



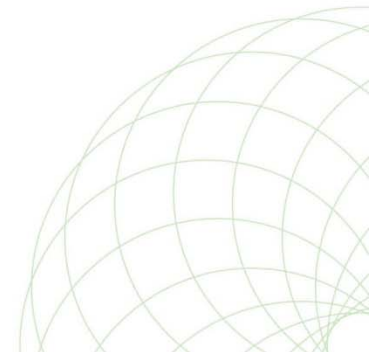
Charleston County School District Summary of Forensic Examination

Tim Grow, Shareholder
Lee Wagner, Senior Manager

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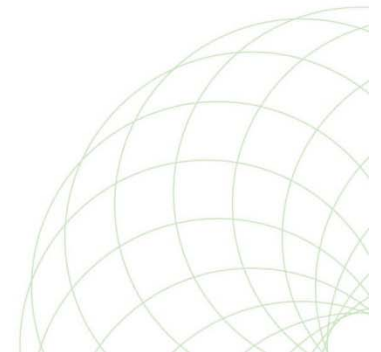


Scope of Examination



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- Investigate negative budget variance for payroll and benefit expenditures
- Fiscal years 2013, 2014, and 2015
- What factor(s) resulted in the payroll-related budget overage experienced in FY2015?
- Were District salary levels and wage rates uniformly applied in accordance with approved schedules?
- Recommendations for improvement



Scope of Examination

- FY2015 District-wide negative budget variance:

(\$9.3 million) – over-budgeted revenues in General Fund

(\$2.0 million) – charter school payments budget overage

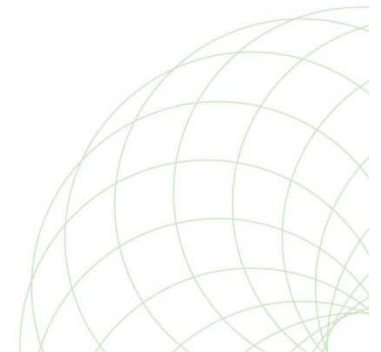
(\$1.9 million) – food service operations budget overage

(\$0.5 million) – all other functions/objects, net

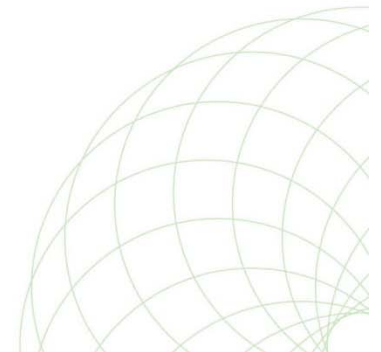
(\$5.2 million) – payroll/benefits budget overage



(\$18.9 million)



Summary of Findings



Findings – IT Related

- Ineffective IT governance and lack of basic IT controls
- Chronic understaffing of IT Department (Business Intelligence group)
- Need for detailed user role/access review
- Lack of standardized change management process
- Underutilization of HR and Payroll applications
- Overall, IT Department unable to meet demands/expectations of other District departments



Findings – Budgeting Process

- Incremental budget approach employed in FY2013 through FY2015 that used prior year budget as starting point
- Lack of basic budgetary control: budget to actual results by function/location/object not monitored throughout the fiscal year
- The budget as it is currently designed and operating is an ineffective management tool



Findings – Budgeting Process

- Significant revisions made to original approved budget not made evident through quarterly reports provided to Board
 - Over 2,600 separate adjustments to General Fund budget in FY2015
 - Resulted in significant shifting of funding between location, function, and object
 - For example, over \$2.2 million reallocated to payroll/benefit expenditures from other objects in General Fund



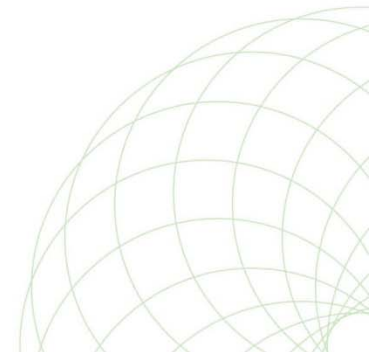
Findings – Budgeting Process

- “School-Wide Accounts” revised budget contained net payroll/benefit expenditures of *negative* \$2.8 million and actual expenditures of *positive* \$2.0 million
- Result: \$4.8 million negative budget variance for payroll/benefits from School-Wide Accounts
- Due to inclusion of over \$10.6 million in estimated savings from unfilled positions in FY2015 (i.e. \$10.6 million in negative expenditures)
- Budgeted negative expenditures for unfilled positions in FY2014: \$4.4 million; FY2013: \$7.1 million



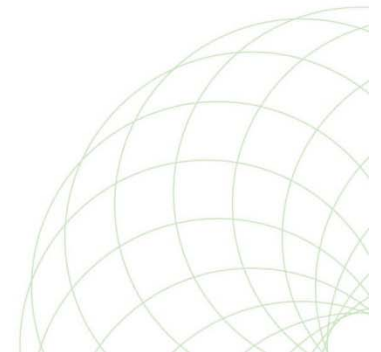
Findings – Budget to Actual Results

- Payroll and benefits expenditures over (under) budget by fiscal year:
 - FY2015 – \$5,231,774
 - FY2014 – (\$3,454,309)
 - FY2013 – (\$6,961,147)



