

CHAPTER 5 – HUMAN RESOURCES

BACKGROUND

Educating children is a labor-intensive undertaking. LCISD labor costs consume approximately 84 percent of the school district’s budget. Consequently, appropriately managing personnel is a critical function for a school. To be effective and efficient, schools must hire the appropriate number of employees with the qualifications and credentials to fill each position. Further, employees must be adequately compensated, given opportunities for training, and have access to benefits and services, including grievance and conflict resolution services, to ensure that morale and productivity remain high.

In addition to providing a high-quality education for its students, school systems must provide a variety of resources and services to meet student needs. These resources and services include the following:

- Teachers to teach.
- Counselors to guide.
- Nurses to provide health care.
- School administrators to oversee school operations.
- Custodians to keep schools clean.
- Maintenance staff to keep buildings in good, safe condition.
- Police and safety personnel to keep schools safe.
- Cooks and servers to provide healthy meals.
- Bus drivers to provide transportation.
- Finance staff to manage and protect financial resources.
- Technology staff to administer and support the technological infrastructure.
- Human capital staff to ensure that employee compensation packages are competitive; qualified employees are recruited, hired and retained; and compliance with labor laws is maintained.

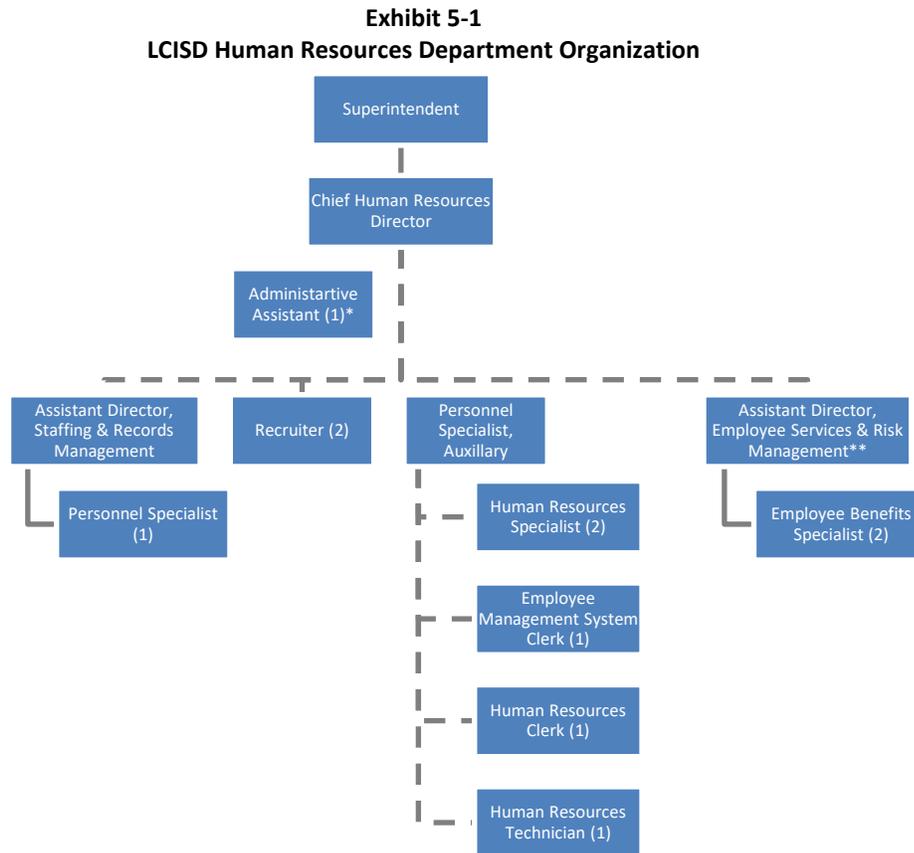
Lamar Consolidated Independent School District (LCISD) must offer competitive compensation, benefits, and career path opportunities to attract and retain the best employees. School districts must also have written disciplinary procedures in place when employees do not meet expectations or neglect to follow established policies and procedures.

Given the diverse employee needs required to run school systems, it is vital that LCISD’s Human Resources Department (Human Resources) consist of qualified staff that have been formally trained in human resource management regulations and procedures. Equally critical for effective human resources operations is the presence of documented policies, procedures, and business processes for recruiting, hiring, training, evaluating, and retaining. Additionally, federal employment regulations and labor relations reporting and compliance requirements must be followed.

CHAPTER HIGHLIGHTS

- LCISD has a stable teaching force.
- LCISD faces challenges to maintain auxiliary staff.
- LCISD’s Human Resources Department developed detailed desktop manuals that describes responsibilities and processes for each position within the department.
- LCISD has a comprehensive substitute teacher screening and training program to ensure a pool of qualified individuals are available to fill in for teacher absences.
- Human resource staff are assigned responsibility for conducting school safety inspections and managing the safety program’s budget. These responsibilities are not in alignment of human resource functions and should be moved.
- The district has not implemented a methodology to monitor and report on employee compensatory time earned, used and balances. There are also inconsistencies on the management of compensatory time. The district should apply the employee compensatory time consistently throughout the district. Additionally, management reports should be developed to report on all overtime and compensatory time.
- District employees have the capability to manually adjust their own time records in the districts timekeeping system. This weakens internal controls in place to ensure that employees are paid only for the hours they work, not paid for hours not worked.

LCISD’s Human Resources Department reports to the superintendent and is staffed with the chief human resources officer and 14 full-time employees. **Exhibit 5-1** depicts the Human Resources Department’s organization at the time of the on-site visit for this review.



Source: LCISD, Human Resources Department Organization Chart Provided to Review Team January 2017.

*Position is also responsible for managing the security budget, entering their purchase requisitions and managing the school resource officer fleet (tracking maintenance and monitoring costs).

** Position is also responsible for performing campus safety drills. Time constraints limit this to once per year and mainly consists of checking the exterior doors and interior inspections at random schools.

Safety officer responsibilities within LCISD were previously assigned to an individual position. However, when the incumbent retired the duties were split among other positions in the district. Currently the responsibility for facilitating school safety drills and conducting safety inspections is a task assigned to the assistant director of Employee Services and Risk Management in the Human Resources Department.

The Human Resources administrative assistant is responsible for developing and monitoring the safety function budget; processing purchase requisitions for safety department staff; and managing the school resource officer fleet. These duties are non-compatible with human resource tasks. Additionally, school inspections include only the facility exteriors and are only conducted one to two times per school year. This is due to time constraints.

