



Internal Audit

Timekeeping Process

March 2012

Bernalillo County Internal Audit Timekeeping Process

Executive Summary

SUMMARY OF PROCEDURES

REDW performed an internal audit of the Bernalillo County timekeeping process. Our internal audit focused on assessing the controls and safeguards over timekeeping including overtime, sick leave, temporary special pay increases, and personal leave.

We performed a variety of procedures, including:

- Obtaining an understanding of the timekeeping procedures through reading Administrative Instruction No. 16 – Timekeeping Procedure, Administrative Instruction No. BD 05 – Timekeeping/Adjustments, and through interviewing various timekeeping personnel.
- Testing a sample of employees’ regular time, overtime, prior-period adjustments, and leave to determine if it was approved by the supervisor and the hours were accurately entered and coded in the payroll system.
- Testing a sample of temporary salary increases to determine if increases were approved in accordance with employee rules and regulations and were paid according to the established pay rate and time frame.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

We identified areas during the course of the audit where controls were functioning properly and established procedures were followed. Overall, based on the volume and complexity of the current manual timecard entry system, we found the timekeeping process is functioning reasonably and meeting the current needs of the County.

An automated timekeeping solution will assist in the reduction of errors, increase accountability, and eliminate inefficiencies that are created with a manual process.

- **Temporary Salary Increases**—Temporary salary increases were not always paid according to the agreements and the agreements were not always on file to support rates paid. Furthermore, prior-period adjustments for salary increases were not always processed accurately.

- **Prior-Period Adjustments**—The Payroll Office did not always maintain signed and approved timecards. Corrections to employee vacation time were not always processed accurately. Additionally, it appears that prior-period adjustments processed each pay period were excessive and some adjustments were processed as long as 188 days after the fact.
- **Time Entry**—Hours were not always coded correctly in Empath. Specifically, employees received regular time when vacation time should have been entered and employees received overtime pay when the regular hourly pay should have been paid.

The lower risk observations are included in the attached detailed report.

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Further detail of our purpose, objectives, scope, procedures, observations, and recommendations is included in the internal audit report. In that report, management describes the corrective action being taken for each observation.

We received excellent cooperation and assistance from the various departments during the course of our interviews and testing. We sincerely appreciate the courtesy extended to our personnel.

REDW LLC

Albuquerque, New Mexico
June 19, 2012

Bernalillo County Internal Audit Timekeeping Process

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Bernalillo County Internal Audit Timekeeping Process Report

INTRODUCTION

We performed the internal audit services described below solely to assist Bernalillo County in evaluating the internal controls and safeguards in place surrounding the timekeeping process including overtime, sick leave, temporary special pay increases, and personal leave. Our services were conducted in accordance with the Consulting Standards issued by the American Institute of Certified Public Accountants, Generally Accepted Government Auditing Standards, and the terms of our contract agreement for internal audit services. Since our procedures were applied to samples of transactions and processes, it is possible that significant issues related to the areas tested may not have been identified.

An entrance conference was held on March 7, 2012 at which time most items needed for the audit were requested. Fieldwork began the week of March 12, 2012. An exit conference was held on May 02, 2012, and final management responses were received on June 19, 2012.

Although we have included management's responses in our report, we do not take responsibility for the sufficiency of these responses or the effective implementation of any corrective action.

PURPOSE AND OBJECTIVES

Our internal audit focused on the assessment and testing of internal controls encompassing the timekeeping process including overtime, sick leave, temporary special pay increases, and personal leave usage.

SCOPE AND PROCEDURES PERFORMED

In order to gain an understanding of the processes and operations surrounding timekeeping, we interviewed the following personnel:

- Geri Maestas, Payroll Manager
- Virginia Chavez, Employment Manager
- Greg Perez, Division Chief—Fire Department
- Ariana Leyba, Timekeeper Supervisor—Public Works

- Julia Archibeque, Administrative Officer I—Sheriff’s Department
- Wendy Jiacoletti, Administrative Officer I—Sheriff’s Department
- Rachel Mora, Administrative Assistant—Budget Office
- Darlene Hernandez, Records Supervisor—Clerk’s Office
- Pat Chandler, Administrative Assistant—County Manager’s Office
- Judy Griffith, Administrative Assistant—County Manager’s Office
- Diane Beserra, Administrative Officer III—Animal Care

In order to understand the timekeeping policies and procedures we:

- Read various sections of the Bernalillo County, “Employment Relations Rules and Regulations.”
- Read Administrative Instruction No. 16—Timekeeping Procedure.
- Read Administrative Instruction No. BD 05—Timekeeping/Adjustments.

