Fairfax County Internal Audit Office

Department of Human Resources Online Time and Attendance Process Audit Report

December 2003

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FAIRFAX COUNTY, VIRGINIA

MEMORANDUM

TO: Peter J. Schroth, Director
Department of Human Resources

Sampled Departments
J. Thomas Manger, Chief
Police Department

John Wesley White, Director
Department of Public Works & Environmental Services

Ken Garnes, Director
Department of Administration for Human Services

Dana W. Paige, Director
Department of Family Services

FROM: Christopher J. Pietsch, Director
Internal Audit Office

SUBJECT: Time and Attendance Process Audit

DATE: December 2, 2003

The Internal Audit Office has completed a review of the Time and Attendance Process. This internal audit was performed as part of our Annual Audit Plan. Attached is the report for this audit, including an executive summary and detailed findings and recommendations. Each finding has been discussed with applicable management and the responses are incorporated in the report.

We appreciate the cooperation extended to us during this project. Should you have any questions regarding this report, please contact me at (703) 324-4200.

Attachment

cc: Anthony H. Griffin, County Executive
Verdia Haywood, Deputy County Executive
Robert A. Stalzer, Deputy County Executive
Edward L. Long, Chief Financial Officer
David J. Molchany, Chief Information Officer

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Dana W. Paige, Director
Department of Family Services

FROM: Christopher J. Pietsch, Director
Internal Audit Office

SUBJECT: Time and Attendance Process Draft Audit Report

DATE: September 11, 2003

The Internal Audit Office has completed a review of the Time and Attendance Process which was performed as part of our Annual Audit Plan. Attached is the draft copy of our report for this audit.

Please use the enclosed disk, which contains an electronic version of the Response Memorandum form, to complete your responses to each of the findings that relate to your department. This form has areas to complete for Planned Actions, Responsible Personnel, and an Anticipated Completion Date for each item. Your responses in the Planned Actions field should indicate the steps that you plan to take to ensure that corrective measures have been implemented. When filling in the Planned Actions, please ensure that complete sentences are used as your responses will become part of our final report.

In addition, while the draft report recommendations contain bulleted items for the user departments, the corresponding items in the Response Memorandum are numbered out in the Recommendation column such that item 1-A-1 represents the first bulleted item in part 1-A of the report recommendation.

Please return the completed Response Memorandum to our office no later than the close of business on October 10, 2003. Should you have any questions regarding this draft report, please contact me at (703) 324-4200.

Attachments

Executive Summary

Based on our review and test work performed, we noted several areas where internal controls over the time and attendance process were not adequate within the departments sampled. Inconsistent supervisory attention and monitoring, lack of complete documentation, and inaccuracy of processed data affect the overall success of this process. Similar concerns were noted during our reviews performed in 1998 and 2000. In addition, assigned access and security levels for Online Time were not kept current.

Scope and Objectives

This audit was scheduled as part of our Fiscal Year 2003 Annual Audit Plan and was conducted in accordance with Generally Accepted Government Auditing Standards. The audit covered the period from November 16, 2002, through December 13, 2002, and our objectives were as follows:

- Determine completeness from input to Batch, Balance, and Edit processing,
- Evaluate the accuracy of time and attendance data,
- Verify the security of the on-line data.

Methodology

We evaluated the policy and oversight role of the Department of Human Resources (DHR). In addition, we sampled departments that were broadly representative of the County's operating differences. Factors in making our selection were workforce size, geographic decentralization, and command structure/culture. Our sample included:

- Police Department,
- Business Planning & Support, Dept. of Public Works & Environmental Services (DPWES),
- Department of Family Services (DFS) not including School Age Childcare Centers, and
- DFS, School Age Childcare Centers (SACC).

We interviewed appropriate County employees responsible for time and attendance input, review, and processing. We determined the level of compliance with procedures and applicable regulations by interviewing employees and examining files. We compared processed hours to documentation in the departments.

Findings, Recommendations, and Management Response

1. Time Data Accuracy

A. Procedures for Comparison of Processed Data to Source Documentation

The time processed for Payroll Contacts was not being verified after processing at any of the departments in our sample. In addition, none of these departments were periodically reviewing a representative sample of employee time records to time processed, as required by Personnel/Payroll Administration Policies and Procedures Memorandum No. 8 (PPA #8).

