

ASD INTERNAL AUDIT REPORT

ASD 2024-02

Addenda

Anchorage School District

November 18, 2024

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MUNICIPALITY OF ANCHORAGE
MAYOR SUZANNE LAFRANCE

OFFICE OF INTERNAL AUDIT

November 18, 2024

Anchorage School District Superintendent and Members of the School Board:

I am pleased to present for your review **ASD Internal Audit Report 2024-02, Addenda, Anchorage School District**. A 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. To achieve our objective, we judgmentally selected 137 addenda representing 58 schools and departments and reviewed the addenda form to understand the terms of the addenda. Furthermore, we reviewed and selected addenda for consistency in payment amounts. The scope of our review was addenda transactions processed from July 1, 2022, through June 30, 2023.

Overall, our audit found that addenda payments were not always consistently and properly administered throughout the Anchorage School District. Specifically, our review found that addendas were not always reviewed or validated prior to being paid, and some Anchorage School District employees were not always paid the correct addenda amount for the duties performed. In addition, we found that some employees were being paid different addenda payments for similar duties, and addenda recipients did not always accept the addenda terms prior to beginning work. Moreover, we found that changes to addenda are not being tracked within the addenda web portal. Finally, grant funded addendas were not always approved by management.

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

Alden P. Thern
Director, Internal Audit



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ASD Internal Audit Report 2024-02

Addenda

Anchorage School District

Introduction. The Anchorage School District (District) employs approximately 4,800 full-time and part-time employees who are assigned to over 130 schools and programs that educate almost 43,000 students. Anchorage School District employees are categorized into 10 employee groups, eight of which are represented by bargaining agreements with the District. The two remaining groups are exempt and non-represented employees.

Anchorage School District employees are paid for additional duties and/or additional workdays. Examples of additional duties eligible for compensation include tutoring, being a department chair, and/or coaching athletic and academic competitions. Furthermore, added workdays could include summer school, training, and/or registration days. These payments are called "addenda".

Prior to May 1, 2019, addenda were entered and approved in the District's timekeeping system, EmpCenter. Currently, addenda are entered and approved through the addenda web portal (Portal), the District's web-based system created specifically for processing addendas. Addendas are initially processed by administrative assistants, activities clerks, and financial data control clerks at the different schools and departments referred to as "Timekeepers" in the addenda process. After the initial processing of the addenda, the school principal or department lead then approves the addenda. Since the District moved to the Portal, the addenda process no longer requires physical signatures. Instead as addenda payments are entered into the Portal, they begin the electronic workflow process. In place of the physical signature, employees receiving the addenda payment will electronically review and accept the terms of the addenda within the Portal. To assist with the new process for addenda, the Payroll Department published the "Addenda Web Portal Job Aid & Business Process Guide" (Guide), last revised in July 2024. Addendas are also entered and processed at the District's Education Center by various departments such as 21st Century Community Learning Centers, Teaching & Learning, 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. To achieve our objective, we judgmentally selected 137 addendas representing 58 schools and departments and reviewed the addenda form to understand the terms of the addenda. Furthermore, we reviewed and selected addendas for consistency in payment amounts. The scope of our review was addenda transactions processed from July 1, 2022, through June 30, 2023.

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 requested by Anchorage School Board Finance Committee.

Overall Evaluation. Addenda payments were not always consistently and properly administered throughout the District. Specifically, our review found that addendas were not always reviewed or validated prior to being paid, and some District employees were not always paid the correct addenda amount for the duties performed. In addition, we found that some employees were being paid different addenda payments for similar duties, and addenda recipients did not always accept the addenda terms prior to beginning work. Moreover, we found that changes to addenda are not being tracked within the Portal. Finally, grant funded addendas were not always approved by the management.

