



Get Audit Ready

Handle Your K-12 Audit with Confidence

Imagine you open your inbox and find an email from a regulatory agency. They want to conduct an audit.

Would you feel confident that your school district could handle it?

If that email would make your heart skip a beat, you're not alone. Many HR and payroll school district administrators would have the same reaction. The complexity of school district employment and funding makes the idea of an audit daunting, to say the least.

In addition to complying with labor laws, the Family Medical Leave Act and the Affordable Care Act, school districts also manage complex budgets, grants and Title 1 activities that can come under scrutiny.

But with the right tools and internal processes, you can avoid some stress by preparing yourself should an audit occur.



Types of Audits that Affect School Districts

Since many schools are public institutions, federal and state agencies use audits to confirm and ensure appropriate usage of funds. To continue receiving funding, district administrators must track resource use and funding source allocation, and regularly review the information to ensure school and district activities funds are utilized in accordance with regulations.

The [CPA Journal](#) recommends referring to your state's education agency (SEA) website as a resource for information about your state's funding protocol and what data an audit might require.

"School districts are the largest category of state and local entities," according to the CPA Journal. "This makes them subject to a great deal of public scrutiny, resulting in complex compliance and reporting requirements."

This article will focus on how to prepare your district for an employment or funding-related audit.

Audits to Review Employment Practices

Employment laws are complex; and some laws apply only to specific industries or organizations with a minimum number of employees. In addition to Department of Labor (DOL) regulations, school districts often have an additional burden and need to comply with state-specific labor laws, many of which are updated frequently.

When it comes to staying up to date with labor laws, you may rely on a benefits broker, but if you don't, TCP recommends the following sites:

- [Department of Labor \(DOL\)](#)
- State workplace websites, such as:
[Texas Workforce Commission](#)
- [Occupational Safety & Health Administration \(OSHA\)](#)
- [Society for Human Resource Management \(SHRM\)](#)
- [ThinkHR](#)
- [Minimum Wage Monitor | Poster Guard](#)
- [Centers for Disease Control \(CDC\)](#)



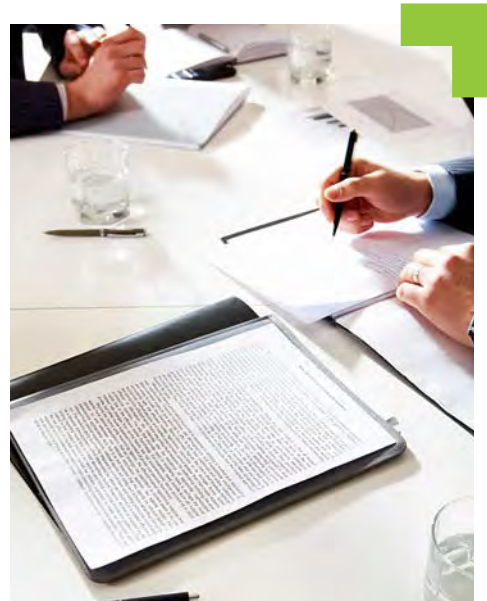
When people talk about an employment-related audit, they are most often referring to an investigation by the DOL or by the EEOC (Equal Employment Opportunity Commission). These audits typically address wage and hour violations or take place as part of a workplace discrimination investigation.

The records required in a DOL audit include a variety of documents related to employment. An auditor may require access to job descriptions to ensure employees are properly classified (i.e. exempt vs. non-exempt). It's possible they may also need access to I-9 work eligibility forms to verify an employee is legally eligible for employment. Additionally, access to employee timesheets and payroll ledgers may be required to review employee hours and any associated overtime worked to ensure they are paid in accordance with FLSA rules.

Audits to Evaluate Use of Federal Funding

When it comes to federally funded programs, the U.S. Department of Education holds State Educational Agencies (SEA) and Local Educational Agencies (LEA) to strict standards regarding the use of funds. At a minimum, an [audit of federal funds, and usage](#), will include reviewing financial statements, testing internal controls, compliance and audit follow-up.

One type of federal aid is a Title 1 grant, which [provides federal funds](#) to schools where a minimum of 40 percent of enrolled students come from low-income households. The [data shows](#) that half of all public school children receive Title 1-funded education services.