The system access controls for the Online Time system allow for Payroll Contacts to make changes to time records that have been input and even locked for other employees as well as for their own time. Unless departments put into place a process to verify actual time processed to timesheets there is no way to ensure that the time records processed by Payroll Contacts are accurate and authorized.

We tested for detective control procedures performed according to PPA #8. In addition, we were seeking compensating controls over the power awarded to the Payroll Contact. The periodic matching of a sample of timesheets to processed data could detect unauthorized overtime payments or leave taken but not processed with the payroll.

Recommendation 1 (Department of Human Resources): We recommend that the DHR revise the Personnel/Payroll Administration, Policies and Procedures, Memorandum No. 8, to specifically include frequent matching of the Payroll Contact's timesheet to actual processed time. In addition, future training of County employees should continue to include emphasis on documentation verification procedures.

> **Management Response:** PPA #8 will be revised as recommended by December 1, 2003. The Department of Human Resources Online Time Payroll Contact and Timekeeper training will continue to emphasize that both levels of review should include verification that all exceptions to regular hours are authorized and properly documented.

Recommendation 2 (User Departments): We recommend that the directors of the sampled departments implement PPA #8, and ensure that leave and overtime exception documentation of Payroll Contacts are matched to processed time and irregularities are investigated.

> **Management Response:** The Department of Family Services will reissue their internal procedures for time and attendance reporting and on-line time. The Payroll Contacts for the Department of Family Services are the Department of Administration for Human Services (DAHS) employees and do not have the ability to make changes to

their own on-line time. DAHS will develop a process to ensure that the leave and overtime exception documentation of the DAHS Payroll Contacts is matched to processed time and any irregularities will be investigated. DAHS anticipates completion within 60 days following DHR's revision of PPA#8.

The Department of Public Works and Environmental Services will instruct the supervisors of Payroll Contacts to review the Payroll Contacts' leave and overtime exception documentation to ensure that it matches processed time. A record of this review will be maintained by the supervisor and will be made available during the quarterly review mentioned below. The review process will begin November 1, 2003.

The Financial Resources Division of Police Department will conduct reconciliation on the Time and Attendance documents of the Payroll Contacts by reconciling the time and attendance documents to the Transaction Holding File bi-weekly. This process will be implemented with receipt of Transaction Holding File PP#23.

Recommendation 3 (User Departments): We recommend that the directors of the sampled departments implement PPA #8, and ensure that a sample of leave and overtime documentation for the department is taken on a periodic basis and compared to the processed data. Irregularities should be investigated.

Management Response: The Department of Family Services and the Department of Administration for Human Services will develop and implement internal time and attendance procedures. The procedures will include the requirement for Payroll Contacts to take a sample of leave and overtime documentation on a periodic basis and compare it to the processed data. DAHS will develop and implement these procedures within 60 days of DHR's revision of PPA#8.

The Department of Public Works and Environmental Services will take a sample of leave and overtime documentation and compare it to the processed data on a quarterly basis. This review will begin in January 2004 and will be conducted quarterly.

The Police Department will assign two payroll staff employees of the Financial Resources Division to perform quarterly audits of leave/overtime documentation. This review will be done in September, December, March and June of each year.

B. Data Processed Not in Agreement with Timesheets

Payroll time data processed at two departments did not match the employees' timesheets. We compared the data from the 24th payroll to timesheets and noted entries that did not match in the following percentages:

- 4 percent of sample from Police Department

- 7 percent of sample from Department of Family Services / Non-SACC

We reviewed the accuracy of the data processed by comparing it to the original documentation. Specifically, PPA #8 states that exceptions to regular hours are to be documented and Payroll Contacts are responsible for final comparison of time data with the approved timesheet. Incorrect payroll data could lead to unauthorized overtime payments or improperly credited compensatory time.

Recommendation 1: We recommend, in accordance with PPA #8, that the Police Department implement effective internal controls to ensure that the Agency Summary spreadsheet accurately reflects the approved department forms for documenting exceptions to regularly scheduled time and attendance.