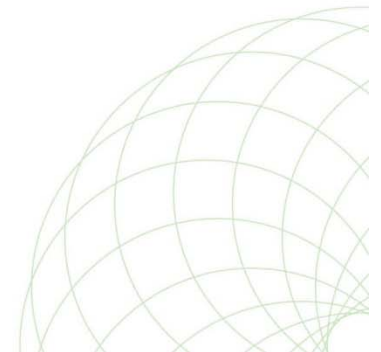
Findings – Budget to Actual Results

- Other budget-related observations
 - Unbudgeted outlay of \$462,000 in FY2015 due to IRS penalty for late filing of W2s
 - Penalty was recorded by the District as an instruction-related expenditure for purchased services
 - Budgeted payments to charter schools have decreased since FY2013 while actual payments have increased year-over-year



Findings – HR and Payroll Issues

- Overarching issue:
 - Schools and other locations are not being held accountable for their responsibilities related to HR and payroll



Findings – HR and Payroll Issues

- Schools and other locations are chronically late in both keying and approving of time and attendance batches
- Result: unscheduled payroll runs occurring every week of the year, and payroll department approving significant number of time and attendance batches rather than appropriate school/department supervisor



Findings – HR and Payroll Issues

- Scheduled vs. unscheduled payroll runs:

Fiscal Year	Scheduled Runs	Non-Scheduled Runs	Total Runs
2013	26	65	91
2014	26	59	85
2015	27	72	99

- Unapproved time:

- 239 unapproved batches in FY2015, containing over 42,000 hours



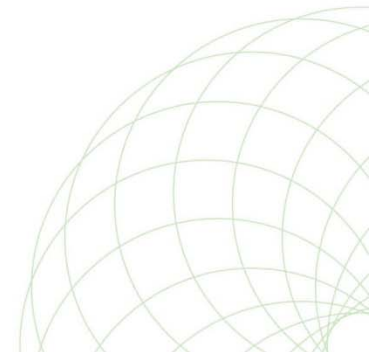
Findings – HR and Payroll Issues

- Overtime is regularly not being approved in advance in accordance with District policy
- Increase in overtime over three year period:
 - FY2013 – \$948k vs. \$605k budgeted
 - FY2014 – \$1.3 million vs. \$879k budgeted
 - FY2015 – \$1.7 million vs. \$895k budgeted
- From FY2013 through FY2015, over \$630 thousand of overtime was recorded as regular salary expense in the general ledger



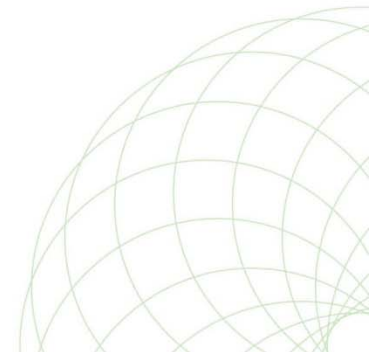
Findings – HR and Payroll Issues

- Employee terminations executed by schools or other locations are consistently entered late
- Result: overpayments to terminated employees



Findings – HR and Payroll Issues

- Our sample of 45 terminated employees resulted in identification of over \$98 thousand in overpayments during the three years
- Actual total amount during this timeframe could be higher
- District is not utilizing a consistent approach for the identification, tracking and recouping of overpayments to terminated employees

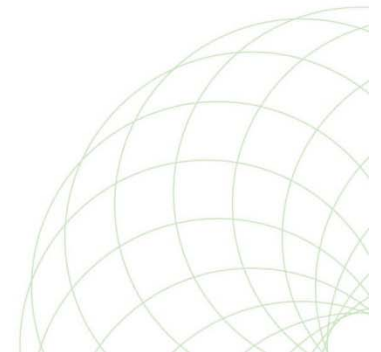


Recommendations



Recommendations – IT

- Develop IT strategic plan involving key stakeholders
District-wide
- Develop hiring plan to appropriately staff the IT
Department
- Implement standardized change management and
project implementation processes
- Conduct a comprehensive review of all system users
for appropriate role and access



Recommendations – Budgeting

- Move away from incremental budgeting approach that uses prior year budget amount as starting point
- Reconsider use of unassigned locations as budgeting tool to avoid significant negative budgeted expenditures that are not realizable
- Provide training and make schools and departments within District responsible and accountable for their budgets
- Provide detailed reporting of budget to actual results, including budget amendments, regularly to the Board of Trustees



Recommendations – Payroll/HR

- Clearly communicate responsibilities and expectations of schools and departments regarding time and attendance entry/approval, overtime, and timely processing of HR changes, including employee terminations
- Hold schools and departments accountable for these responsibilities and develop standard approach for handling instances of nonadherence to policy



Recommendations – Payroll/HR

- Develop standardized process for the handling of overpayments to terminated employees
 - Examine population of all payments to employees beyond termination date and identify all instances of overpayment
 - Develop process for collection of overpayments
 - Develop a process for tracking the status of all overpayments and include as part of regular reporting for management and Board meetings

