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**FRANKLIN
COOPER-NURSE**
Chief Auditor

STANDARD OPERATING PROCEDURES

SOP#: 1600-006

I. SUBJECT: Payroll Reimbursement Validation Standard Operating Procedures

II. INQUIRIES: Internal Audit Office

III. PURPOSE

The purpose of this Standard Operating Procedure (SOP) is to establish the roles, guidelines, and procedures for the Internal Audit Office (IAO)'s monitoring, validation, and reporting of payroll reimbursements for the Guam Department of Education (GDOE).

IV. APPLICABILITY

This SOP applies to GDOE personnel who have responsibilities relative to the reimbursement of payroll costs incurred by the GDOE, for employees working on grants funded by the U.S. Department of Education (ED).

V. REFERENCES

1. Title 2 of the Code of Federal Regulations §§ 200.430 Compensation – personal services and 200.431 Compensation – fringe benefits
2. ED Federal Fiscal Year (FFY) 2020 Grant Award Notification for the Consolidated Grants and Discretionary Grants (CG/DG) and Individuals with Disabilities Education Act (IDEA) Parts B and C grants (which includes the Specific Conditions)
3. Title 22 of the Guam Code Annotated § 3201 Wages to be Paid When and § 3204 Wages, Deductions From
4. GDOE SOP 1500-006 Payroll Processing
5. GDOE SOP 200-039 Accounts Receivable on Federal Grants
6. Federal Manual Guidance
7. Federal Manual Guidances 812-101 Quarterly Compliance Report, Programmatic and Administrative Monitoring, and 812-202 Invoicing and Drawdown

VI. DEFINITIONS

1. **Time and Effort Certifications** – form listing the name, work site location, and position of employees working on a a single cost objective or a project funded solely by a federal program. The certifications are generated bi-weekly (as required by ED), quarterly, and by the Project Coordinator/Lead using the GDOE's financial management information system (or Munis system). The certifications are provided by the Project Coordinator/Lead to the employee's worksite location for the Immediate Supervisor's approval; to the State Program Office for administrative monitoring; and to the Program Coordinator (PC) IV for payroll reimbursement validation.
2. **Time Distribution Report (TDR) or Personnel Accountability Report (PAR)** – form used and completed by the employee who works on multiple cost objectives on a monthly basis, signed by the employee and his/her Immediate Supervisor. TDR/PAR must not exceed 100% of the employee's total compensation. Documents are transmitted to the Project Coordinator/Lead for review and then submitted to the State Federal Program Office for administrative monitoring and to the PC IV for payroll reimbursement validation.
3. **Labor Cost Distribution Report** – report containing personnel costs incurred by the GDOE. The report is generated bi-weekly from the GDOE Munis by an Accountant III from the Financial Affairs.
4. **Federal Roster** – a listing of positions from the approved federal award. It is then populated with employees working on a project under an approved federal program by the Project Coordinator/Lead and through the Personnel Action Forms processed by Human Resources/Personnel Division.

VII. POLICIES

It is the GDOE's policy to ensure that federal funds are drawn based on costs supported by documentation and determined to be allowable, reasonable, and allocable. The timely drawdown of federal funds for payroll reimbursement ensures that the GDOE is immediately reimbursed for using local appropriations to fund the compensation of employees funded by a federal award.

VIII. RESPONSIBILITIES

1. **Superintendent of Education** – is the Chief State School Officer and is overall responsible for all federal grants awarded to the GDOE and the GDOE's expenditure of local funds.
2. **Chief Auditor** – reviews and approves the IAO staff's final reimbursement analysis.
3. **IAO Staff** – consists of a PC IV and an Auditor-in-Charge. The PC IV performs the three-way match analysis upon receipt of the payroll reimbursement request from the Financial Affairs, drafts the validation report, and (upon the Chief Auditor's approval) issues the validation report to the State Program Office for corrective action and/or drawdown (reimbursement) of personnel expenditures. The Auditor-in-Charge assists the PC IV in carrying out the assignment, performs a preliminary review of the PC IV's report, and advises the Chief Auditor of any issues encountered or that warrants the Chief Auditor's disposition.
4. **State Program Office** – reviews and approves for compliance and allowability against the approved grant activities; works with the Program Manager and Project Coordinator/Lead for corrective action; and submits request to draw funds (reimburse) to the Financial Affairs.

