



METROPOLITAN NASHVILLE GOVERNMENT  
OFFICE OF INTERNAL AUDIT

Audit of Metropolitan Nashville Public Schools -  
Payroll Process

June 17, 2026

Metropolitan Nashville Audit Committee Members

Tom Bates   Angie Henderson   Delishia Porterfield   Jenneen Reed   Matthew Scanlan   Jason Spain

# EXECUTIVE SUMMARY



## Why This Audit Matters

Metropolitan Nashville Public Schools employs thousands of employees annually. Payroll processes are complex and result in substantial expenditures for the school system's most valuable resources.

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## Audit Objectives and Scope

The objectives of this audit are to determine if:

- Policies and procedures are in place and operating to ensure payroll expenditures are complete, accurate, and timely.
- Procedures are in place for schools to accurately report terminated employees for efficient and effective processing.
- Processes are in place to ensure employee salary changes are authorized and conform to an approved salary schedule.
- Procedures are in place to ensure payroll function system access is appropriate and based on job requirements.
- Processes are in place to ensure physical checks are secured, safeguarded, and delivered to the intended individuals.

The scope of this audit includes Metropolitan Nashville Public Schools payroll data between July 1, 2022, to June 30, 2024.

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## What We Found

Employee leave and work hours were tracked and reported to ensure payroll expenditures were accurate and complete. Salary adjustments were processed in accordance with the approved salary schedule and supported by the required documentation. Position changes and salary adjustments were processed properly.

However, document retention of employee timesheets needs improvement. Controls related to terminated employees could be improved. Transfer of asset controls related to physical checks are lacking.

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## What We Recommend

Metropolitan Nashville Public Schools management should ensure supporting documentation related to payroll transactions are properly retained. The termination process should be streamlined to prevent issuing final paychecks prior to or significantly after termination dates. Additionally, termination of access to payroll systems should be removed timely. Physical checks should have stronger transfer of custody controls.

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# Background

Payroll processing is a critical support function within Metropolitan Nashville Public Schools (MNPS). The process begins approximately one week before the scheduled payroll date. Individual schools and central office departments will submit and review timesheets. School principals and timekeepers are responsible for verifying that all employees listed on the school’s roster are current. Staffing changes such as terminations or position updates are reported when applicable to MNPS Central Human Resources and the e-Time and Employee Compensation Office. Principals and timekeepers must complete and sign the Payroll & Roster Affirmation Form for each payroll cycle.

Once the school’s timesheet has been finalized, the timekeeper uploads the information into the Oracle R12 system. Final timesheets and signed affirmation forms are submitted to e-Time and the Employee Compensation via Services for You. In January 2026, MNPS transitioned to the new Oracle Cloud system.

The e-Time and Employee Compensation team conducts a final review to identify and correct any discrepancies. Once completed the Metropolitan Government’s Finance Department – Payroll Division is contacted to proceed with the payroll run. Exhibit A below outlines the various departments involved in the payroll processing workflow.

## Exhibit A: MNPS Payroll Process

Schools submit payroll data



e-Time & Employee  
Compensation

Reviews payroll data

Metro Payroll Division  
Runs Payroll



## Objectives & Conclusions

**Are there policies and procedures in place and operating to ensure payroll expenditures are complete, accurate, and timely?**

**Generally, no.** Individual schools and central office departments submit and review timesheets related to their specific areas. School principals and timekeepers are responsible for verifying that all employees listed on the school's roster are current. Staffing changes such as terminations or position updates are reported when applicable to MNPS Central Human Resources and the e-Time and Employee Compensation Office. Principals and timekeepers must complete and sign the Payroll & Roster Affirmation Form for each payroll cycle.

Individual salaries or hourly rates are entered into the system by the MNPS Human Resources Department. Timekeepers and designated personnel enter and review and approve timesheets submitted by employees. Payroll deposits or checks are processed by the Metropolitan Nashville Government's Department of Finance.

A survey of Metropolitan Nashville Public Schools timekeepers revealed that timekeepers believe they have sufficient training and resources to adequately carry out their payroll functions. The survey was distributed to all the timekeepers and backup timekeepers across schools, central office, and other service locations. A total of 329 employees who serve as timekeepers or backup timekeepers were surveyed, and responses were received from 179 timekeepers (54%). Respondents rated sufficiency of resources, training, and adequacy of policies and procedures related to their timekeeping functions. Surveys were on a scale from 1 - Strongly Disagree to 4 - Strongly Agree. Of the survey responses received, 94% agreed or strongly agreed they had sufficient resources and adequate policies and procedures. Additionally, 89% of respondents agreed or strongly agreed that they received sufficient training to perform their jobs.