LCISD employed 3,376 individuals in 2015-2016; the staffing composition was 1,737 (51.5 percent) teachers; 94 (2.8 percent) principals and assistant principals; 401 (11.9 percent) professional support school based staff such as coordinators, counselors and librarians; and 814 auxiliary staff. The district classifies employees into three categories:

- **Professional staff** – Employees that are directly involved in education such as teachers, principals, coordinators, counselors, coaches, librarians, social workers and psychologists. This category also

includes district administrators and support staff such as administrative assistants, bookkeepers, accounting, and purchasing staff.

- **Educational aides** – Employees that assist teachers in the classrooms.
- **Auxiliary staff** – Employees that are not directly involved with student education such as food service staff, transportation staff, maintenance, and custodial staff.

School districts are required to submit student and financial data to the Texas Education Agency (TEA). This data is then made available to the public through reports located on TEA’s website. The review team used these reports to perform the analysis provided in this chapter.

In 2015-2016, 66 percent of the LCISD’s employees were professional staff, 10 percent were educational aides and 24 percent were auxiliary staff. LCISD is experiencing significant, rapid growth. Therefore, we also selected two larger school districts in the same geographic area as LCISD to include in the staffing composition comparisons. We notate these two school districts, Klein ISD and Conroe ISD as tomorrow’s peers. LCISD’s educational aides staffing composition is slightly higher than current and future peer districts. **Exhibit 5-2** compares LCISD’s staffing composition to current and future peer districts for 2015-2016.

Exhibit 5-2
LCISD Staff Composition Compared to Peers School Year 2015-2016

Category	Current Peer Districts			Tomorrow’s Peers	
	LCISD	Clear Creek ISD	Spring ISD	Klein ISD	Conroe ISD
Total Staff	3,376	4,901	4,938	6,600	7,055
Professional Staff	66%	67%	64%	65%	63%
Educational Aides	10%	7%	5%	6%	8%
Auxiliary Staff	24%	26%	32%	30%	29%

Source: 2015-2016 District Profile Texas Academic Performance Report (TAPR), for respective school districts.

Note: Total staff excludes part-time employees and substitutes.

A significant revenue source for school districts comes from taxpayers in the form of property taxes. This revenue is then placed into the general operating fund to pay operating costs. Another substantial source of funds is grants. Most grant funds are received through federally-funded government programs such as Title I, Part A, which provides financial assistance to schools with children from low-income families to help ensure they meet academic standards. In addition, the federal government provides Title 2 funds to prepare, train, and recruit high-quality teachers and principals. School districts maintain grant funds in special revenue accounts that are restricted in their use.

The largest operating expense incurred by school districts is personnel costs. LCISD’s payroll costs increased from \$175.2 Million to \$219 Million (25 percent) between 2013-2014 and 2015-2016. This is due to a combination of the increased number of staff required to support the district’s growth and salary increases. **Exhibit 5-3** provides a summary of LCISD’s total payroll costs by year and funding source for 2013-2014 through 2015-2016.

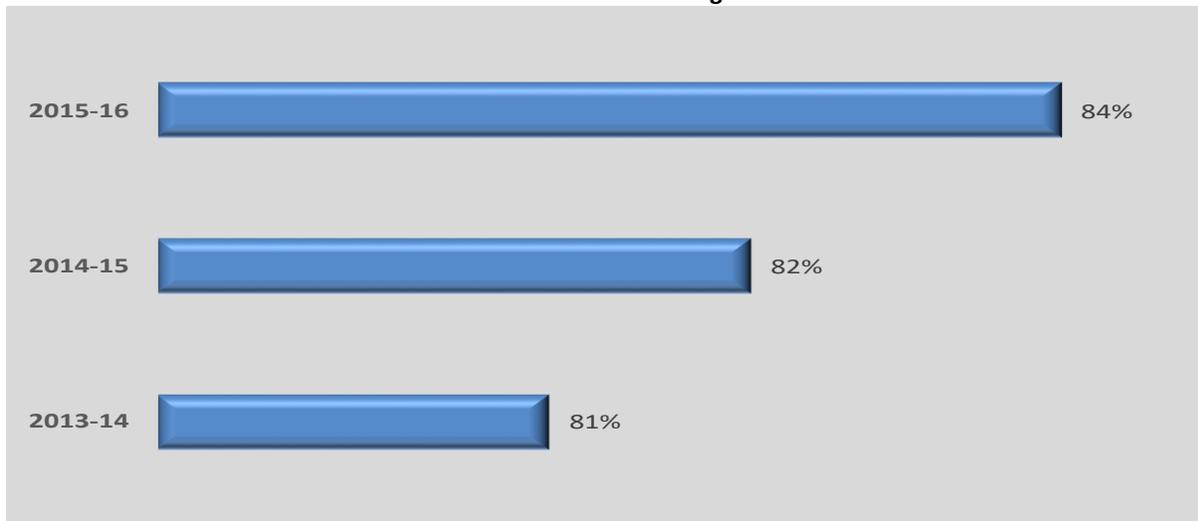
**Exhibit 5-3
LCISD Payroll Costs
Fiscal Years 2013-2014 through 2015-2016**

Payroll Expenditure	2013-2014	2014-2015	2015-2016	Percentage Change 2013-2014 to 2015-2016
General Fund	\$164,125,296	\$182,183,801	\$206,927,595	26%
Grants / Special Revenue	\$11,076,809	\$11,288,737	\$12,112,231	9%
Total All Funds	\$175,202,105	\$193,472,538	\$219,039,826	25%

Source: Public Education Information System (PIEMS) District Financial Actual Report for Respective Years

On average, a district’s payroll cost is 75 to 85 percent of its annual operating budget. LCISD’s total budgeted payroll costs as a percentage of total General Fund revenue was 81 percent for Fiscal Year 2013-2014. The percentage increased to 84 percent for Fiscal Year 2015-2016. **Exhibit 5-4** summarizes payroll expenditures as a percentage of General Fund revenue for Fiscal Years 2013-2014 through 2015-2016.

**Exhibit 5-4
LCISD Budgeted Payroll Costs as a Percentage of General Fund Revenue
Fiscal Years 2013-2014 through 2015-2016**



Source: Public Education Information System (PIEMS) District Financial Actual Report for Respective Years.

Cost per student enables citizens to place a school district’s operating costs into perspective. LCISD’s payroll cost per student increased from \$6,483 per student in 2013-2014 to \$7,392 in 2015-2016. This represents a 14 percent increase per student. LCISD’s payroll cost per student is in line with the state average. **Exhibit 5-5** provides a summary of payroll cost per student for General Fund and Grants / Special Revenue Funds 2013-2014 through 2015-2016.