FINDINGS AND RECOMMENDATIONS

1. Addenda Process Lacks Review Prior to Payment.

- a. **Finding.** Addendas were not always reviewed or validated prior to being paid. For example, one employee reported working a total of 299 hours for two summer programs in the month of June 2023. However, there appeared to be little or no validation of the work completed by either summer program. In addition, the supporting documentation

provided by the employee for the two summer programs included overlapping times and dates for hours worked. Specifically, the employee submitted documentation to both programs showing hours worked of “11:00 AM – 3:45 PM” on June 10, 2023, and June 17, 2023, and was paid by both programs for the hours listed. The employee also submitted hours worked on June 2, 2023, equaling 15 hours between the two programs with no breaks included. When we reached out to the approvers to determine how the work for the addenda was validated, we were told “Going into summer, we make educated guesses about what will be needed to support students and the program. Sometimes hours are subtracted, others they are added depending on the year and the needs of students... Other than emails and reporting back, that is really all that we have”, confirming the addenda were not validated. The employee working the two summer programs with overlapping dates and times submitted collected \$21,583 in addenda payments from the District for the month of June 2023. During our review, we found the Guide had little to no guidance on validating and reviewing addendas, effectively making the addenda process an honor system.

During the audit, we also found a lack of review for duplicate payments at the school or department level. We found two separate addenda entries for the same work that was created by different divisions. Specifically, we found one example where an employee was paid twice for the same addenda completed as different divisions created the addenda for work completed on May 6, 2023. The employee accepted the addenda for “Added Duty” on May 11, 2023, that was created by the school and then again on May 19, 2023, for the addenda created by the division. While the magnitude of the duplicate payments identified was small in comparison to the other addenda payments previously described, the potential for duplicate payments does exist and detecting the duplicate payment would be difficult without a validation and review process.

- b. Recommendation.** The Chief Financial Officer (CFO) should ensure addenda is being properly reviewed and validated prior to payment. In addition, the CFO should also ensure a duplicate payment review is incorporated into the addenda process.

- c. **Management Comments.** Management stated, “Management agrees with the auditors’ findings and recommendations.

“The District acknowledges that a final review, prior to payment of addenda, should be completed to ensure the scope of work and payment amount are appropriate for the actual work completed. Additionally, the District’s IT and payroll departments will identify potential ways to implement an electronic final review process as well as create a clear process for identifying potential duplication of addenda payments and the resolution process.

“The District will review and update the addenda Guide as appropriate to provide guidance in reviewing and validating addenda, both at the beginning of the addenda process and at the end, prior to addenda being paid.”

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

2. **Employees Not Always Paid Correct Addenda Amount.**

- a. **Finding.** We found some District employees were not always paid the correct addenda amount for the duties performed. Although most types of addendas have a fixed amount to be paid excluding when the employee’s daily rate should be used, our review found that it was easy to overwrite the fixed amount or accidentally enter an incorrect daily rate in the Portal. Specifically, we found some daily rates appeared to be entered incorrectly causing the employee to be either over or underpaid depending on the situation. For example, an employee working a summer school program was underpaid by \$276 due to the incorrect daily rate being entered, whereas a second employee working the same summer program was overpaid by \$282 due to the incorrect daily rate being entered. The daily rate is calculated by manually taking the employee’s specific

rate and multiplying that rate by the number of days worked, and then manually entering the total into the Portal with no second review required of the amount entered. When an addenda amount is overwritten or modified, the approval process should require additional approval. However, we found when the daily rate is entered, that standard no longer applies.

In addition, we found an employee was overpaid due to the incorrect number of days were used to calculate the addenda amount. For example, one employee was paid for 20 working days on a summer program, however, after reviewing the supporting documentation, the employee only worked 16 days. The error resulted in the employee receiving an overpayment of \$2,155. This error was not discovered until the auditor reviewed the supporting documentation provided.

- b. **Recommendation.** The Chief Financial Officer should ensure the fixed rates cannot be easily overridden within the Portal in addition to incorporating a validation of the amount entered to include the employee's daily rate.
- c. **Management Comments.** Management stated, "Management agrees with the auditors findings and recommendations.

"The District will institute additional training for all supervisors and timekeepers and update the addenda Guide to provide further guidance for payment amounts, both standard and non-standard.

"The District's IT and payroll departments will explore the possibility of importing pay rates into the portal from the District's payroll system.

“Current functionality in the addenda portal requires second level approval if a standard amount is overridden. The District’s intent is to have the ability for supervisors to deviate from the standard pay rate if warranted, while adding a second layer of review and approval.”