However, a significant number of timesheets could not be found. Additionally, discrepancies existed between hours reported on timesheets and the amounts actually paid out in the Oracle R-12 system. Timesheets are a critical component of the payroll process and retention of such documents need improvement.

### **Are procedures in place for schools to accurately report terminated employees for efficient and effective processing?**

**Generally, yes.** MNPS has processes in place to ensure terminated employees are reported to MNPS Central Human Resources and Compensation to properly process their termination and last paycheck. Each payroll cycle, the timekeeper and school principal verify a roster of current employees and report any terminated employees properly.

However, there is room for improvement in ensuring the termination date of the employees is aligned with the timeline of their last paycheck. Also removing the system access of terminated employees on a timely basis could be improved.

### **Are processes in place to ensure employee salary changes are authorized and conform to an approved salary schedule?**

**Yes.** MNPS has a well-established process for handling employee salary changes such as annual salary auto roll or gaining more credentials or experience. Policies and procedures are in place to ensure salary adjustments are processed efficiently and effectively.

The last payroll of the 2023-2024 school year for a random sample of 47 employees was reviewed. The sample indicated most employees were on auto roll salary increases which happened automatically with cost-of-living adjustments and/or step increases. No exceptions were noted when recalculating the appropriate salary based on the adjustments. Based on the automated nature of the salary increases, results of the sample may be projected to the population.

An additional random sample of 47 employees who received salary adjustment other than the auto salary rolls was conducted. Salary changes in this category were tied to employees obtaining additional credentials, obtaining more experience, or other reasons. The supporting documents for degree related credentials, work related experiences, and other reasons for the salary change were verified with no exceptions noted.

### **Are procedures in place to ensure employees' access to the payroll system is properly restricted and aligned with their job responsibilities?**

**Yes.** Regular salaried employees' time is tracked in Kronos employee time and compensation system, managed by Kronos team in central office location. Metropolitan Nashville

Government's Information Technology Services department provided a list of Kronos timesheet edit activities performed by individuals other than the employees who submitted the timesheets during the audit period. A randomly selected sample of edited activities was reviewed. Employee Payroll Master Files, the timekeepers list, a user roles report provided by the Kronos team, and the Outlook address book were reviewed. All 47 employees who made edits were appropriately designated as timekeepers, supervisors, and in line with their job responsibilities.

**Are processes in place to ensure physical checks are secured, safeguarded, and delivered to the intended individuals.**

**Generally, no.** MNPS has established procedures to ensure physical checks are securely delivered and accounted for at the central office. However, once checks are transferred to individual schools for distribution, custody and accountability controls are lacking.

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## Observations & Recommendations

Internal controls help ensure entities achieve important objectives to sustain and improve performance. The Committee of Sponsoring Organizations of the Treadway Commission (COSO), Internal Control – Integrated Framework, enables organizations to effectively and efficiently develop systems of internal control that adapt to changing business and operating environments, mitigate risks to acceptable levels, and support sound decision-making and governance of the organization. See Appendix B for a description of the observation Assessed Risk Rating.

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## Observation A Supporting Documentation

Risk Level: **Medium**

Retention of supporting documentation related to payroll transactions related to hourly employee timesheets needs improvement. Support and part-time employees are required to submit a bi-weekly timesheet to the designated timekeeper the day before payroll is processed. These amounts are verified and approved by applicable timekeepers or designated staff.

A random sample of 207 hourly employees on five different payroll cycles was reviewed. Timesheets were compared against payroll records to test for accuracy. The results were as follows:

- 59 employee timesheets (29%) had payroll hours that matched their timesheet hours.
- 77 employee timesheets (37%) could not be provided.
- 34 employees (16%) were paid one hour more than what was reported on their timesheet
- 22 employee timesheets (11%) lacked administrative signatures.

Missing or incorrect timesheets enhances the risk of unreliable and incorrect payroll expenditures. Missing timesheets also increases the risk of fraud as unsupported or unverified hours may be submitted and paid without detection. The lack of adequate documentation enhances MNPS's legal exposure regarding the accuracy of wages paid, including disputes over hours worked, overtime, and compliance with labor laws.