Exhibit 5-5
Payroll Expenditures per Student General Fund and Grant / Special Revenue Funds
Fiscal Years 2013-2014 through 2015-2016

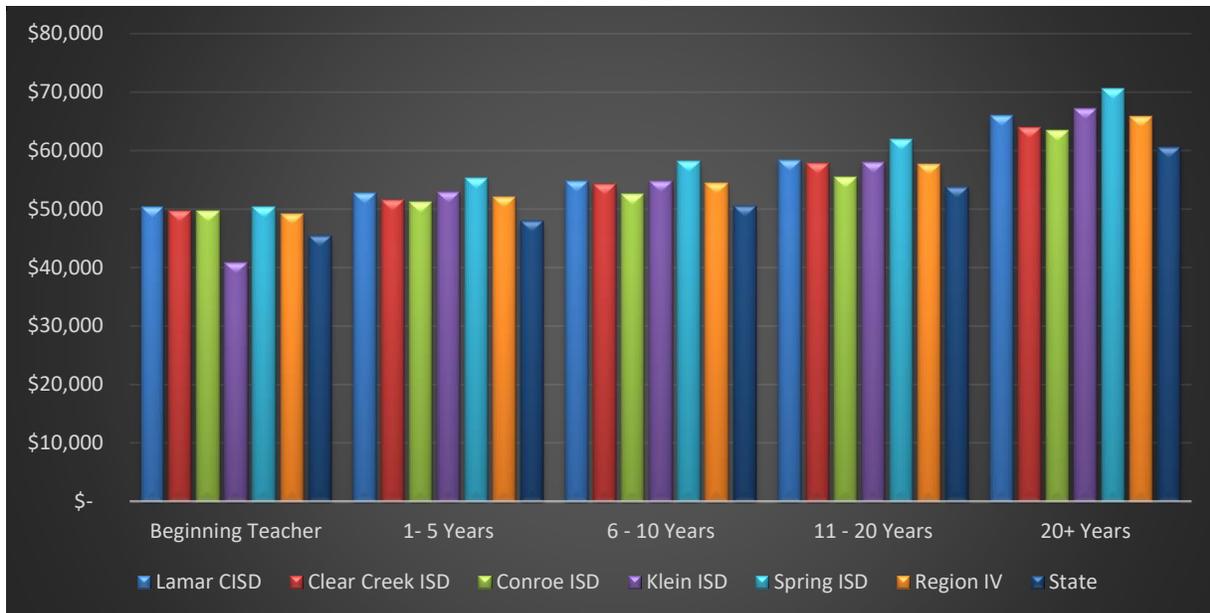
Payroll Expenditure per Student by Fund	2013-2014	2014-2015	2015-2016	Percentage Change 2013-2014 to 2015-2016
General Fund	\$6,073	\$6,499	\$6,983	15.0%
Grants / Special Revenue	\$410	\$399	\$409	(.02%)
All Funds	\$6,483	\$6,848	\$7,392	14%
State – All Funds	\$6,830	\$7,111	\$7,367	7.9%

Source: Public Education Information System (PIEMS) District Financial Actual Report for Respective Years.

School districts must provide competitive salaries and benefits to attract and retain staff. Surrounding communities are usually the top competitors for school system educators. This is especially true for LCISD as they are in a major metropolitan area where competing school districts are within driving distance. Therefore, it is important for the district to provide salaries that are comparable within the local area.

Comparison of LCISD’s salaries to those reported for surrounding school districts shows that the district’s teacher salaries are competitive to surrounding school districts and higher than the state average at all teacher experience levels. **Exhibit 5-6** provides a comparison of LCISD’s average teacher salaries by years of experience to surrounding school districts, the region, and the state.

Exhibit 5-6
Average Teacher Salaries by Experience
LCISD to Surrounding School Districts, Region IV and the State
School Year 2015-2016

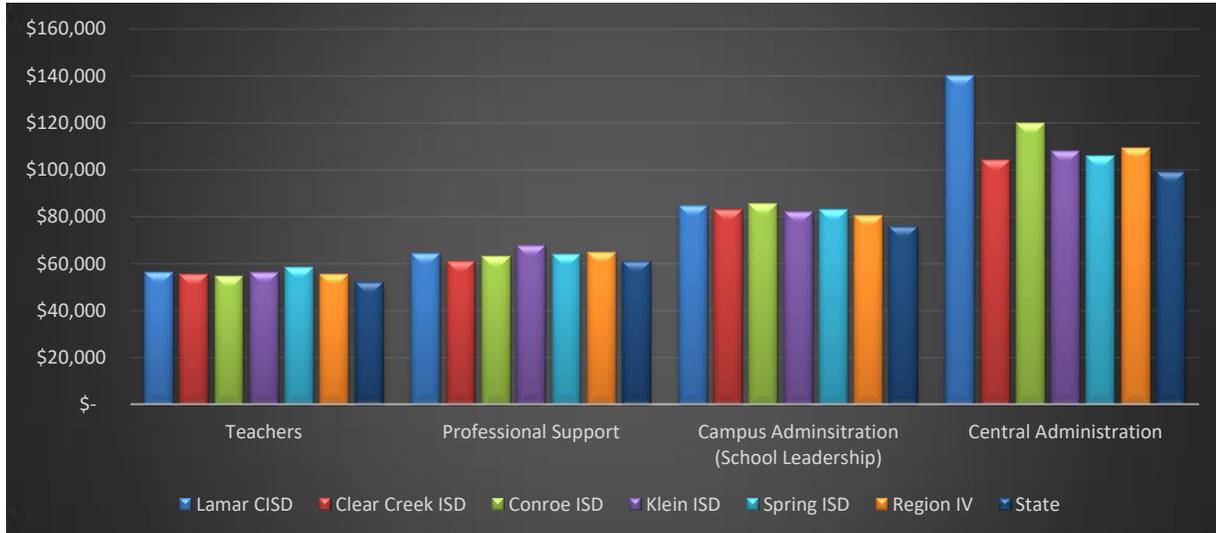


Source: 2015-2016 District Profile Texas Academic Performance Report (TAPR), for respective school districts and Region IV.

School districts must have a full support system to ensure teacher and student success. Providing competitive salaries for all district staff is crucial to providing stability, continuity, institutional knowledge, and efficiencies. LCISD’s salaries are competitive with surrounding districts, Region IV and the state in all categories except central

administration. LCISD salaries for central administration are significantly higher. **Exhibit 5-7** provides a comparison of LCISD’s average salaries to surrounding school districts, the region, and the state by staff classification.

Exhibit 5-7
Average Salaries by Staff Classification
LCISD to Surrounding School Districts, Region IV and the State
School Year 2015-2016



Source: 2015-2016 District Profile Texas Academic Performance Report (TAPR), for respective school districts and Region IV.

Teacher stability and experience is important to the successful education of students. Approximately 64 percent of LCISD’s teachers had six or more years’ teaching experience in 2015-2016. The average teacher turnover percentage was 14 percent. LCISD’s teacher average experience with the district is 6.7 years and overall teaching experience is 10.6 years. This situation underscores LCISD’s ability to attract experienced teachers to fulfill the district’s growth. **Exhibit 5-8** provides LCISD’s teacher experience and turnover percentages between school years 2012-2013 through 2015-2016.