> **Management Response:** The Police Department has revised the overtime justification sheet posted on the department's shared drive. The Payroll Section of the Financial Resources Division updated the Department's Payroll Manual and conducted training sessions for Department T&A timekeepers. The Payroll staff has been conducting site visits to ensure adherence to the procedures. The Director of the Financial Resources Division sends e-mail messages to the Command Staff regarding T&A coding for unusual overtime assignments. Commanders review the PD27 Overtime Summary sheets prior to submission to the Financial Resources Division. This procedure was implemented on June 24, 2003.

Recommendation 2: We recommend, in accordance with PPA #8, that the Department of Family Services/Non-SACC implement effective internal controls to ensure that the data processed accurately reflects the approved department forms for documenting exceptions to regularly scheduled time and attendance.

> **Management Response**: The requirement for supervisors to approve and document any exceptions to the employee's regular schedule will be included in the internal policies and procedures to be developed for use by Department of Family Services staff, and in the internal on-line time processing procedures to be developed for the Department of Administration for Human Services Payroll Contacts that support the Department of Family Services. DAHS anticipates completion within 60 days of DHR's revision of PPA#8.

2. Documentation of Supervisory Approval

Numerous instances were found where departments did not have documentation on hand to support approval of exception hours processed. We compared the data from the 24th and 25th payrolls to timesheets and noted timesheets missing or unsigned by supervisors in the following percentages:

- 25 percent of sample from Police Department
- 13 percent of sample from Business Planning and Support/DPWES
- 16 percent of sample from Department of Family Services/Non-SACC

We looked for complete documentation, necessary to provide evidence of approval of leave and/or overtime. Specifically, PPA #8 states that:

- Exceptions to regular hours are to be approved by the supervisor, in advance when possible, and documented. Supervisors are required to sign the form;
- Payroll Contacts are responsible for final comparison of time data with the approved timesheet.

Lack of sufficient supervisory oversight and documented approval of hours worked could lead to unauthorized overtime payments or improperly credited compensatory time.

Recommendation: We recommend, in accordance with PPA #8, that department directors ensure that first line supervisors approve any exceptions to the employee's regular schedule and document that approval. The documentation should be compared to time data prior to payroll processing and retained in a file to show evidence of the reported time.

Management Response: The requirement for supervisors to approve and document any exceptions to the employee's regular schedule will be included in the internal policies and procedures to be developed for use by the Department of Family Service (DFS) staff, and in the internal on-line time processing procedures to be developed for the Department of Administration for Human Services Payroll Contacts that support DFS. DFS managers and Payroll Contacts will meet with supervisors to explain the procedures and to stress the importance of approved documentation for leave and overtime. DAHS anticipates implementation within 60 days of DHR's revision of PPA#8.

All supervisors in the Department of Public Works and Environmental Services will be notified to ensure that leave and overtime exception documentation is attached to hard copy time and attendance records. These records will be reviewed by the Payroll Contacts and compared to Online Time prior to transmittal each pay period. These procedures will be implemented by November 1, 2003.

The Command Staff of the Police Department (who are designees of the Chief of Police) ensure that each supervisor under their command approves any exceptions to the employee's regular schedule. The supervisor reviews and approves overtime, signs the overtime justifications, and forwards them to the T&A timekeeper. The

timekeeper records them into the PRISM Online Time system and summarizes the overtime hours on the PD27 Overtime Summary sheet. Prior to transmission of the PD27 sheets to the Payroll Section of the Financial Resources Division, the Command Staff reviews the final documentation. The Payroll staff checks each transaction (time data) of the Online Time system against the PD27 sheets for the final review. Commanders check summaries of Job Numbers and On-Call hours in addition to the data entries. The procedure has been posted in the Payroll Manual (pages 4-6). This process will be completed every pay period.

3. Assigned Access Levels

Access was not restricted to the needs of the current job assignment for some personnel and there was no readily available report for reviewing access assigned to employees. For example, the Police Department had 10 employees with access at the Payroll Contact level, although only four employees were assigned Payroll Contact duties. In the Department of Administration for Human Services, an employee was to have Payroll Contact access for one department and supervisor access in another department. However, the employee had access to 11 departments at the Payroll Contact level.

