	n/a
Form I-9 not approved by Administrator or Designee	5/150	3.3%	1.8%

2. Highly qualified paraprofessional requirements are not always verified with supporting documents

Each school/office must identify a function code for part-time teachers (PTTs) and paraprofessional tutors (PPTs) that provide “direct instruction,” “direct instructional support,” “non-core instructional duties” or “non-instructional duties” in a program. The PTTs that provide “direct instruction” must meet “No Child Left Behind” (NCLB) Highly Qualified Teacher (HQT) Status if they are teaching NCLB core subject areas. PTTs or PPTs that provide “direct instructional support” must meet NCLB – Highly Qualified (HQ) paraprofessional requirements. These function codes should be entered into the Casual Personnel System for each PTT or PPT.

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IA noted that OHR only verifies PTTs Class A (paid at a higher rate) but does not verify whether a PTT or PPT meets their respective HQ paraprofessional requirements for “direct instructional support” and relies on the schools/offices to verify. The schools/offices should be verifying with either a transcript or certificate on the ParaPro Assessment provided by the Educational Testing Service.

IA tested forty-five (45) PTTs and PPTs that provided either “direct instruction” or “direct instructional support.” IA noted the following exceptions:

Exception Noted:	No. of Exceptions out of the Sample Size	% of Sample Size	% of Sample Size from Prior Report
Supporting documentation missing/not submitted***	15/45	33.3%	30.4%

*** IA was unable to determine if in some of these instances, the schools had incorrectly categorized the PTT/PPT as “direct instruction” or “direct instructional support” when they shouldn’t have been, which is why they didn’t have documentation on file.

3. Casual Hire procedures need to be updated to reflect current practice

IA also noted that through communication with the field and discussion with OHR, many of the instructions need to be updated as some of the instructions noted do not follow the current practice of collecting casual hire personnel documentation. For example, the “*Employment Guidelines for Casual Hires*” and the SASA Academy documents are incorrect in regards to the submission of Form I-9 to OHR because current practice is that schools keep the original for their files and not submit it to OHR. In addition, there was a lot of confusion in the field as to which PTTs and PPTs need documentation and which were exempt, as well as who is in charge of collecting and reviewing these documents, the school or OHR.

Impact

Non-submission of documents or the lack of properly completed casual hire employment forms and supporting documents may lead to:

- Incomplete personnel information collected or retained.
- Possible violation of Federal and State employment laws.
- Possible loss of funds to the DOE due to fines and penalties for not complying with Federal laws.
- Inability to resolve unforeseen issues with no documents to refer back to.
- Possible violation of Federal compliance regulations.

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Recommendation and Management Plan

Recommendations for the non-submission of documents or the lack of properly completed casual hire employment forms and supporting documents include:

2A Recommendation: OHR should continuously update the “*Employment Guidelines for Casual Hires*” and SASA Academy training documents to ensure they are consistent and up-to-date with current policies and procedures.

Management Plan: OHR will update the “*Employment Guidelines for Casual Hires.*” These guidelines will be posted on the DOE Intranet and be annually reviewed and updated, as appropriate. (See Recommendation #1B for SASA Academy recommendation.)

Anticipated Completion Date: March 1, 2017 and ongoing thereafter

2B Recommendation: IA will distribute to OHR, a list of the non-compliant schools that were tested in this review. OHR should consider offering options of consequences for noncompliance of DOE policies and procedures, such as employees’ performance management, or conducting “targeted” trainings to those schools/complexes.

Management Plan: IA annually provides a report (Internal Audit tool "Continuous Auditing Review") of non-compliant schools to CASs, which will enable them to address the findings with their Principals, and determine appropriate supports and/or consequences, if necessary. OHR will utilize this report to offer supports to non-compliant schools. For example, OHR will offer to conduct “targeted” trainings to schools about casual hire practices and/or provide performance management if the CAS or Principal determines that shortcomings in the casual hire process are evidence of the need to improve performance. OHR will also emphasize to Principals, at all appropriate opportunities, the importance of complying with the casual hire requirements. This includes, for example, whenever OHR participates in Principals' group meetings.

Anticipated Completion Date: March 1, 2017 and ongoing thereafter

2C Recommendation: OHR should consider “targeted” mandatory training of the “*SASA Academy Course 4: Human Resources, Module 7: Using the Casual Personnel System.*”

Management Plan: OHR recommends the “*SASA Academy Course 4: Human Resources, Module 7: Using the Casual Personnel System*” not be mandatory; instead the Principal should be able to determine the best use of the SASA Academy for his/her staff. However, OHR is currently exploring other ways to increase the effectiveness of SASA Academy as a resource for SASAs. We expect the first revisions to the SASA Academy to be implemented by September 1, 2017.