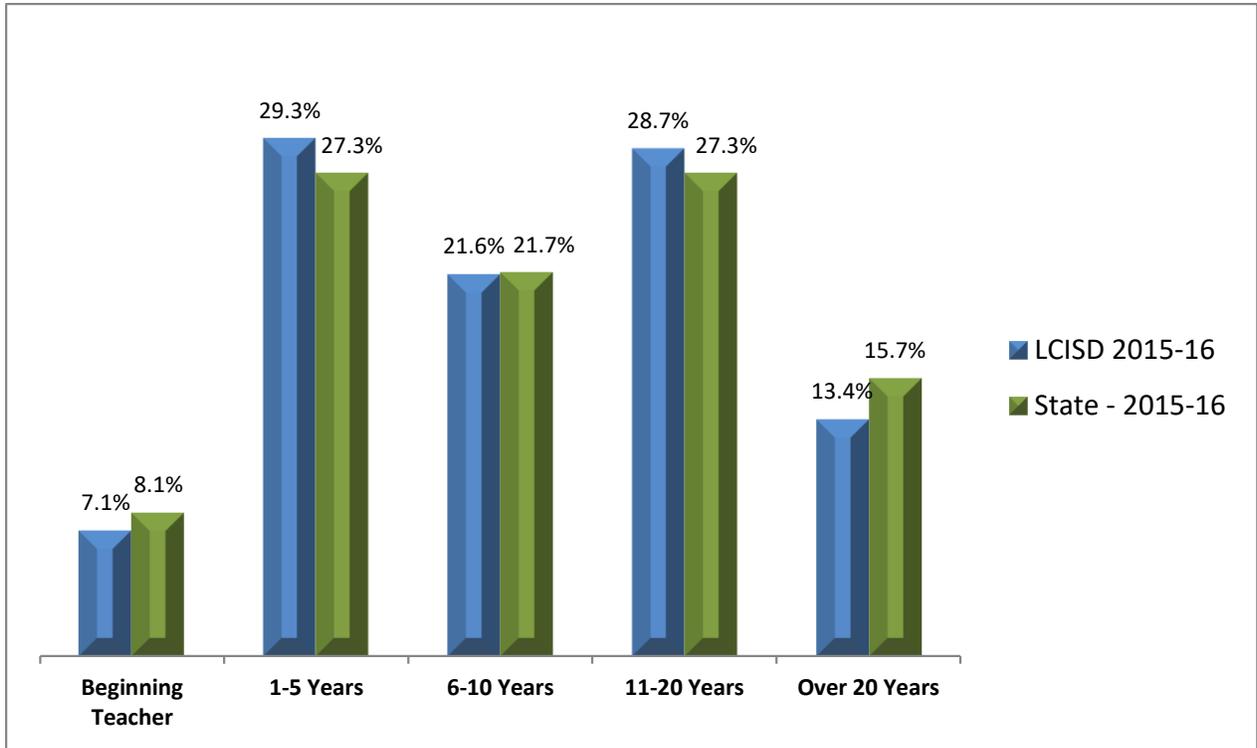
Exhibit 5-8
LCISD Teacher Experience
School Years 2012-2013 through 2015-2016

Years’ Experience	2012-2013	2013-2014	2014-2015	2015-2016	State 2015-2016
Beginning Teacher	4.9%	8.1%	7.7%	7.1%	8.1%
1-5 Years	25.1%	22.9%	26.6%	29.3%	27.3%
6-10 Years	25.5%	25.8%	23.1%	21.6%	21.7%
11-20 Years	29.6%	28.8%	29.3%	28.7%	27.3%
Over 20 Years	14.9%	14.5%	13.4%	13.4%	15.7%
Average Years Teaching Experience with District	7.7	7.1	6.9	6.7	7.3
Average Years of Teaching Experience	11.4	10.9	10.6	10.6	10.9
Turnover Rate	13.6%	15.2%	13.3%	14.5%	16.5%

Source: District Profile Texas Academic Performance Report (TAPR) for respective years.

LCISD's teacher experience is comparative to the state average. **Exhibit 5-9** provides a comparison of LCISD's average teacher experience to the state of Texas.

Exhibit 5-9
Comparison of LCISD Teacher Experience to State
School Year 2015-2016



Source: District Profile Texas Academic Performance Report (TAPR) for respective years.

BEST PRACTICES

Best practices are methods, techniques, or tools that have consistently shown positive results, and can be replicated by other organizations as a standard way of executing work-related activities and processes to create and sustain high performing organizations. When comparing best practices, similarity of entities or organizations is not as critical as it is with benchmarking. In fact, many best practices transcend organizational characteristics.

McConnell & Jones LLP (or the review team) identified 16 best practices against which to evaluate the LCISD’s human resources function. **Exhibit 5-10** provides a summary of these best practices. Best practices that LCISD does not meet resulted in observations, which we discuss in the body of the chapter. However, all observations included in this chapter are not necessarily related to a specific best practice and not all best practices met result in an accomplishment.

Exhibit 5-10
Best Practices Human Resources Management

Best Practice Number	Description of Best Practice	Met	Not Met	Explanation
1.	The district’s human resources program is managed effectively and efficiently		X	The Human Resources Department is run efficiently and is very customer service focused. The Department has solid processes in place for human resource management. However, the Department is responsible for safety and security budget management and conducting safety inspections. This is not a human resource function and should not be part of the Department’s responsibilities.
2.	To the extent possible given factors outside the district’s control, they strive to maintain a reasonably stable work force and a satisfying work environment by addressing factors that contribute to increased turnover or low employee morale.		X	The district’s teacher retention is comparable to that of the region and state. However, the district is challenged to maintain auxiliary staff. See Observation 5-1
3.	The district conducts a regular survey of market to current salaries and compensation packages to ensure it is competitive to attract and retain employees.	X		Human Resources use the services of TASB (Texas Association of School Boards) to conduct salary surveys every five to six years.
4.	Processes are in place to gain an understanding of the district’s staffing needs and develop recruiting and retention strategies to meet those needs	X		The chief human resources officer and recruiters are responsible for working with principals and administrators to identify their staffing needs and the recruiting of qualified staff to fulfill those needs.