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

3. **Inconsistent Addenda Payments for Similar Duties.**

- a. **Finding.** During our review, we found that some employees were being paid different addenda payments for similar duties. Although guidelines were established in the Guide to pay employees equitably, addenda for similar duties were sometimes paid at different rates. Despite most addenda types having a fixed amount, our review of 15,432 addenda payments found the following examples of inconsistent addenda payments due to overriding the fixed amount or not having a fixed amount set within the Portal:

<u>Addenda Description</u>	<u>Total Number Identified with Description</u>	<u>Number Matching Addenda Fixed Amount</u>	<u>Number Not Matching Addenda Fixed Amount</u>
Gym/Field Manager	42	10	32 (76%)
Assistant Football Coaches	14	8	6 (43%)
After-School Program	423	320	103 (32%)
Teacher in Charge	141	112	29 (21%)
Missed Planning Time	434	373	61 (14%)
Training	28	24	4 (14%)
Summer Program	918	836	82 (9%)

- *Gym/Field Manager* – We found an addenda for a Gym/Field Manager were paid at a rate of \$150 per game for a total payment of \$2,850, instead of the fixed rate listed in the Guide of \$1,100 for the season.

- *Assistant Football Coaches* – An addenda for an assistant football coach paid an employee \$1,575, however, the Guide states assistant football coaches should be paid at a fixed amount of \$3,465.
- *After-School Program* – Multiple addendas for after-school programs paid employees \$32 an hour instead of the \$30 an hour listed in the Guide.
- *Teacher in Charge* – The Guide states “Teacher in Charge” addenda should generally be paid at a rate of \$30 an hour depending on the division and whether an Assistant Principal is at the school; however, multiple employees were paid at different rates which varied from “\$25 a day” to “\$40 a day.”
- *Missed Planning Time* - The Anchorage Education Association (AEA) contract states, “A member who provides coverage during instructional planning time shall be given the option of either equivalent instructional planning time or financial compensation at \$40 per hour.” However, we found several addenda payments to AEA employees for missed planning time paid at a rate ranging from \$30 an hour to \$80 an hour instead.
- *Training* – Addenda for “Added Duty” for “virtual online training” paid a rate of \$50 an hour instead of the \$30 an hour listed in the Guide.
- *Summer Program* – More examples of inconsistent addenda payments included addenda for summer programs. The Guide lists summer programs to be paid at a rate based on the employee’s daily rate. However, we found some summer school programs were being paid at different rates. For example, one summer program was paying employees based on the number of students enrolled instead of the daily rate. Specifically, the top earner for the summer program that paid employees based on student enrollment was paid \$18,000 for the month of June 2023. In comparison, the top earner for the summer program that

compensated the employees based on their daily rate was paid \$15,752 for the same month. When we reached out to understand the difference in pay, we were told “The addenda format used was consistent with iSchool before 2020” and although secondary approval was received for the addenda based on student enrollment numbers, the different pay structure caused significant differences in compensation for the summer programs.

In addition, we found that there is no mandatory training for the addenda process or Portal; instead, training is optional for new Timekeepers. As a result, addenda entries have the potential to be processed incorrectly.

- b. **Recommendation.** The Chief Financial Officer (CFO) should ensure that employees are paid fairly and equitably by ensuring the same rate is paid for similar addendas. In addition, the CFO should ensure training is mandatory for new Timekeepers.
- c. **Management Comments.** Management stated, “Management agrees with the auditors’ findings and recommendations.

“The District will institute additional training for all supervisors and timekeepers and provide further guidance in the portal manual.

“The District will further review the portal functionality allowing standard amounts to be overridden and determine the appropriate action, if any.”

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

4. **Addenda Recipients Did Not Always Accept Addenda Terms Prior to Beginning Work.**

a. **Finding.** Addenda recipients did not always accept the addenda terms prior to beginning work. Specifically, after reviewing 137 random samples, our review found that only 22 (19%) were accepted by users prior to the addenda start date. The Guide states that “Employees receiving the addenda payment will electronically review and accept the terms of the addenda.” The Guide also states that, “under no circumstances should an employee begin work outlined in the addenda prior to electronically accepting the addenda terms.” Without the terms of the addenda being accepted by the recipient prior to the work beginning, there is a risk of misunderstanding the purpose of the addenda between the employee and the school. Our review identified the following causes for addenda not being accepted timely:

- *Addenda not created timely* – An addenda payment for leadership courses with a start date of August 15, 2022, was not created until January 12, 2023. When we reached out to the Timekeeper to understand the timeframe of the addenda being created, we were informed the addenda “are created once a semester is successfully completed”.
- *Addenda not approved timely* – An addenda payment for Student Council created on March 31, 2023, was not approved until May 5, 2023, 25 business days after the addenda had been created.
- *Addenda date range input was not always accurate* – An addenda for a school dance, accepted by the employee on May 1, 2023, listed a start date of September 1, 2022, and an end date of May 2, 2023. However, after speaking with the Timekeeper, it was determined that both the start and end date of May 2, 2023, should have been used as that was when the school dance took place.