We performed the following testwork:

- *Overtime:* We selected a sample (based on 90% CL, 5% TD) of 45 overtime entries posted in the Empath payroll system between June 1, 2011 and February 24, 2012. For each employee and overtime entry selected, we tested that the overtime was approved by the supervisor, the hours were entered accurately in the system, and the hours were coded under the correct overtime code.
- *Special Pay:* We obtained a listing of those employees that received temporary special pay compensation between June 1, 2011 and February 24, 2012 and selected a sample (based on 90% CL, 5% TD) of 37 employees. For each employee in the sample we tested that:
 - The special pay received was supported by a temporary salary increase form that was approved by the County Manager, Department Director, and Human Resources Director as required by employee rules and regulations;
 - Special pay compensation received by the employee was paid in accordance with rate set forth in the Temporary Salary Increase Form; and,
 - Special pay compensation did not exceed the time frame set forth in the Temporary Salary Increase Form.
- *Sick and Personal Leave:* We selected a sample (based on 90% CL, 10% TD) of 22 leave request forms processed between June 1, 2011 and March 8, 2012. For each leave request in our sample we tested that the leave request was approved by the supervisor and that the hours taken were entered accurately in the payroll system.
- *Employee Timesheets:* We obtained the payroll registers for pay periods ending January 13, 2012 and February 10, 2012 and selected a sample (based on 90% CL, 10% TD) of 22 employees. For each employee in the sample we tested that:
 - The employee’s timesheet was signed and approved by the employee and supervisor;

- The hours entered and coded in the payroll system agreed to the hours on the employee’s timesheet; and
- Approved leave requests were on file to support any paid leave taken during the period.
- *Prior-Period Adjustments:* We obtained a listing of prior-period adjustments processed for pay periods ending January 13, 2012 and February 10, 2012 and selected a sample of 10 adjustments. For each employee in the sample we tested that:
 - The adjustment was supported by a corrected timecard, and if applicable an overtime authorization slip or leave request;
 - The adjustment was approved by the supervisor;
 - The adjustment was not already paid on a previous pay period; and,
 - The hours were coded accurately in Empath.

OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

We identified the following weaknesses relating to the Bernalillo County timekeeping process:

1) Temporary Salary Increases

We observed the following in regard to temporary salary increases:

- a. Seven out of 37 employees tested were paid incorrectly according to the agreement on file. In all instances it was determined that the rate on the agreement was correct and the employee received inaccurate compensation.
- b. One out of 37 employees tested received special pay compensation for two pay periods for which a temporary salary increase form could not be provided.
- c. Prior-period adjustments surrounding temporary salary increases were not always processed accurately. One out of 37 employees tested should have been paid at a rate of \$4.52 per hour for 181 hours, but instead received \$0.64 per hour. When the error was caught, an adjustment was made for the entire hourly rate instead of the difference between what should have been paid and what had already been received. This resulted in the employee being over-compensated at a rate of \$5.16 per hour for 181 hours.

Recommendation

Temporary salary increases should not be entered or processed in the system without ensuring all necessary approvals have been obtained. The data entered into the system should be independently reviewed and compared to the Temporary Salary Increase Form to ensure that the correct rate according to the agreement has been applied. The forms should be maintained in the employee personnel files for reference.

Additionally, a process should be implemented to ensure all prior-period temporary salary increase adjustments have been processed accurately and the rate ultimately paid to the employee corresponds to the agreement on file.

The County should consider an automated timekeeping solution to help ensure all approvals are part of a workflow and electronically controlled. This would also assist in reducing the volume of prior-period adjustments as an electronic system will require electronic reviews and approvals prior to processing.

Management Response

- a. Data entry will be reviewed and checked to ensure that the accurate rate has been entered. The HR Generalist or the HR Employment Manager will review the entries processed by the HR Administrative Officer III to ensure all rates and date parameters have been entered accurately.
- b. Once the temporary increase has been entered, the Temporary Increase Form will be maintained in the personnel file for future reference.
- c. HR is working towards automating all forms with an electronic workflow. HR is currently collaborating with HR Information Systems, the Payroll Office, and Management to determine the most efficient and cost effective way to electronically workflow all forms.

2) *Prior-Period Adjustments*

We observed the following with regard to the processing of prior-period adjustments:

- a. AI 16 (c) requires the Payroll Office to maintain all signed timecards. Five of the 10 adjustments tested did not have support to substantiate employee acknowledgement, supervisory review and approval, and timekeeper verification of the hours adjusted.
- b. We observed three out of 10 adjustments where an employee's time was supposed to be adjusted from regular time to vacation time; however vacation hours were added back to the employee's time instead of reducing them.
- c. Administrative Instruction BD 05 states that if an adjustment is needed then the department should prepare a corrected timecard for submission to Payroll by the end of the following pay period. For pay periods ending January 13, 2012 and February 10, 2012 there were approximately 1,300 adjustments processed. Approximately 20% of the checks issued contained an adjustment. Additionally, the average between the work day adjusted and the pay period processed was approximately 21 days and the maximum days between an effected work day and pay period processed was 188 days.