We reviewed access and security levels in the sampled departments. Access should align with the employee's current job responsibilities and be periodically reviewed. Although the Information Technology Security Policy, effective April 15, 2003 states that "each agency must authorize and enforce access based on least privilege," we determined that tools for the management of Online Time access and security levels have not been developed. There are no reports available listing the access assigned to employees.

Inappropriate access could result in unauthorized changes to the time data which could lead to incorrect payroll information, including unauthorized overtime payments.

Recommendation 1 (Department of Human Resources): We recommend that DHR provide necessary reports to enable departments to efficiently and effectively review Online Time access and security levels.

Management Response: Security levels and time group access is currently available to agencies through on-line viewing. The Department of Human Resources has extracted the current information from Online Time and has developed reports that will be distributed to the Payroll Contact and Agency Security Coordinator. DHR will begin reviewing the on-line screens as well as the paper reports after the November meeting with agency Payroll Contacts and Security Coordinators. These reports will then be distributed twice a year.

Recommendation 2 (User Departments): We recommend that, once reports are

available, security and access levels be reviewed on a periodic basis. This review is to assure that access and security levels reflect current employee assignments, in accordance with the County's revised security policy.

> **Management Response:** Management will review and change security and access levels for Department of Family Services employees as needed. This will be completed within 30 days of receipt of the report.
>
> The Department of Public Works and Environmental Services will review security and access levels quarterly. This process will begin in January 2004 and will be done on a quarterly basis.
>
> The Payroll Supervisor for the Police Department reviews PRISM security and access levels on a semi-annual basis. These reviews are done in December and June.

4. Review of Batch, Balance, and Edit Changes

Based on our survey and fieldwork, time and attendance reconciliation was not being done in any of the departments sampled. We tested for reconciliation procedures performed according to PPA #8. We noted confusion from department Payroll Contacts about procedures, task assignments, and the availability of reports and documents needed for reconciliation. Report titles cited in the PPA#8 did not in all instances match the title of the report/document needed for reconciliation.

The purpose of time and attendance reconciliation is for the department to review and concur with adjustments made during the Batch, Balance, & Edit process. For example, pay adjustments initiated by the department or by DHR could cause the total hours processed to be different from total hours submitted by the departments for a given biweekly period.

Recommendation 1 (Department of Human Resources): We recommend that the DHR revise the PPA #8, to clarify the procedures and task assignments and provide easy availability of necessary documents and reports. In addition, DHR should monitor implementation by the departments.

> **Management Response:** The Department of Human Resources will revise PPA#8 as recommended to clarify procedures/tasks and provide guidance on accessing the necessary documents/reports. DHR will also continue to survey departments annually to identify who performs their T&A reconciliation. If reconciliations are not being performed, DHR will send department heads a letter encouraging them to delegate this responsibility as soon as possible. Training is provided monthly. PPA#8 will be revised by December 1, 2003. DHR completed the department surveys in September and anticipated that the follow-up letters would be sent in late October to departments not performing Time and Attendance reconciliation.

Recommendation 2 (User Departments): We recommend that the directors of the

sampled departments implement PPA #8 and ensure that time and attendance reconciliation is performed.

Management Response: The requirement to do the reconciliation will be included in the internal on-line time processing procedures to be developed for the Department of Administration for Human Services Payroll Contacts that support the Department of Family Services. The reconciliation will be performed as required. This will be completed within 60 days of DHR's revision of PPA#8 and as Payroll Contacts complete the required training.

The Department of Public Works and Environmental Services will advise each business area to perform time and attendance reconciliation each pay period. Reconciliation records will be reviewed quarterly. Reconciliation will begin in January 2004 and will be performed quarterly.

The Financial Resources Division of the Police Department will perform attendance reconciliation when PPA#8 is revised to provide proper documentation and procedures to complete a successful as well as useful reconciliation. The Police Department will begin reconciling the time and attendance when PPA#8 has been revised by DHR.