Best Practice Number	Description of Best Practice	Met	Not Met	Explanation
5.	The district efficiently and effectively recruits and hires qualified instructional and non-instructional personnel.	X		LCISD has two staff members dedicated to perform recruitment activities. They utilize social media (LinkedIn, Twitter, Handshake) along with their web page for recruiting. An applicant pool is created for campus principals.
6.	The district designed a benefit plan that helps achieve the organization's and employee's goals.	X		The district has a self-funded benefit plan that is aligned with the budget and state requirements.
7.	The district uses automated tools to integrate the on-line job application with the hiring process.	X		LCISD does not accept paper employment applications and uses WinOcular for its on-line job applications. A workflow system is used to efficiently manage the hiring process.
8.	The district maintains a user-friendly web-page where employees can access human capital information.	X		The human resources web-pages are up-to-date and easy to navigate through. Policies, benefit information, frequently asked questions, contacts, and a survey are provided on the web-pages.
9.	The district has established programs to ensure that new teachers receive the support and guidance they need to maximize their chances for success.	X		The district has a new teacher mentoring system and also provides extensive staff development tailored towards new teachers.
10.	The district provides a comprehensive staff development program to improve student achievement and to achieve and maintain high levels of productivity and employee performance among non-instructional, instructional, and administrative employees.	X		The Human Resources Department works in conjunction with the Curriculum and Instruction Department to identify training and development needs. Then the appropriate department provides training sessions to meet those needs.
11.	The district's process for formally evaluating employees improves and rewards excellent performance and productivity, and identifies and addresses performance that does not meet the District's expectations for the employee.	X		The district has adopted the state's performance evaluation system that rewards performance. The evaluation system also identifies low performance.
12.	LCISD's Human Resources departmental processes are documented through comprehensive written desktop procedures.	x		Each Human Resources Department staff member is provided with a detailed desktop procedures manual that describes their responsibilities and how to complete their tasks. See Accomplishment 5-A

Best Practice Number	Description of Best Practice	Met	Not Met	Explanation
13.	The district uses cost-containment practices for its Workers' Compensation Program, which includes procedures to conduct regular inspections of work place facilities to identify and remedy hazardous situations before injuries occur.		X	A Human Resources staff member is responsible for employee services and risk management. The assigned individual is not able to perform inspections on a consistent basis due to time limitations.
14.	The district maintains personnel records in an efficient and readily accessible manner.	X		Personnel records are all electronic and easy to access. Documents are organized in alphabetical order by category, and the date for the document is labeled.
15.	The District has procedures in place to ensure personnel files contain all required documentation and then performs regular reviews, updates required documents and purges personnel file contents of unnecessary documents.	X		A checklist is used to ensure that the folders contain the required documents. During peak hiring seasons, a staff member performs spot checks on folders to ensure that they are properly set up.
16.	The District publishes human resource policies on-line.	X		The human resources web-pages contain updated human resources policies.

Source: The McConnell & Jones' Review Team.

ACCOMPLISHMENTS

ACCOMPLISHMENT 5-A

The Human Resources Department staff developed and implemented detailed desktop procedures for each human resources position.

Human resources staff developed a key process binder for each position. This key process binder describes areas of responsibility and outlines the process for completing the major duties in each area. The key process binder can be easily expanded or updated as needed. Although it is a time consuming process to initially create a binder of this nature, it is a worthy undertaking that results in a usable reference tool and reduces training time and processing errors.

Human Resources has many processes in place to manage human capital. In most human resource departments, the staff member who completes those duties is the only person with that knowledge. This situation results in an institutional knowledge risk and an opportunity for numerous errors affecting thousands of employees if that staff member is ill or leaves the department. By creating the key processes binder, LCISD's human resources staff can perform duties outside their area of responsibility if needed. Also, when new human resources staff members are hired, they have a guide to assist them in performing their duties.

As we visited with LCISD human resources staff, they referred to the process binder as a very useful tool for them in fulfilling their responsibilities.

ACCOMPLISHMENT 5-B

LCISD Developed a best practice substitute teacher training program.

LCISD has an effective and efficient substitute training and on-boarding process. The substitute teacher hiring and training process is thorough, prepares candidates to effectively serve as substitutes, and allows human resources staff to select quality substitutes. Candidates can initially train in a comfortable and relaxed environment; for example at home or anywhere with internet access. Each candidate is assessed through a pre-screening tool before being invited to the session at the central office and are assessed a second time on-site. The final step of the selection process is the face-to-face interview. This process serves as an effective tool to select candidates for the district's substitute teacher program.

After candidates apply to become a substitute teacher, they must view a PowerPoint presentation on their own time. The PowerPoint is training material that discusses being a substitute teacher at LCISD. After viewing the presentation, candidates must take a test. If the candidate passes the test, they are invited to additional face-to-face training. A score of 80 percent or higher is necessary to pass the test.

When candidates attend the central office substitute teacher training, a human resources staff member provides helpful information about the hiring process (documents needed, fingerprinting process, benefits offered, and process to pick up substitute assignments). After these items have been discussed, candidates take an additional written "End of Course" exam covering important information that was discussed. The exam consists of two parts, a 30 question multiple choice exam and one short answer question.

Lastly, after candidates have completed the written test, they are interviewed on the spot. Each candidate is required to respond to three questions. Written tests are scored the same day, and candidates receive a call by the next day.

DETAILED OBSERVATIONS

OBSERVATION 5-1

Auxiliary staff and classroom aide retention is a challenge for the district.

Approximately 43 percent of LCISD’s total workforce separations in the 2015-2016 school year were related to auxiliary staff. This staff category includes administrative assistants/clerks; food service workers; bus drivers and aides; maintenance staff; custodians and classroom aides. Traditionally, school district auxiliary staff only work during the school year, which means that these annual salaries are lower than those of full-time positions in other industries. Additionally, most transportation (bus drivers) and food service workers do not work eight hours a day.

Exhibit 5-11 provides a summary of the district’s employee separation numbers between July 1, 2013 and June 30, 2016.

Exhibit 5-11
LCISD Staff Separation Summary by School Year
July 1, 2013 through June 30, 2016