Anticipated Completion Date: September 1, 2017

Approved by: Barbara Krieg, Assistant Superintendent, OHR

Contact Person: Sean Bacon, Personnel Specialist, Personnel Management Branch, OHR

Responsible Office

OHR

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Observation Number: 3	
Observation: Insufficient controls in the Casual Payroll system	Rating: Low
<p>The Casual Payroll System is the information system that tracks casual hire employees' time worked when the data from each employee's timesheet is entered. The data is entered and reviewed by the school/office that hires the casual hire employee.</p> <p>IA noted insufficient controls of the Casual Payroll System that allows users to perform the following:</p> <ul style="list-style-type: none"> • Enter hours for days prior to their hire date and days after their termination date. • Enter historical hours on prior pay periods as far back as the prior year, which is an improvement, as it used to allow transactions as far back as 1996 for some casual employees. (for timesheets not previously paid) • Work over their maximum hours allowed per week, if the employee is working multiple positions or if the week falls between two pay periods. In our review, IA only identified two (2) out of the 299 pay periods tested that this occurred. • Pay differential adjustments for changes in position types and for adding more hours for a timesheet that has already been paid. IA has performed some limited testing on differential adjustments in the past and had not found any major noncompliance as it was mainly used for athletic coaches' pay that was not processed timely. <p>Through discussion with the Office of Information Technology Services (OITS), the Casual Payroll System has many system limitations that prevent it from adding certain controls. The system is also no longer supported by HP and it has no testing environment, so any changes that are made affect the production environment instantaneously. Currently, OITS and OFS have no plans to update the system and rely on the schools/offices to follow the DOE policies and procedures and monitor their casual employees' time entered into the Casual Payroll System to mitigate the risks.</p>	
Impact	
<p>Insufficient controls in the Casual Payroll System may lead to:</p> <ul style="list-style-type: none"> ➤ Possible fictitious hours being paid to a casual hire employee. ➤ Possible violation of Federal and State labor laws if an employee exceeds the maximum hours worked per week. 	
Recommendation and Management Plan	
<p>Recommendations for insufficient controls in the Casual Payroll System include:</p> <p>3A Recommendation: OITS should consider creating a new Casual Payroll System that can add sufficient controls.</p> <p>Management Plan: OITS is working with the State of Hawaii Office of Enterprise Technology Services (ETS) on the State's new payroll system, "Hawaii Pay" to determine which casual payroll function may be included in Hawaii Pay. ETS has also issued a directive to freeze changes to existing payroll systems.</p> <p>Anticipated Completion Date: In conjunction with Hawaii Pay system over the two years</p> <p>Approved by: Clyde S. Sonobe, Assistant Superintendent & CIO, OITS Contact Person: Dean Horiuchi, Interim ESB Director, Enterprise Services Branch, OITS</p>	

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Observations and Recommendations

3B Recommendation: OFS should consider adding to the “SASA & Secretary Academy Course 10: Payroll, Module 4: Pay for Casual Employees” that “the Principal/Administrator should also randomly compare various timesheets to the “Principal’s Report” as part of their review process before signing.”

Management Plan: OFS will address the monitoring of the casual payroll process issues by updating and adding clarification in the "SASA & Secretary Academy Course 10: Payroll, Module 4: Pay for Casual Employees," as well as the *Casual Payroll Users Guide*: the Current Pay Period - Draft Report should be used as an "Approval to Pay", and the Current Pay Period - Principals Report should be used as confirmation of time paid. OFS plans to present this clarification of procedures to HSOSA, CABMs, and Leadership for feedback.

Anticipated Completion Date: June 30, 2017

3C Recommendation: OFS should enforce a shorter time limit for entering historical edits or monitor which schools/offices are making historical entries to look for fraudulent transactions.

Management Plan: OFS will work with OITS to enforce a shorter time limit for entering historical edits. OFS will also provide guidelines on how to pay valid, retroactive hours, outside of the revised, shorter time limit.

Anticipated Completion Date: June 30, 2017

Approved by: Amy Kunz, Senior Assistant Superintendent and CFO, OFS
Contact Person: Tom Ishimaru, Director, Accounting Services Branch, OFS

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Follow-Up Review

Acknowledgements

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