In order for school districts to continue receiving Title 1 and other federal funds, the district must exercise fiscal controls and stringent accounting procedures that demonstrate appropriate disbursement of—and accounting for—how funds are used.

“In general, an SEA must expend and account for Federal funds in accordance with State laws and procedures for expending and accounting for State funds,” according to the [Office of State Support](#).

“In addition, State and LEA accounting systems must satisfy Federal requirements regarding the ability to track the use of funds and permit the disclosure of financial results. SEAs and LEAs also must have written procedures for determining cost allowability and must maintain effective control over all funds.”

Be Ready for an Audit

Providing proof that your school district is meeting employment and federal funding requirements isn't easy. It's even more complicated when the documented evidence is challenging to obtain – or worse – when it doesn't exist.

Here are four steps that will help your school district be ready should an audit occur.

1. Adopt a Digital Recordkeeping Approach

Providing documentation during an audit may seem overwhelming; however, having an electronic storage process and digital record retention program can help. According to the [Society for Human Resource Management](#) (SHRM), many companies are moving away from paper filing systems entirely. With today's workforce management software solutions, there are numerous ways to streamline document management and record retention.

"Employers often choose to maintain records electronically rather than keeping paper files," according to SHRM. "This relieves the need for physical storage space for employment records over a span of many years, which may save money and time. Also, electronic storage facilitates easy retrieval of information and allows for efficient access to documents. Organizations may also elect to go paperless as part of a commitment to sustainability."

A solid electronic document retention and storage strategy is essential for the effective operation of any school district – especially when it comes to being prepared for an audit.

"School districts receive many federal, state and local grants, resulting in numerous funds, a robust chart of accounts, and a high volume of transactions that make auditing and staying within the audit budget a challenge. Auditors will increasingly desire tools and techniques that maximize the efficiency of these engagements," according to the [CPA Journal](#).

Whether it's for an external audit or internal information, digital records use the same data as your manual records. The key difference: they are easier to access. When you go digital, documents can be quickly accessed and provided for review. Your internal teams still have access to the data they need but with less effort.

Digital records can also help you detect the errors and issues you need to address – before an audit occurs. For school districts, workforce management tools that help with record retention can also automate critical processes and help you stay in compliance with what is often an overwhelming mix of federal and state laws.

2. Track Time for Title 1 & Grant Activities

Accurately tracking Title I budget allocations and the number of hours employees dedicate to Title I grant activities is necessary. Time-tracking is more than requiring teachers and staff to record the hours they work. It must also record the specific activities and roles teachers and administrators fulfill each week.

For example, teachers may earn a set salary for teaching, but may also earn “extra-duty” pay when performing other duties such as leading school programs or providing after-school help. If one-off grants fund these projects or if teachers and staff have regular responsibilities associated with Title 1 services, your time records need to differentiate the hours related to each unique role.

To prevent incorrect allocation of funds, employee work hours spent on specific activities must align with the corresponding budget. For example, employee Title 1 activities must be designated with the Title 1 Account Code (some of which are as long as 26 digits) for any associated work hours. If you don’t establish differences or associate time with the correct Account Code, you may find yourself in a budget overspend situation during an audit.

If you want to minimize risk and reduce the effort required to track time against grant budgets accurately, you must have a reliable time-tracking solution in place. As part of your workforce management solution, timekeeping software helps you accurately and efficiently track hours. It also allows you to assign hours worked to the correct budget codes and provides real-time visibility of your payroll costs compared to your budget for specific activities. Learn more about the operational difference effective timekeeping makes in [Improving Time-Tracking for Title 1 and Grant Activities: A Guide for K-12 Schools](#).

3. Manage Employee Records

Part of the challenge of employment law compliance is the vast number of laws and requirements employers must follow. The DOL alone manages and enforces [more than 180 federal laws](#), covering everything from employee classification and overtime eligibility to workplace health and safety. The agency uses periodic audits to enforce these laws, which can carry substantial fines for non-compliance and back pay to employees who have received inaccurate compensation.