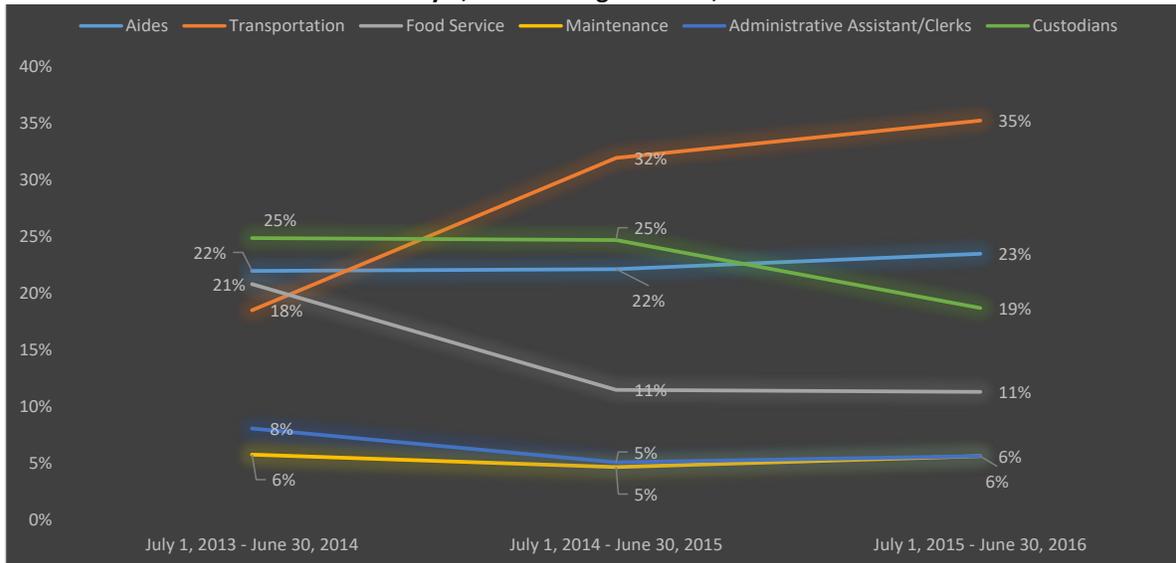
Function	July 1, 2013 - June 30, 2014	July 1, 2014 - June 30, 2015	July 1, 2015 - June 30, 2016
Aides	38	52	54
Transportation	32	75	81
Food Service	36	27	26
Maintenance	10	11	13
Administrative Assistant/Clerks	14	12	13
Custodians	43	58	43
Total Auxiliary Staff Separations	173	235	230
Total District Separation	356	527	538
Percentage of Auxiliary Separations to Total Separations	49%	45%	43%
Total District Staff	3,012	3,186	3,376
Percentage of Auxiliary Separations to Total District Staff	6%	7%	7%
National Average Employee Turnover Across All Industries	15%	16%	18%

Source: LCISD HR Separations 2013-2014 through 2016-2017 YTD 3-9-2017 File, March 2017.

Note: Excludes part-time employees and substitute workers.

Transportation (school bus drivers and aides) represent the largest percentage of auxiliary staff separations. Additionally, school bus driver separations continue to increase while other employee group separations remain relatively stable or have decreased. Thirty-five percent of auxiliary staff separations between July 1, 2015 and June 30, 2016 were related to school bus drivers and aides. This is up from 18 percent between July 1, 2013 and June 30, 2014 **Exhibit 5-12** provides a summary of auxiliary staff separations by function between July 1, 2013 and June 30, 2016.

Exhibit 5-12
LCISD Auxiliary Staff Separation Summary by School Year
July 1, 2013 through June 30, 2016



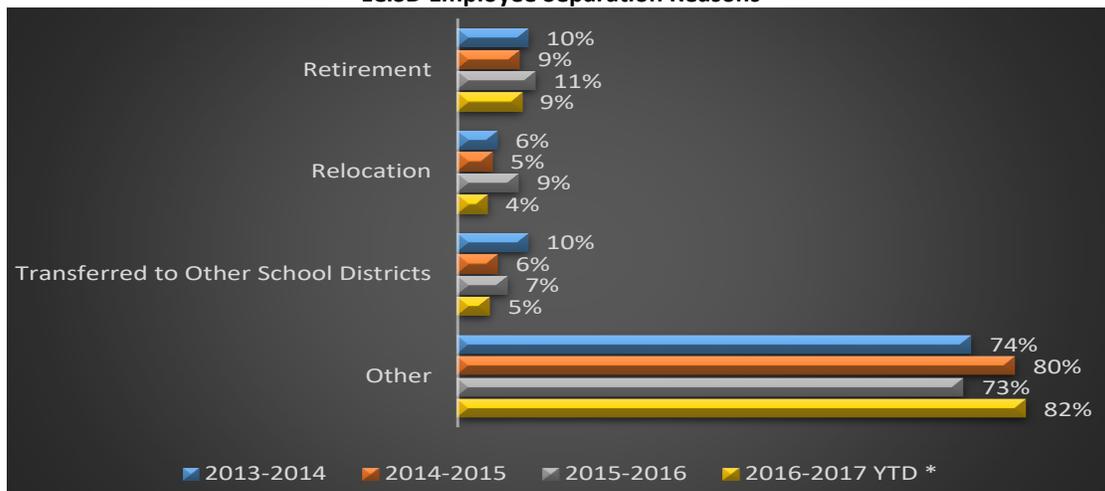
Source: LCISD HR Separations 2013-2014 through 2016-2017 YTD 3-9-2017 File, March 2017.

Note: Excludes part-time employees and substitute workers.

LCISD recognized that most individuals need to work full-time jobs to meet their financial obligations. The district has some individuals who drive school buses and also work in another auxiliary position during the school day. This arrangement allows them to work an eight-hour shift.

Effective human resources departments analyze reasons for employee separations so that appropriate corrective action can be taken. **Exhibit 5-13** summarizes reasons recorded for LCISD’s employee separations from 2013-2014 through 2016-2017. Approximately 16 percent of employee separations in the 2015-2016 school year were due to relocations and transfers. Most individuals stated “other” as the reason for separating from LCISD. The “other” category does not allow for the district to effectively understand the root causes of why employees are leaving the district.

Exhibit 5-13
LCISD Employee Separation Reasons



Source: LCISD HR Separations 2013-2014 through 2016-2017 YTD 3-9-2017 File, March 2017.

Note: Excludes Substitute Workers

* This period does not represent a full school year.

Organizations must have sound hiring practices and updated retention plans to attract and retain qualified individuals. Employee stability provides many benefits to an organization and its employees. Conversely, frequent employee turnover negatively impacts the organization's productivity, employee morale, and finances. Employee turnover impacts include, but are not limited to:

- Cost of advertising the job vacancy, screening applicants, conducting interviews and the new hire processing.
- Cost of on-boarding the new employee, including orientation, benefit enrollment and initial training.
- Lost productivity while the position is vacant and a replacement employee is learning the processes.
- Low employee morale when turnover is high.
- Training costs incurred to teach new employees. It is estimated that organizations invest 10-20 percent of an employee's annual salary on training.

According to the Center for American Progress 2012 study, the cost to replace an employee is 16 percent of the annual salary for positions that earn \$30,000 a year or less, 20 percent for positions earning less than \$50,000 a year, and up to 213 percent for executives. The Society for Human Resources Managers (SHRM) conducted a similar study in 2012 and determined that the average cost incurred by organizations to replace an employee is 6-9 months of the first year's salary.

Humble Independent School District in Humble, TX experienced high bus driver separations and difficulties in recruiting qualified candidates. The school district implemented an in-house commercial driver license (CDL) training program and also pays for the CDL license. New bus drivers are required to remain with the district for three years once they participate in Humble ISD's bus driver training program and obtain their CDL license. This program has resulted in providing the district with qualified bus drivers and lower staff separations.