## Criteria

- \* *Metropolitan Nashville Public Schools Payroll Administration Process. (Last updated: 10/25/2003)*
- \* *COSO, Control Activities—Principle 12—The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.*

## Recommendation

MNPS management should ensure payroll supporting documentation is being retained in accordance with MNPS Retention Policies and that processes are effectively implemented to ensure all timesheets are properly reviewed, approved, and have the appropriate signature.

## Management Response

MNPS agrees with the audit finding regarding the retention of payroll supporting documentation and inconsistencies in timesheet review and approval. The issues identified were primarily due to inconsistent adherence to established procedures and a lack of standardized controls to verify compliance across all 150+ departments and locations.

To mitigate this issue, we have implemented a new timekeeping and payroll system in which all hourly employees must record in and out punches electronically. The new system (Oracle Cloud) requires timecards to be regularly reviewed, submitted, and approved by the department supervisor prior to each payroll. Additionally, Oracle records time stamps and usernames associated with each change action on a timecard, serving as an audit log for every employee that worked in a given pay period.

With this cloud-based system in place for all of Metro Schools, timecard and payroll data will be stored in a centralized electronic record for all employees and are readily accessible to review whenever needed.

**Estimated Implementation: December 26, 2025**

## Observation B

### Terminated Employees

Risk Level: **Medium**

Timely removal of systems access for terminated employees could be improved. A random sample of 47 terminated employees within the audit scope were selected for review.

- 3 employees (6%) received their final paycheck more than 21 days after their termination date.
- 3 employees (6%) received their final paycheck prior to the official termination date.
- 36 employees (77%) had active Kronos accounts subsequent to termination. In 35 cases, access was not revoked until more than 21 days after the employee's last workday.

Without removing terminated employees in a timely manner, the risk of data breaches increases. Additionally, data breaches can severely damage Metropolitan Nashville Public Schools' reputation, eroding parents and students' trust, it also can result in costly lawsuits, fines, and regulatory penalties.

### Criteria

- \* *COSO, Control Activities—Principle 10—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.*
- \* *COSO, Control Activities—Principle 12—The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.*

### Recommendation

MNPS management should ensure terminated employees have system access privileges removed within established guidelines.

### Management Response

MNPS agrees with ensuring timely removal of system access for terminated employees. The majority of the findings appear to fall within typical timelines for receiving final pay following termination, which is within three weeks (21 days) of the last working day. Outliers are observed based on delayed reporting of employee resignations or occurrences of prolonged absences from work prior to notifying Human Resources. MNPS has clear policies and procedures in place

to ensure timely and consistent reporting of employee resignations/retirements.

Currently, when an end of employment request is made through HR in advance of the last working day, that employee's termination is processed prior to the pay period end date. On the day after the effective date of termination, the former employee loses Oracle system access. The expected result is that employee will then receive their last paycheck in the following week. As an exception, MNPS employees enrolled in the 12-month pay plan commonly receive the remaining balance of their 12-month pay subsequently to their last regular earnings check.

**Estimated Implementation: Completed**

## Observation C

### Physical Checks

Risk Level: **Medium**

MNPS has not developed or consistently implemented proper transfer of custody procedures for physical checks. MNPS has established procedures to ensure physical checks are securely delivered and accounted for at the central office, and both the central office and individual schools appear to safeguard checks appropriately once in their possession. However, the district has not implemented transfer-of-custody protocols to document and confirm accountability at each stage of the process.

A random sample of 47 paper checks issued across six schools were selected for review. The six schools were individually visited to observe protocols regarding the handling of physical checks. The following was noted:

- One school did not have a sign-off procedure for checks in the sample but adopted one in January 2025.
- One school required sign-off when checks were delivered to the school but did not require sign-off when distributing checks to employees.
- None of the six schools had sign-off documentation available for the 47 sampled checks.
- Five schools counted paper checks received against the payroll run list.
- All six schools stored checks in a safe or vault with limited staff access.

The absence of documented transfer-of-custody controls reduces accountability and weakens security, increasing the risk of theft, loss, or misuse of paper checks.

### Criteria

- \* *COSO, Control Activities—Principle 10—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.*
- \* *COSO, Control Activities—Principle 12—The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.*

## Recommendation

MNPS management should strengthen controls over physical checks by implementing and enforcing standardized transfer-of-custody protocols across all schools. At minimum, this should include documented sign-off at each stage of custody (delivery, storage, and distribution to employees) to establish accountability and provide a complete audit trail.