5. **Program Manager** – works with the Project Coordinator/Lead, the School Administrators/Division Heads, the PC IV, and the State Program Office for corrective actions.
6. **Project Coordinators/Leads** – generates Time and Effort Certifications and TDRs/PARs; distributes the certifications to various worksites; works with the School Administrators/Division Heads, the Program Manager, the PC IV, the State Program Office to address discrepancies or corrective actions; reviews and signs the certifications for completeness and allowability against approved project activities; and submits the approved certifications and/or TDRs/PARs to the PC IV or the State Program Office.
7. **School Administrators/Division Heads (Immediate Supervisors)** – reviews and approves the timesheets, Turn Around Document, Time and Effort Certifications and/or TDRs/PARs for accuracy; and notes discrepancies, comments, or other necessary information on the documents.
8. **Timekeepers/Alternate Timekeepers** – prepares time sheets and Turn Around Document; certifies the Turn Around Document; submits the approved time sheets, supporting documentation (e.g. leave forms), and Turn Around Document to Payroll; enters leave information in the GDOE Munis Payroll Module; works with Payroll for any discrepancy in submission; submits the approved Time and Effort Certifications and/or TDRs/PARs to the Project Coordinator/Lead; and keeps a copy of submitted documents on-site for record, monitoring, and audit purposes.
9. **Funds Control Section (Financial Affairs)** – prepares, submits, and follows up on the status of the payroll reimbursement request to the State Program Office and the PC IV; and processes draw down (reimbursement) request made by the State Program Office.
10. **Payroll Office (Financial Affairs)** – reviews and processes employee pay based on complete and accurate time sheets, Turn Around Document, payroll entries by Timekeepers, and supporting documents (e.g. leave forms); and enters payroll information in Munis for special payments (e.g. stipends, leave lump sum payments, or other special pay).

IX. PROCEDURES

A. Bi-Weekly Payroll Processing

1. On the week of each Pay Period Ending (PPE), which occurs every two weeks, the Timekeeper of each division and school prepares timesheets and Turn Around Document; receives Time and Effort Certifications and/or TDRs/PARs from the Project Lead; obtains supporting documentation (e.g. leave forms) and signatures from the employees and/or their Immediate Supervisor; and enters leave and/or non-regular work hours in the Munis Payroll Module.
 - a. Employee signature is only required on TDR/PAR documentation for multiple cost objective.
 - b. For CG-funded projects, refer to the FPD-Manual Guidances 001 and 003 for procedures relative to the Daily Attendance Log and Stipend Payments.
 - c. For SPED-funded projects, refer to GDOE SOP 1200-025 for stipend payments to Language Interpreters and Translators.

2. The Timekeeper submits the signed timesheets, supporting documentation, and Turn Around Document to the Payroll Office; and signed Time and Effort Certifications and/or TDRs/PARs and supporting documentation to the Project Lead.
3. Payroll Office reviews and processes employee pay based on complete and accurate time sheets, Turn Around Document, payroll entries, and supporting documentation.
4. The Project Leads reviews and approves the Time and Effort Certifications and/or TDRs/PARs against approved grant activities to determine allowability; submits the signed Time and Effort Certifications and/or TDRs/PARs with supporting documentation to the PC IV and the State Program Office for review; and keeps a copy of submitted documents on-site for record, monitoring, and audit purposes.