Humble ISD's Food Service department works with their Human Resources Department to hold two job fairs per year. Both job fairs are held at the food service building. The first job fair is held in early July to hire for known vacancies. The second job fair is held in late July or early August to hire for remaining vacancies. Each job fair includes a formal presentation on working at Humble ISD, the background check process, food service operations and pay. Each person that applies for the job is required to take a test on basic job skills while at the job fair and, if they pass, they are interviewed and then made job offers on-the-spot. The job offers are contingent upon passing the background checks. Humble ISD food services job fair process provides the department with a fully staffed organization prior to the beginning of each school year. Furthermore, this process has resulted in lower separations because individuals are informed of the job expectations and pay prior to beginning work.

RECOMMENDATION 5-1

Develop a plan to stabilize auxiliary staff retention.

The chief human resources officer should work with the department directors to develop attractive programs such as providing specialized training and licenses in return for longevity commitments. LCISD's close proximity to Houston, TX, and other growing communities where full-time and/or larger hourly wages are offered for skilled labor, requires that the district offer competitive wages and attractive benefits.

The chief human resources officer should also work with the department directors to develop staff recruiting and retention plans. This activity begins by determining staff retention target rates and what action should be taken when retention falls below targeted rates. The plan should also include monitoring and reporting activities, and it should assign responsibilities for all activities.

The chief human resources officer should revise the employee exit survey to include additional separation reasons so the individual has more options to choose from and the district can better analyze separation reasons. Additionally, the district should consider using an independent third party to conduct exit interviews to capture more details about employee separation reasons.

FISCAL IMPACT

This recommendation can be implemented with existing resources. Any costs that may be incurred to provide specialized training and licenses will be more than offset through reducing hiring activity costs.

ANTICIPATING TOMORROW

In order to meet the staffing needs that comes with growth, the district must continue to design and offer innovative compensation packages and programs to attract and retain bus drivers, food service workers and teacher aides. This will require thinking outside of traditional methods for employee sourcing; job hours and responsibilities structuring; and job incentives. Some options that the district could explore are:

- Partner with the City of Houston to contract bus drivers.
- Contract with professional employment agencies to provide auxiliary staff.
- Partner with community colleges to implement food service and teacher aide work study programs.

OBSERVATION 5-2

The district does not have formal procedures in place to monitor, analyze, and report compensatory time.

LCISD staff work overtime, but this time is not formally monitored or reported at the department or district level. This formal monitoring would take place by providing summary reports of overtime and compensatory time earned, used and balances by department to the Superintendent’s Cabinet and the respective department managers. Additionally, there are inconsistencies between district departments in how overtime and compensatory time is paid. The review team was told that some departments require staff to record all overtime hours as compensatory time to be taken at a later date while other departments pay a combination of overtime and compensatory time. However the review team could not substantiate these claims because the district does not have processes in place to monitor and report compensatory time earned and used.

When we asked for a report of compensatory time earned and used by staff, the review team was told that the information is maintained in the district’s timekeeping system (Kronos) but that it could not be exported into a spreadsheet format for analysis. Additionally, prior to August 2014 staff maintained their own paper logs and records of compensatory time earned and used.

Without a record of compensatory time earned and used, how effectively the district is managing overtime cannot be assessed. However, the district’s actual overtime and compensatory time paid for school years 2013-2014 through 2016-2017 was less than one percent of the district’s general fund revenue. **Exhibit 5-14** provides a summary of the district’s overtime and compensatory time paid for school years 2013-2014 through 2016-2017.

Exhibit 5-14
LCISD Summary of Employee Overtime and Compensatory Time Paid
School Years 2013-2014 through 2016-2017

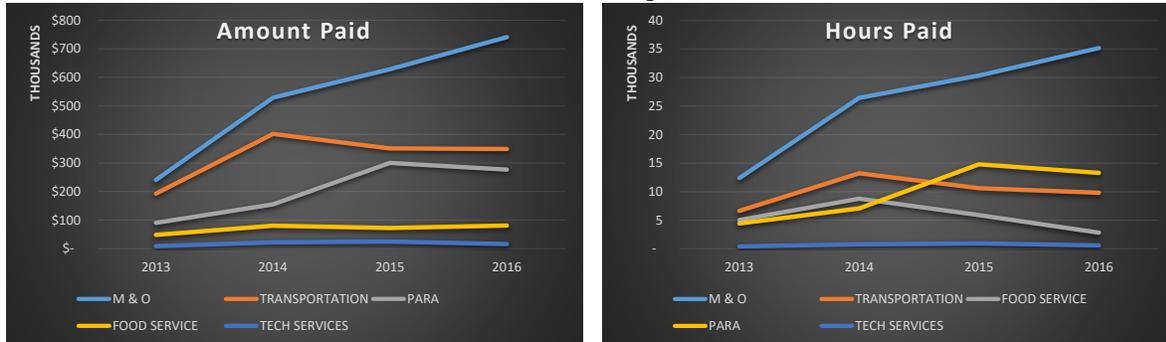
Year	Total OT and Comp. Time Paid (Gross)	Total Hours	OT and Comp. Time as Percentage of General Fund Revenues
2013	\$581,046	28,874	0.3%
2014	\$1,188,758	56,226	0.5%
2015	\$1,377,420	62,532	0.6%
2016	\$1,463,997	61,668	0.6%

Source: Calculated from the employee overtime and compensatory time earned report provided in March, 2017.

The Maintenance & Operations (M&O) function (custodians and maintenance staff) incurred the highest amount of overtime and compensatory payments. The district’s custodial overtime and compensatory hours paid increased

from 12,378 in school year 2013-2014 to 35,142 in school year 2016-2017. **Exhibit 5-15** provides a summary of overtime and compensatory hours paid for school year 2013-2014 through school year 2016-2017.

Exhibit 5-15
LCISD Summary of Employee Overtime and Compensatory Time Paid by Function
SY2013-2014 through SY2016-2017



Source: Calculated from the employee overtime and compensatory time earned report provided in March, 2017.

The U.S. Department of Labor (DOL) regulates how employers pay their employees for hours worked. The DOL describes compensatory time (comp time) as paid time off the job that is earned and accrued by an employee instead of immediate cash payment for working overtime hours.

Fair Labor Standards Act (FLSA) Section 207(o) provides the following in subsection (2) (A):

A public agency may provide compensatory time under paragraph (1) only-- (A) pursuant to-- (i) applicable provisions of a collective bargaining agreement, memorandum of understanding, or any other agreement between the public agency and representatives of such employees; or (ii) in the case of employees not covered by subclause (i), an agreement or understanding arrived at between the employer and employee before the performance of the work.