- *Addenda created after employee termination* – Addenda terms were created after employees had terminated with the District. Specifically, we found two employees did not accept the addenda terms prior to their termination date in August 2022 as the addenda were not entered into the Portal until after the employee’s termination date. In addition, the two employees were not paid for the addenda completed in August 2022 until December 2022. Alaska Labor Standards requires terminated employees to be “paid by the next regular payday.” Moreover, we found that there is no direction in the Guide on who is responsible for pending addenda payments once an employee is no longer with the District. Due to the addenda not being included in the termination process, the District could potentially violate state labor standards.

- b. **Recommendation.** The Chief Financial Officer (CFO) should remind staff of the importance of accepting the addenda terms prior to beginning the work. The CFO should also ensure addenda entries are included in the termination process.

- c. **Management Comments.** Management stated, “Management agrees with the auditors’ findings and recommendations.

“The District will review the guidelines and ensure additional training is provided to supervisors and timekeepers.

“The District’s payroll department will implement a process for addenda review for terminations.”

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

5. **Changes to the Addenda Terms Not Being Tracked.**

a. **Finding.** During our review, we found that changes to addenda are not being tracked within the Portal. Specifically, we were informed “the addenda web portal application does not save what the Addenda looks like before someone edits it”. When we inquired on how to review the changes on the addenda to better understand the edit, we were told the Timekeeper would need to be contacted. However, when we inquired with the Timekeeper on the addenda changes, we were told the edits were made to the notes portion only, although they could not remember the exact edits made. Without an audit trail or edit history log within the Portal, it is difficult to review what changes occurred and identify the reason for the change to the addenda.

b. **Recommendation.** The Chief Financial Officer should work with the Information Technology department to better understand if an update could be made to the addenda Portal to better track the changes that occur.

c. **Management Comments.** Management stated, “Management agrees with the auditors’ findings and recommendations.

“The District’s IT and payroll department will work together to identify system enhancements that will allow for additional electronic tracking/record keeping.”

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

6. **Grant Funded Addendas Were Not Always Approved by Management.**

a. **Finding.** Grant funded addendas were not always approved by management. We found multiple grant funded addenda payments not having received any approval during the addenda process. Instead, the addendas were created by the Timekeeper in the Portal

and accepted by the employee with no management approval as the addenda payment was less than \$200. Specifically, we found 602 addenda payments totaling \$34,942 funded by an American Rescue Plan grant that did not receive any approval during the addenda process as each addenda payment was less than \$200. The Timekeeper who created the grant funded entries was no longer with the District at the time of the audit, so no additional information was available to understand if the addenda received approval outside of the Portal. While the Guide does not contain language on the grant approval process for addenda payments, the District's Grant Manager training states the responsibilities of a grant manager include "supervising and documenting grant activities". In addition, it is important all grant funded addenda payments are reviewed and approved to ensure the funds were used as intended to ensure grant compliance.

- b. **Recommendation.** The Chief Financial Officer should consider updating the addenda process so any fund that begins with a grant funded number automatically requires approval.
- c. **Management Comments.** Management stated, "Management generally agrees with the auditors' findings and recommendations.

"The District will further review internal policy for grant funded addenda and the appropriate approval process."

- 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 Anchorage School District officials on October 1, 2024.

Audit Staff:
Meredith Basdaras

Attachment 1
Addenda Statistics

During the audit period July 2022 through June 2023, over \$15.6 million in addenda payments were processed for over 3,120 District employees. Of this amount, \$13.99 million (89%) was paid to employees belonging to the AEA, as shown in the table below. The AEA includes teachers, counselors, and librarians and are 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 \$886,470 (6%).