When an audit occurs, you'll need to provide the agency with access to employee records. An auditor may need access to compensation data in order to evaluate equitable pay practices. If they're auditing Affordable Care Act compliance, they will also need access to health insurance forms and enrollment data. If you're facing a wrongful termination claim, you'll be required to produce termination records.

Faced with endless data points and records, HR and legal experts recommend using categories to describe the employment-related files you should keep: personnel, medical and confidential.

Personnel files should contain documents related to:

- Job offers, promotion, demotion, transfer, layoffs
- Compensation information
- Policy acknowledgments
- Employment agreements (non-compete, confidentiality agreements)
- Performance evaluations, warnings, disciplinary notices
- Termination notice



Medical files should contain documents related to:

- Benefit claims
- Accommodation requests
- Medical leave records
- Workers' compensation claim
- Accident reports
- Health insurance forms



Confidential files should contain documents related to:

- Pay garnishments (e.g., child support)
- Litigation documents
- Workplace investigation records



Finally, because I-9 work eligibility documentation contains protected and confidential information about national origin, immigration status and marital status, it should be [kept in a separate file](#).

As the list illustrates, there are numerous documents and records employers must maintain. Suppose you're trying to do so using manual methods or storing documents in filing cabinets. It's a formidable task. In that case, you can save yourself time and reduce your risks by moving to a [digital record management system](#).

4. Conduct Annual Self-Audit

Conducting an annual self-audit helps school districts identify and address potential issues before they arise during a regulated audit. Many school districts hire outside auditors to conduct a yearly audit that helps evaluate processes to validate compliance and prevent fines incurred during an audit.

Regular audits verify the validity of your employment classifications, payment practices and federal funding usage. In addition, the overall audit experience will verify whether you're managing your records consistently and efficiently.

You can also make it a regular practice to conduct internal audits within your HR and Payroll teams. When performing a self-audit of employee files, [legal advisors](#) recommend asking the following questions:

- Does the file reflect raises and promotions?
- Does the file contain all the employee's performance evaluations, including warnings or disciplinary action?
- Does the file reflect the employee's current status (e.g., after training or probationary period)?

When it comes to timekeeping records, there are many factors you must consider to ensure you're accurately maintaining and managing time records. Some examples of questions to ask during an internal time-tracking audit include:

- How do you track employee time? (e.g., time clock, paper, online application)
- What is the approval process for time records? If corrections are required, how are they made, recorded and approved?
- If managers or employees change time records, do they sign off on the changes? *(If an audit occurs, the employer must explain why an employee's timecard was altered or changed.)*
- How long are time records maintained, where are they stored and who has access?

An internal audit and process review will help you prepare for an outside audit if one occurs. While it may seem like overkill, evaluating your practices through self-audits can ultimately save you significant time, money and stress.

Conclusion

Complying with employment regulations and meeting federal grant requirements is a necessary aspect of managing your district. Using outdated records management and time-tracking methods makes compliance more complicated and the risk of an audit more likely.

It is up to your school district and HR administrators to know which labor laws affect your workforce. Still, with integrated workforce management tools to help you automate processes for time and attendance, scheduling and more, you can maintain both compliance and efficient operations.

Be prepared in the event of an audit in your school district. With secure recordkeeping and time and attendance solutions in place, our customers have audit-ready reporting at their fingertips. They avoid stress, legal issues and costly fines. We can help you achieve this level of confidence, too.

Want to learn more? Check out our eBook, "[Everything You Need to Know About Workforce Management.](#)"



"Outstanding Company!!"

— Monica Audino, Payroll Supervisor
Mesa County Valley SD 51
Capterra Review

Was a perfect fit when we switched to electronic timekeeping and are always so helpful when I call. [TimeClock Plus] is really easy to use and interacts with our financial/payroll system perfect. [TCP] is constantly improving features based on customer feedback. Customer service is superb!



"Makes my job easier!"

— Shelly Vaughn, Benefits Coordinator
Willard Public Schools
Capterra Review

The software allows for more accountability on the employee end. Tracking hours worked is very important and going from paper to electronic time keeping leaves very little room for error. I couldn't be more pleased with the product.



Want to learn more? Let's talk.

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