Recommendation

- a. Employees should sign their time card and submit them to their supervisor or manager for approval. Additionally, the supervisors, who will be generally knowledgeable about their employees' attendance, hours, and work assignments during the pay period, should sign each time card indicating review and approval of hours worked. Furthermore, to help ensure compliance with AI 16 (c) the Payroll Office should implement a process for tracking the submission of timecards and ensuring timecards have been adequately completed, reviewed, and approved.
- b. Timekeepers are required by AI 16 (a) to run payroll error and edit reports prior to finalizing time entered. The timekeepers should scrutinize these reports prior to the submission to payroll for processing. This will help reduce the chance of errors going undetected.

- c. The County should consider revising AI BD 05 to include the corrective action for not adhering to the deadline. This will help increase employee accountability for submitting corrections and adjustments timely. Timekeepers and employees should also be educated on the current deadline in place.

The current timecard submission process is manual and implementing an electronic process to sign/approve timecards will help improve consistency and allow for better tracking by payroll. The County should also consider exploring an automated solution to timekeeping as it may assist in the reduction of errors and ensure all time is reviewed by all required personnel before it is paid.

Management Response

- a. The County is currently working to move to an electronic process for time reporting and approval process. Automating this process will result in substantial improvements to the timekeeping process including improving the review and approval process. A full review of all County procedures and administrative instructions pertaining to timekeeping will be conducted as part of this process. Submission of departments' timesheets to the Payroll Office is tracked on a biweekly basis on a departmental timesheet log. The Payroll Office will conduct an audit of all timesheets submitted to verify that timesheets have been signed by employee, supervisor and timekeeper. Unsigned timesheets will be tracked on a spreadsheet and each department's timekeeper and management will receive weekly notification of unsigned timesheets until all signed timesheets have been submitted. This timesheet review will be implemented on pay period ending June 15, 2012.
- b. The timekeepers are aware of the importance of reviewing their edits and error reports, this is included as part of the timekeeper training. The Payroll Office will also continue review error reports and notify timekeepers of any errors still requiring correction.
- c. The Payroll Office agrees and will propose to management that the administrative instruction be revised to include corrective action for not adhering to the deadline for prior-period adjustments. Additionally, Administrative Instruction BC05 will be sent to timekeepers and management and request that employees be sent a reminder of the deadline for prior-period adjustments.

3) Time Entry

One out of 22 timesheets tested included two hours of leave; however this was entered and paid as regular time. As a result the employee's leave balance was not reduced and the employee received compensation for two hours of regular time that was not actually worked. Additionally, we found one out of 22 timesheets tested where an employee received overtime pay for two hours that should have been paid at regular time.

Recommendation

The timekeepers should scrutinize the time cards and diligently compare them to the payroll error and edit reports from Empath to ensure accurate entry.

The County should consider providing an Empath refresher training course to the timekeepers to help ensure consistent and accurate application of policies and procedures.

Management Response

Timekeepers are instructed on reviewing payroll error and edit reports, but the Payroll Office will send out reminder emails as to the importance of reviewing error and edit reports and give examples of errors that might occur if reviews are not done. The Payroll Office provides timekeeper training for new and existing timekeepers upon request, or when new timekeepers are assigned to a department. Many existing timekeepers also come to training with new timekeepers just to keep updated on the timekeeping process. The Payroll Office will continue to train timekeepers on timekeeping process.

4) Timecards and Overtime Authorization Forms

The official Bernalillo County timecard and some of the departmental overtime authorization timesheets do not include date or signature lines. We identified 19 out of 22 timesheets tested were not dated by the supervisor; therefore, we were unable to determine the timesheets were approved after the supervisor had verified the time actually worked. The issue appears to be related to the fact that the official Bernalillo County timecard does not have an area for the employee, timekeeper, and supervisor to document the date of timecard acknowledgement and approval.

Recommendation

The County should update the official timecard to include a date line next to the employee, timekeeper, and supervisor signature lines. This will help document the date that each respective party acknowledges the accuracy of timecard and help ensure that supervisors are not pre-approving hours reported on a timecard.

Additionally, the County should consider creating a standard overtime authorization form that includes at a minimum; signature and date lines for the employee, timekeeper, and supervisor, number of hours worked, and type of overtime to be coded in Empath. A standard overtime form will help ensure consistent application and documentation supporting overtime hours worked.

Management Response

The Payroll Office will update the official timecard to include a date line for each of the signatures, by June 20, 2012. Currently, Information Technology, Human Resources, the Payroll Office, and departmental timekeepers have been meeting to identify short-term improvements in the timekeeping process, one of the initiatives is to create a standard overtime authorization form for use by all departments that includes a date line for each of the signatures on the document. Once the overtime form is created and approved by departments and management, the form will be sent to departments.

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This report is intended for the information and use of Bernalillo County management, the audit committee, members of the board of commissioners of Bernalillo County and others within the organization. However, this report is a matter of public record, and once accepted its distribution is not limited.

We received excellent cooperation and assistance from the various departments during the course of our interviews and testing. We sincerely appreciate the courtesy extended to our personnel.

REDW LLC

Albuquerque, New Mexico
June 19, 2012