According to the Texas Classroom Teacher’s Association (TCTA) a school district can require an employee to take compensatory time in lieu of overtime pay if the employee agrees to that arrangement in writing before performance of the work. If the employee has not signed an agreement to accept compensatory time, the employee can object to a request to do so and insist on receiving overtime pay.

Additionally, an employer must honor an employee’s request to use compensatory time within a reasonable time after the request unless the use of compensatory time would “unduly disrupt” the employer’s business. The proper calculation of compensatory time is 1.5 times the hours worked in excess of 40. Upon termination of employment, any unused compensatory time accrued by an employee must be paid to the employee.

LCISD Board Policy DEAB (Local) states a non-exempt employee may receive compensatory time off, or overtime, for overtime worked.

RECOMMENDATION 5-2

Ensure that the district’s overtime policies are consistently followed and develop a detailed report for each manager to monitor overtime and compensatory time.

The chief human resources officer should ensure that the district’s overtime policies are consistently followed by providing training to department managers; requiring all hours worked and time off to be recorded; and providing a descriptive memorandum to all employees. Additionally, the district’s payroll staff should develop a detailed report for each manager that shows each staff’s overtime earned, overtime used, overtime balances, compensatory time earned, compensatory time used, and compensatory time balances. Summary reports should be generated that shows the same information on a departmental level. These reports should be generated and distributed to all managers, executives, and the superintendent on a monthly basis.

FISCAL IMPACT

This recommendation can be implemented with existing resources.

ANTICIPATING TOMORROW

As the district grows, it will become even more important to ensure that overtime and compensatory time is appropriately monitored. Although compensatory time does not have a direct financial impact, the indirect impact is that when individuals accrue compensatory time, they tend to use this time instead of their vacation time. As a result, the vacation and sick leave balances grow and have a direct financial impact because school districts are required to pay employees sick leave and some vacation time balances upon the employee's separation from the district.

OBSERVATION 5-3

The district's timekeeping system is not configured for optimal internal controls.

The district implemented an electronic timekeeping system in August 2014 known as Kronos. The Kronos system was implemented in phases that began in September 2012 and campuses began using the system in August 2014. This system enables staff to clock-in and out using their identification badges or manual entry into the computer. The LCISD staff is allowed to manually change their own time in the Kronos timekeeping system. Managers are required to approve their employee's time each week. This procedure was originally intended to enable the staff who forget to swipe their badge when they arrive to work or return from lunch, to record their correct time.

However, this concession is an internal control weakness that can lead to abuse and paying employees for time not worked. Employees can record hours for when they were not present such as late arrivals, early departures, and absences which then results in inflated hours worked and overpayments. Additionally, allowing employees to adjust their own time circumvents the management control that provides for monitoring of late arrivals, early departures, and absences. Therefore, employees should not be allowed to manually adjust their time records in the timekeeping system.

RECOMMENDATION 5-3

Establish a policy that requires all time corrections, including manual entry of arrival time or departure time, to be flagged and approved by the department manager, and generate reports each pay period to monitor instances where employee time was manually adjusted.

FISCAL IMPACT

This recommendation can be implemented with existing resources.

ANTICIPATING TOMORROW

As LCISD grows and technology continues to advance, internal controls inherent in the district's information systems will become even more critical than they are today. Information systems provide a method to capture and report data into one central location. In most instances, information systems are implemented to increase efficiencies and improve internal controls. As such, it is crucial that representatives from management and internal audit are on the implementation project team for all information systems implemented. Internal audit should serve as an advisor to evaluate the system access and control points to ensure that the appropriate segregation of duties and internal controls are designed into the system. This will help reduce the potential for inadvertent internal control weaknesses in the future.

ANTICIPATING TOMORROW – OTHER TOPICS

The district currently does not have succession planning and appropriate staffing models in place. These are discussed in the District Organization chapter of this report. LCISD’s Human Resources will need to work with district leadership to ensure that succession plans are in place and that the district’s staffing models are reviewed and updated on a regular basis to ensure that the district is staffed with qualified individuals.

Additionally, Human Resource Department staffing levels will need to increase as the district grows. Growth will require additional staffing at all positions within the district. Human Resources role in the district’s growth is to ensure qualified staff are hired and retained; ensure labor laws are monitored and complied with; and monitor workforce market conditions to ensure that the district offers competitive compensation packages. Human Resources Department staffing increases should be based upon human resource industry staffing standards and benchmarks. The traditional measure for human resource staffing standards is expressed as a ratio that calculates the number of human resource employees to the number of total full-time equivalents. This ratio shows the number of human resources full-time equivalents (FTEs) supporting 100 FTEs in an organization.

According to a the Society for Human Resource Management (SHRM) Human Capital Database, the average Human Resources -to-employee ratio was 2.57 for all organizations. This means that organizations employed 2.57 HR FTE’s for each 100 FTEs that they employed. As staff size increases, however, the HR-to-employee ratio decreases. **Exhibit 5-16** provides a summary of the average HR to employee ratios.

**Exhibit 5-16
Average HR to Employee Ratio**

Organization Size	HR to Employee Ratio
1-250	3.40
251 – 1,000	1.22
1,001 – 10,000	1.03
Overall	2.57

Source: Society for Human Resource Management (SHRM) How Organizational Staff Size Influences HR Metrics, 2015.

Typically, the HR-to-employee ratios in smaller organizations are higher than larger organizations. This is because it takes a minimum HR baseline to deliver primary HR services. But once that baseline is met, the incremental amount of HR staff required to support more employees doesn’t increase at the same rate.

Calculating the ratio should include Human Resources professionals who work as generalists and those in areas such as benefits, compensation and labor. The ratio should exclude payroll and training or development employees.

Finally, it is important that the district ensures that any responsibilities assigned to the Human Resources Department align with the function. For example, conducting school safety inspections and managing the safety budget does not align with human resources and should not be assigned to the department.

FISCAL IMPACT SUMMARY

RECOMMENDATION		2017–2018	2018–2019	2019–2020	2020–2021	2021–2022	TOTAL 5-YEAR (COSTS) OR SAVINGS	ONE TIME (COSTS) OR SAVINGS
CHAPTER 5: HUMAN RESOURCES								
5-1	Develop a plan to stabilize auxiliary staff retention.	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5-2	Ensure that the district’s overtime policies are consistently followed and develop a detailed report for each manager to monitor overtime and compensatory time.	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5-3	Establish a policy that requires all time corrections, including manual entry of arrival time or departure time, to be flagged and approved by the department manager, and generate reports each pay period to monitor instances where employee time was manually adjusted.	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTALS–CHAPTER 5		\$0	\$0	\$0	\$0	\$0	\$0	\$0