Addenda Payment Totals By Employee Group

<u>Employee Group</u>	<u>July 2022 – June 2023</u>
Anchorage Education Association	\$13,999,168.44
Anchorage Council of Education	\$ 886,469.96
Anchorage Principals' Association	\$ 538,272.17
TOTEM Association of Education Support Personnel	\$ 117,076.00
Non-Represented	\$ 69,243.15
Exempt	\$ 55,903.08
Food Service Bargaining Union ¹	\$ 6,000.00
Warehouse and Maintenance Employees	\$ 5,198.00
Custodians and Building Plant Operators	\$ 2,772.00
Bus Drivers and Attendant ¹	\$ 1,500.00
Total Paid Addenda:	\$15,681,602.80

Source: Auditor analysis of unaudited Business Plus data.

¹Includes Employee Referral Bonus

The following table shows the lowest, highest, and average addenda payments received from July 2022 - June 2023. Additionally, the table ranks the top 10 employees who received addenda payments from July 2022 - June 2023.

Addenda Statistics by Employee
July 2022 – June 2023

Number of Employees Receiving Addenda	3121
Average Total Addenda Payments	\$ 5,074.95
Median Total Addenda Payments	\$ 2,658.11
Highest Total Addenda Payments	\$ 66,329.15
Lowest Total Addenda Payments	\$ 15.00

<u>Top 10 Employees Receiving Addenda</u>	<u>Total Amount</u>
Teacher 9-12	\$ 66,329.51
Teacher 9-12	\$ 62,880.91
Teacher Expert K-12	\$ 55,049.17
Teacher 9-12	\$ 54,757.45
Librarian	\$ 48,073.58
Teacher 9-12	\$ 44,700.00
Teacher Special Education 9-12	\$ 43,421.66
Senior High Principal	\$ 42,624.70
Teacher 9-12	\$ 41,840.54
Psychologist K-12	\$ 40,276.41

Source: Auditor analysis of unaudited Business Plus data

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

Top 5 Elementary, Middle, High Schools & Other

July 2022 – June 2023

	<u>Addenda Paid</u>	<u>Number of Transactions</u>	<u>Average Transaction</u>
Elementary Schools			
Creekside Park Elementary	\$ 115,774.50	93	\$ 1,244.89
Chinook Elementary	\$ 54,573.98	103	\$ 529.84
Spring Hill Elementary	\$ 37,980.00	72	\$ 527.50
Chester Valley Elementary	\$ 37,570.00	67	\$ 560.75
Tyson Elementary	\$ 36,693.50	107	\$ 342.93
Middle Schools			
Romig Middle School	\$ 179,984.71	174	\$ 1,034.39
Begich Middle School	\$ 161,241.51	217	\$ 743.05
Clark Middle School	\$ 158,315.41	316	\$ 501.00
Goldenview Middle School	\$ 154,991.40	195	\$ 794.83
Mears Middle School	\$ 153,813.06	134	\$ 1,147.86
High Schools			
West High School	\$ 317,848.17	299	\$ 1,063.04
Service High School	\$ 304,317.61	184	\$ 1,653.90
Bartlett High School	\$ 291,672.36	174	\$ 1,676.28
Chugiak High School	\$ 281,249.97	207	\$ 1,358.70
Dimond High School	\$ 253,832.45	185	\$ 1,372.07
Charter and Alternative Schools			
ASD Virtual School	\$ 632,034.77	146	\$ 4,329.01
King Technical High School	\$ 427,132.70	220	\$ 1,941.51
Mclaughlin School	\$ 190,888.36	81	\$ 2,356.65
Family Partnership Charter	\$ 109,254.57	62	\$ 1,762.17
Polaris K-12 School	\$ 96,940.00	171	\$ 566.90
Other			
Special Education ¹	\$ 2,389,610.18	1499	\$ 1,547.25
Secondary Education	\$ 1,289,895.87	386	\$ 3,341.70
Elementary School Education	\$ 1,013,829.39	189	\$ 5,364.18
Teaching and Learning	\$ 717,357.63	1708	\$ 420.00
21st Century Community Learn Center	\$ 518,059.26	433	\$ 1,196.44

Source: Auditor analysis of unaudited Business Plus data.

¹Includes Employee Referral Bonus