B. Validation of Reimbursements

1. Once staffing for the projects has been completed, the Project Lead submits a copy of the approved Federal Roster (and any updates to it) to the PC IV.
2. On the first business day after payday, an Accountant III from Financial Affairs prepares and submits the payroll reimbursement request, with an invoice and the GDOE Labor Cost Distribution Report, to the State Program Office and PC IV.
 - a. Note: Payday occurs on the following Friday after the PPE. For example: if PPE 01 is September 26, 2020, then payday is on October 2, 2020.
3. The PC IV performs a three-way match or reconcile the amounts requested for reimbursement against the (a) Time and Effort Certifications and/or TDRs/PARs, (b) GDOE Labor Cost Distribution Report, and (c) Federal Roster.
4. The PC IV prepares a list of non-reimbursable items with reasons for the non-reimbursement and a cost breakdown by object class; and submits to the State Program Office.
 - a. The State Program Office has one week to work with the Program Manager and Project Coordinator/Lead to address the discrepancies.
 - b. The PC IV follows up as necessary and if there is no response, the PC IV notifies the Chief Auditor and the respective Program Managers for action.
5. The PC IV prepares and provides an adjusting journal entry when necessary to the Accountant III to address payroll discrepancies (e.g. incorrect funding charged to the federal program, expenditure not allocable, or TDR/PAR adjustments).
 - a. The Accountant III reviews and enters the adjustment in Munis.

C. Report of Findings

1. The PC IV drafts a report of the amounts validated for reimbursement and draw request, and any identified significant deficiencies and risks. The PC IV submits the report to an Auditor-in-Charge for review.
2. Upon the completion of the Auditor-in-Charge's review, the PC IV finalizes and submits report to the Chief Auditor for his approval for issuance.
3. The IAO has two weeks, after the Accountant III provides the payroll reimbursement request to the PC IV, to issue its validation report.
 - a. The IAO issues its validation report to the respective State Program Office on validated payroll reimbursement amounts and identified deficiencies and risks.
 - b. The Chief Auditor will advise the Superintendent of any significant deficiencies and risks that warrant the Superintendent's disposition.
4. The State Program Office reviews the IAO's report and include the validated payroll reimbursement amount on their request for draw of federal funds to the Financial Affairs.

- a. The State Program Office directs the Program Managers to implement corrective actions for discrepancies and deficiencies.
- 5. Financial Affairs receives the request and draws funds; and follows-up with the IAO on outstanding amounts requested for reimbursement to the GDOE.

X. INTERNAL CONTROL

The following describes notable safeguards placed within the process of payroll reimbursement validation in addition to the roles and responsibilities of individuals involved.

- 1. Payroll Office will not process payment unless the required documents are accurate, complete, and submitted to pay an employee.
- 2. The IAO will not clear the amounts to reimburse unless the supporting documentation demonstrates compliance with Federal requirements.
- 3. State Program Office will not authorize approval for reimbursement of salaries that are not compliant with the terms and conditions of the grant award.

XI. TRAINING

Staff training shall be conducted within 45 days of the effective date of this SOP. As necessary, staff training on this SOP will be held annually thereafter.

XII. REPORTS

The IAO issues a report to the respective State Program Offices within two weeks after each PPE on validated payroll reimbursement amounts and identified deficiencies and risks. Official reports will be posted on the IAO website and submitted to the respective Grantor Agency as necessary.

XIII. PENALTY

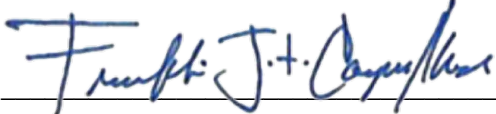
Failure to adhere to this SOP may result in disciplinary action in accordance with the GDOE Personnel Rules & Regulations.

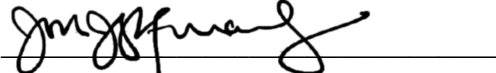
XIV. EFFECTIVE DATE

Upon date of approval and signature, unless otherwise noted.

XV. CHANGES

Changes to this policy shall be effectuated by the Superintendent of Education.

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FRANKLIN COOPER-NURSE Chief Auditor	Date

 <hr style="width: 100%;"/>	<u>11/16/2020</u> <hr style="width: 100%;"/>
JON J. P. FERNANDEZ Superintendent of Education	Date

APPENDIX 1: FLOWCHART – IAO Payroll Reimbursement Validation Process