## Management Response

MNPS agrees with the recommendation to strengthen controls over physical payroll checks and ensure consistent transfer-of-custody protocols across all schools. The issues identified were primarily due to inconsistent practices at the school level and the absence of a standardized, systemwide process for documenting custody at each stage.

To address this, management will implement a standardized procedure for delivery of physical checks that requires documented sign-off at each stage, including receipt from central payroll, hand off to the mail room, secure storage at the school, and distribution to employees. A uniform log template will be developed and distributed to all schools to ensure consistency in documentation.

In addition, training and formal guidance will be provided to school-based bookkeepers responsible for handling payroll checks to reinforce expectations and proper procedures. Compliance will be monitored through periodic reviews to ensure adherence and identify any gaps.

This plan of action will be implemented by July 31, 2026, and will be overseen by the Compensation Services Manager in coordination with the school bookkeepers and administration team.

**Estimated Implementation: July 31, 2026**

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## Government Auditing Standards Compliance

We conducted this performance audit in accordance with generally accepted government auditing standards. 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.

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## Scope

The scope of this audit includes Metropolitan Nashville Public Schools payroll data between July 1, 2022, to June 30, 2024.

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## Methodology

To accomplish our audit objectives, we performed the following steps:

- Reviewed MNPS payroll administration processes, pay code guide, salary schedules, various timesheets, and payroll files.
- Interviewed key personnel from Employee Services, Employee Resource Center, Office of e-Time and Compensation, Kronos Administration, Employee Benefits, individual schools within MNPS, and Metropolitan Government Finance department.
- Conducted survey on timekeeping, physical check handling, termination and position change reporting, leave time approval and tracking, and timekeeper training.
- Evaluated internal controls currently in place.
- Performed analysis on overtime pay, out of class pay, and pay code usage during the audit period.
- Reviewed sample selections to evaluate the effectiveness of internal controls.
- Statistical, random samples to assess the completeness and accuracy in payroll transactions, All samples were selected with a confidence rate of 90 percent, 5 percent precision and an error rate of 0. The nature of the selections ensured the results could be projected to the population.
- Considered fraud, waste, and abuse.

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## Audit Team

Nan Wen, CPA, In-Charge, Senior Auditor

Bill Walker, CPA, CIA, CFE, CCFO, Assistant Director

Lauren Riley, CPA, CIA, CFE, CMFO, ACDA, Metropolitan Auditor

## Appendix A: Management Acknowledgement Letter



**Date:** Tuesday, May 26, 2026

**To:** Lauren Riley, Metropolitan Auditor

**From:** Lisa Spencer, Chief Human Resources Officer  
Jorge Robles, Chief Financial Officer  
Andrew Swinson, Director of Employee Services

**Subject:** Audit of Metropolitan Nashville Public Schools - Payroll Process

Dear Ms. Riley,

This letter acknowledges that Metro Nashville Public Schools has received the Audit of Metropolitan Nashville Public Schools - Payroll Process and has reviewed the observations and recommendations.

Attached with this letter is our response to the three recommendations including relevant action plans and expected completion timeframes.

Thank you for the opportunity to engage in this audit process. The collaboration and feedback were valuable and align with our shared commitment to supporting continuous improvement, strengthening controls, and aligning our practices with organizational objectives. We appreciate the time, expertise, and insights shared by the audit team.

Thank you again for your partnership and support. Please do not hesitate to reach out should you require any additional information or clarification.

## Appendix B: Assessed Risk Ranking

Observations identified during the course of the audit are assigned a risk rating, as outlined in the table below. The risk rating is based on the financial, operational, compliance or reputational impact the issue identified has on the Metropolitan Nashville Government.

Rating	Financial	Internal Controls	Compliance	Public
<b>HIGH</b>	Large financial impact  Remiss in responsibilities of being a custodian of the public trust	Missing, or inadequate key internal controls	Noncompliance with applicable Federal, state, and local laws, or Metro Nashville Government policies	High probability for negative public trust perception
<b>MEDIUM</b>	Moderate financial impact	Partial controls  Not adequate to identify noncompliance or misappropriation timely	Inconsistent compliance with Federal, state, and local laws, or Metro Nashville Government policies	The potential for negative public trust perception
<b>LOW/ Emerging Issues</b>	Low financial impact <\$10,000	Internal controls in place but not consistently efficient or effective  Implementing / enhancing controls could prevent future problems	Generally complies with Federal, state, and local laws, or Metro Nashville Government policies, but some minor discrepancies exist	Low probability for negative public trust perception